June 8, 2011

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

**Re: EB-2011-0038 - Union Gas Limited - 2010 Earnings Sharing & Disposition of Deferral Account and Other Balances – Responses to Interrogatories**

Dear Ms. Walli:

Please find attached Union's responses to the EB-2011-0038 interrogatories.

Union has filed the responses to Board Staff questions 12 b), 18 a) and b), and FRPO questions 33 and 43 under separate confidential cover. Due to the market information included in these responses, Union requests that the Board maintain these responses as confidential per the Practice Direction on Confidential Filings. Intervenors wishing to view these responses must execute a Declaration and Undertaking and forward it to Union.

Should you have any questions, please contact me at 519-436-5476.

Yours truly,

*[original signed by]*

Chris Ripley
Manager, Regulatory Applications

cc Crawford Smith (Torys)
EB-2011-0038 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 179-08 Unabsorbed Demand Costs (UDC)**

Ref: Exhibit A / Tab 1 / Pages 2 -3

a) Please explain on what basis the 2010 UDC was originally forecast. Why was there such a large over-recovery for the Northern and Eastern Operations Areas? Has the 2011 UDC forecast been adjusted to reflect the 2010 over-recovery?

b) Please explain the reasons for the differences between the volumes included in Union's 2010 approved rates and Union's actual UDC volume in Northern and Eastern Operations area (4.4 PJs vs. 13.207 PJs) and Southern Operations area (0.2 PJs vs. 1.391 PJs).

---

**Response:**

Please see attachment.

a) The UDC volumes in approved rates (4.4 PJs in the North and 0.2 PJ in the South) approved by the Board in EB-2005-0520 (Union's 2007 rate case) are fixed over the term of the incentive regulation framework.

   In the North, the UDC costs approved in 2010 rates reflect current TCPL tolls and the 2007 Board-approved UDC volumes. As TCPL tolls increased during 2010, UDC costs approved in rates also increased proportionally. 2011 UDC costs reflect the same volumes as approved in EB-2005-0520 rates and current TCPL tolls.

   In the South, the UDC costs approved in 2010 rates reflect the Trunkline tolls forecasted in EB-2005-0520 and the 2007 Board-approved UDC volumes. As Trunkline tolls have not changed materially since EB-2005-0520, UDC costs approved in rates have not changed significantly. 2011 UDC costs reflect the same volumes as approved in EB-2005-0520 rates and forecasted Trunkline tolls.

   The over-recovery for the Northern and Eastern operations was the result of Union's ability to mitigate actual 2010 UDC costs. While actual 2010 UDC volumes were higher than forecast (13.207 PJ vs 4.4 PJ), actual UDC costs were lower than forecast. Actual UDC costs were lower than forecast because Union incurred UDC costs at significantly lower costs than the TCPL tolls approved in

2010 rates.

b) As noted in a), the UDC volumes in 2010 rates are the same volumes approved by the Board in EB-2005-0520 per Union's 2006-2010 Seasonal Integrated Supply Plan.

Union's actual UDC volumes in 2010 were 14.598 PJ. Actual UDC volumes were higher than forecast due to a warmer than normal 2009/2010 winter and Unaccounted For Gas gains.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 170-70 Short-Term Storage and Other Balancing Services**

Ref: Exhibit A / Tab 1 / Page 5

Please provide a summary table with a break down of revenue, allocated costs, total margin, and the earnings sharing amount to customers for:

- C1 off peak storage
- Gas Loans
- Enbridge LBA
- Supplemental Balancing
- C1 ST firm peak
- C1 firm ST deliverability

---

**Response:**

Please see the Attachment.

2007 Board Approved vs. 2010 Actual
Short-Term Storage Services Account 179-70

| | | 2007 | | 2010 | | | | |
|---|---|---|---|---|---|---|---|---|
| Line No. | Particulars ($000's) | Board Approved ($) | Cost % of Total Revenue | Actual ($10^3M^3$) | Actual ($) | Actual vs. Board Approved ($) | Actual vs. Board Approved (%) | Cost % of Total Revenue |
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| | Revenue | | | | | | | |
| 1 | C1 Off-Peak Storage | 1,000 | | 928,598 | 1,710 | 710 | 71% | |
| 2 | Supplemental Balancing Services | 2,000 | | 1,251,226 | 3,240 | 1,240 | 62% | |
| 3 | Gas Loans | 1,000 | | 1,080,066 | 916 | (84) | (8%) | |
| 4 | Enbridge LBA | 75 | | - | 135 | 60 | 80% | |
| 5 | C1 ST Firm Peak Storage | 13,794 | | 841,430 | 14,886 | 1,092 | 8% | |
| 6 | C1 Firm ST Deliverability | 92 | | - | - | (92) | (100%) | |
| 7 | Total Revenue | 17,961 | | 4,101,320 | 20,887 | 2,926 | 16% | |
| | Costs | | | | | | | |
| | Demand | | | | | | | |
| 8 | O&M | (175) | (1%) | | (743) | (568) | 325% | (4%) |
| 9 | Depreciation | (132) | (1%) | | (498) | (366) | 277% | (2%) |
| 10 | Property & Capital Tax | (28) | 0% | | (102) | (74) | 264% | (0%) |
| 11 | Return | (258) | (1%) | | (905) | (647) | 251% | (4%) |
| 12 | Income Taxes | (6) | 0% | | (13) | (7) | 117% | (0%) |
| 13 | Total Demand | (599) | (3%) | | (2,261) | (1,662) | 277% | (11%) |
| | Commodity | | | | | | | |
| 14 | O&M | (74) | 0% | | - | 74 | (100%) | 0% |
| 15 | UFG | (751) | (4%) | | (653) | 98 | (13%) | (3%) |
| 16 | Compressor Fuel | (707) | (4%) | | (1,220) | (513) | 73% | (6%) |
| 17 | Total Commodity | (1,532) | (9%) | | (1,873) | (341) | 22% | (9%) |
| 18 | Total Costs (line 13 + line 17) | (2,131) | (12%) | | (4,134) | (2,003) | 94% | (20%) |
| 19 | Net Revenue (line 7 + 18) | 15,829 | | | 16,753 | 924 | 6% | |
| 20 | Deferral Sharing (90% x 79%) | | | | | 657 | | |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 179-72 Long Term Storage Services**

Ref: Exhibit A / Tab 1 / Pages 5 -6

Please provide a summary table with a break down of revenue, allocated costs, total margin, and the earnings sharing amount to customers for:

- High deliverability storage
- T1 Delivery and upstream balancing
- Downstream balancing
- Dehydration Service
- Storage Compression
- C1 LT Storage
- LT Peak Storage

---

**Response:**

Please see the Attachment.

2007 Board Approved vs. 2010 Actual
Long-Term Storage Services Account 179-72

| Line No. | Particulars ($000's) | 2007 Board Approved ($) | 2007 Cost % of Total Revenue | 2010 Actual ($10^3M^3$) | 2010 Actual ($) | 2010 Actual vs. Board Approved ($) | 2010 Actual vs. Board Approved (%) | 2010 Cost % of Total Revenue |
|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| | Revenue | | | | | | | |
| 1 | Long-Term Peak Storage | 42,058 | | 5,546,837 | 87,166 | 45,108 | 107% | |
| 2 | T1 Deliverability and upstream balancing | - | | 61 | 1,825 | 1,825 | 100% | |
| 3 | Downstream Balancing | - | | 107 | 742 | 742 | 100% | |
| 4 | Dehydration Service | - | | - | 1,257 | 1,257 | 100% | |
| 5 | Storage Compression | - | | - | 772 | 772 | 100% | |
| 6 | High Deliverability Storage | - | | 920,717 | 20,179 | 20,179 | 100% | |
| 7 | Total Revenue | 42,058 | | 6,467,723 | 111,941 | 69,883 | 166% | |
| | Costs | | | | | | | |
| | Demand | | | | | | | |
| 8 | O&M | (5,969) | (14%) | | (11,078) | (5,109) | 86% | (10%) |
| 9 | Depreciation | (4,538) | (11%) | | (8,645) | (4,107) | 91% | (8%) |
| 10 | Property & Capital Tax | (932) | (2%) | | (1,661) | (729) | 78% | (1%) |
| 11 | Return | (3,317) | (8%) | | (16,262) | (12,945) | 390% | (15%) |
| 12 | Interest | (4,838) | (12%) | | (11,349) | (6,511) | 135% | (10%) |
| 13 | Income Taxes | (108) | (0%) | | (8,215) | (8,107) | 7,506% | (7%) |
| 14 | Total Demand | (19,700) | (47%) | | (57,210) | (37,510) | 190% | (51%) |
| | Commodity | | | | | | | |
| 15 | O&M | (955) | (2%) | | - | 955 | (100%) | 0% |
| 16 | UFG | (4,177) | (10%) | | (1,397) | 2,780 | (67%) | (1%) |
| 17 | Compressor Fuel (1) | (3,437) | (8%) | | (2,643) | 794 | (23%) | (2%) |
| 18 | Customer Supplied Fuel | 7,614 | 18% | | 5,322 | (2,292) | (30%) | 5% |
| 19 | Total Commodity | (955) | (2%) | | 1,282 | 2,237 | (234%) | 1% |
| 20 | Total Costs (line 14 + line 19) | (20,653) | (204%) | | (55,928) | (35,273) | 171% | (50%) |
| 21 | Net Revenue (line 7 + 20) | 21,405 | | | 56,013 | 34,608 | 162% | 50% |
| 22 | Deferral Sharing (2010 - 25%) | | | | | 8,652 | | |

Notes:
(1) Includes compressor fuel and third party storage costs.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 179-72 Long Term Storage Services**

Ref: Exhibit A / Tab 1 / Page 6

In its application EB-2011-0038, Union stated that "the credit balance in the Long-term Peak Storage deferral account of $8.652 million is 25% of the variance between the forecast of $21.405 million and the actual net revenues of $56.013 million."
Please provide a detailed explanation as to why the actual Long-term storage services net revenues are significantly above the Board approved levels.

---

**Response:**

Please see the Attachment.

Long Term Storage Services 179-172 ($000's)

| Line No. | Service | 2010 | 2007 Board-Approved | Variance | Explanation |
|---|---|---|---|---|---|
| | Revenue | | | | |
| 1 | Long-Term Peak Storage | 87,166 | 42,058 | 45,108 | Increase in Long-Term storage space and market prices |
| 2 | T1 Deliverability and upstream balancing | 1,825 | - | 1,825 | New power Market Services |
| 3 | Downstream Balancing | 742 | - | 742 | New power Market Services |
| 4 | Dehydration Service | 1,257 | - | 1,257 | Previously included with M12 Storage Services |
| 5 | Storage Compression | 772 | - | 772 | New Compression Service |
| 6 | High Deliverability Storage | 20,179 | - | 20,179 | New High Deliverability Storage |
| 7 | | 111,941 | 42,058 | 69,883 | |
| 8 | Costs | (55,928) | (20,653) | (35,275) | Please see to the response at B1.3 |
| 9 | Margin | 56,013 | 21,405 | 34,608 | |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

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

Ref: Exhibit A / Tab 1 / Page 6

In its application EB-2011-0038, Union stated that "The Deferred Customer Rebates/Charges account has no balance. The account captures unclaimed cheques related to the amounts refunded to customers that arose from the disposition of deferral balances as approved by the Board."[1]

Please confirm that Union has not held unclaimed cheques related to the amounts refunded to customers that arose from the disposition of deferral balances as approved by the Board as of December 31, 2010. Otherwise, please provide the account balance.

[1] EB-2011-0038, Exhibit 1, Tab , Page 6

**Response:**

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 179-75 Lost Revenue Adjustment Mechanism ("LRAM") Deferral Account**

Ref: Exhibit A / Tab 1 / Page 7

The evidence indicates that in accordance with previous Board-approved practice, Union is proposing to clear the recorded LRAM balance related to unaudited 2010 DSM activities. Please indicate when the audited balances will be available and filed with the Board.

Please explain the reasons for the volume variance of 30,284 (122,888 – 92,604) for 2010.

---

**Response:**

Union will file the audited 2010 Annual Report, which contains the audited LRAM balance, with the Board, on June 30, 2011.

The volume variance is the difference between the 2009 audited LRAM volumes of 92,604 $10^3m^3$ and 2010 unaudited LRAM volumes of 122,888 $10^3m^3$. The reason for the volume variance of 30,284 $10^3m^3$ is due to increased natural gas savings in 2010 associated with Union's custom projects. These custom projects substantially increased volume savings from 2009 to 2010 in the following rate classes: Industrial Rate 100, Industrial M7, and Industrial T1.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 179-115 Shared Savings Mechanism Variance Account**

Ref: Exhibit A / Tab 1 / Pages 10 – 11

The evidence indicates that in accordance with previous Board-approved practice, Union is proposing to clear the recorded SSM balance related to unaudited 2010 DSM activities. Please indicate when the audited balances will be available and filed with the Board.

---

**Response:**

Union will file the audited 2010 Annual Report, which will contain the audited SSM balance, with the Board, on June 30, 2011.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Account 179-120 International Financial Reporting Standards Conversion**

Ref: Exhibit A / Tab 1 / Pages 12 - 13

Please provide the following information with respect to the International Financial Reporting Standards Conversion Deferral Account.

a) A detailed breakdown of Consulting costs for 2009 and 2010.

b) A detailed breakdown of employee costs for 2010.

---

**Response:**

a) and b)

The Board approved the 2009 costs associated with the conversion to IFRS in EB-2010-0039. There have been no additional costs related the conversion included in the 2010 deferral account. The amount that is included in the 2010 deferral account is the revenue requirement related to the capital costs incurred in 2008 and 2009 per the approved EB-2010-0039 Settlement Agreement.

Please see the Attachment for the 2009 consulting costs.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A, Tab 1, pages 20-21

Please provide the following information with respect to the International Financial Reporting Standards Conversion Deferral Account.

a) A detailed breakdown of Consulting costs for 2008 and 2009.

b) A detailed breakdown of employee costs for 2009.

c) Please provide a breakdown of the IFRS Conversion Costs between capital and operating expenditures.

---

**Response:**

a) Consulting Costs

The following is a listing of consultants that were engaged during 2008 and/or 2009 to assist with the IFRS conversion project.

- Ernst and Young LLP – scoping the project, identifying areas of concern, interpretation of standards, and project management.
- Deloitte and Touche – accounting advice and confirmation of accounting policies
- Towers Watson (formerly Towers Perrin) – assist with determining the required pension adjustment and disclosures.
- Fosters and Associates Inc. – assist with componentization of Plant Assets.

Table 1 provides a breakdown of consulting costs incurred each year by consultant.

Table 1
IFRS Consulting Costs by Year
($ Millions)

| | 2008 | 2009 | Total |
|---|---|---|---|
| Ernst and Young LLP | $ 0.878 | $ 0.979 | $ 1.857 |
| Deloitte and Touche | 0.026 | 0.130 | 0.156 |
| Towers Watson | | 0.039 | 0.039 |
| Fosters and Associates Inc. | | 0.127 | 0.127 |
| Total | $ 0.904 | $ 1.275 | $ 2.179 |

b) Employee Costs

Table 2 provides a detailed breakdown of employee costs incurred by year.

Table 2
IFRS Employee Costs by Year
($ Millions)

| | 2008 | 2009 | Total |
|---|---|---|---|
| Salaries and wages | $ 0.055 | $ 0.281 | $ 0.336 |
| Training | 0.002 | 0.011 | 0.013 |
| Travel | 0.004 | 0.045 | 0.049 |
| Total | $ 0.061 | $ 0.337 | $ 0.398 |

During 2008 and 2009, 6 employees were engaged on the IFRS project. A description of how each employee contributed to the project is provided below.

- Throughout 2008 and 2009 one employee from the Corporate Accounting Research Group (Spectra Corporate - Houston) was engaged on the IFRS Project on a full time basis in a project management capacity. This employee's previous role was not replaced/backfilled. An allocation of this employee's costs was charged to the project in 2008 and 2009.
- Throughout 2008 and 2009 one full time employee from the Union Financial Reporting group (Finance) was engaged on the IFRS Project on a full time basis. This employee's previous role was replaced through an external hiring. This employee's costs were not charged to the project.
- For part of 2009 one employee was engaged on the IFRS Project on a full time basis. This employee was from the Union Plant Accounting group (Finance). This employee's previous role was backfilled through an existing resource. This employee's costs were not charged to the project.
- One full time employee was engaged on the project for the month of December 2008 and throughout 2009. This employee was hired externally. This employee's incremental costs were charged to the project during 2008 and 2009.
- One full time employee was engaged on the IFRS Project throughout 2009 and was also hired externally. This employee's incremental costs were charged to the project during 2009.
- One employee was engaged on the IFRS Project on a full time basis for a period of time during 2009. This employee was from the Union O&M Accounting group (Finance). This employee's previous role was backfilled through a contract position. The contract employee's costs were charged to the project during the relevant period in 2009.

In 2010 each of the referenced above employees returned to their previous roles or have taken other roles within the organization.

During 2008 and 2009 numerous other employees from the Union Finance and Operating Departments were engaged on a part-time basis on the IFRS Project while still performing other, non-IFRS transition related duties. None of these employee's costs were charged to the project during 2008 and 2009. None of the positions were backfilled in any manner and the time spent between IFRS and non-IFRS related duties was managed with existing resources.

c) System Upgrade Costs

Table 3 provides a detailed breakdown of system upgrade costs incurred by year. These conversion costs are capital expenditures; all other costs incurred are operating expenditures.

Table 3
IFRS System Upgrade Costs by Year
($ Millions)

| | 2008 | 2009 | Total |
|---|---|---|---|
| Computer software | $ 0.932 | $ 0.023 | $ 0.955 |
| SAP Consulting costs | 0.021 | 0.310 | 0.331 |
| Salaries and wages | | 0.119 | 0.119 |
| Travel | | 0.007 | 0.007 |
| Total | $ 0.953 | $ 0.459 | $ 1.412 |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Accounts 179-121 and 179-122 Cumulative Under- recovery St. Clair Transmission Line and Impact of Removing St. Clair Transmission Line from Rates**

Ref: Exhibit A / Tab 1 / Page 13

Please provide an update on the status of the Dawn Gateway Pipeline project and the sale of the St. Clair Line.

---

**Response:**

The project remains on hold, as discussed during EB-2010-0039 (April 6, 2011 Transcript p.13, lines 10 – 24 attached). Dawn Gateway Pipeline continues to negotiate with the existing shippers as well as other interested parties. Dawn Gateway intends to file with the Michigan Public Service Commission an application seeking approval of a new tariff from Bell River Mills to the St. Clair River crossing by the end of June, 2011. Dawn Gateway also intends to file for the Presidential Permit with the Federal Energy Regulatory Commission by the end of June, 2011.

Filed: 2011-06-08
EB-2011-0038
Exhibit B1.9
Attachment

# ONTARIO ENERGY BOARD

**FILE NO.:** **EB-2010-0039**

---

**VOLUME:** **1**

**DATE:** **April 6, 2011**

**BEFORE:** **Paul Sommerville** **Presiding Member**

**Marika Hare** **Member**

MR. SMITH:  Now, can you tell me, from DTE's perspective, what's the current status of the project?

MR. BERING:  We still believe in this project.  We think it has a lot of benefits, still, for Michigan, for Ontario.

We are actively talking to the existing customers.  We are actively pursuing other customers.  We are trying to generate interest in this project, but we still do not have market support at this time.

MR. SMITH:  Mr. Isherwood, picking up on a comment from Mr. Bering, can you just tell me, from Union's perspective, its view of the project and where it is at?

MR. ISHERWOOD:  Yes.  I would have a similar feel. The project is currently on hold, and until we gather market support it really can't go forward without the market, obviously.

Union's view, Spectra's view is still that the project is very important for Ontario.  It is important from the point of view of Dawn liquidity and keeping Dawn healthy. We have seen a lot of decline in western supply coming to Ontario, so Dawn, getting access through Dawn Gateway is a very important project.

However, until the market supports it, it just won't be able to go forward.

MR. SMITH:  Mr. Capps, lastly, if I could ask you to turn to Exhibit E, 1.8, if I may.

MR. CAPPS:  Okay.  I'm there.

MR. SMITH:  This is an interrogatory of Board Staff,

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Taxable Capital Base Changes**

Ref: Exhibit A / Tab 1 / Pages 19-21

Does Union expect there to be any cumulative tax savings going forward? Please explain.

---

**Response:**

Yes. The cumulative tax savings associated with the reduction in the income tax rates and the elimination of the Ontario capital tax will continue in the future and have been reflected in rates.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A / Tab 1 / Pages 19-21

EB-2010-0148 – Rate Order – Working Papers – Schedule 15

Preamble: Note 10 in Schedule 15 of the Working Papers appended to the Rate Order in EB-2010-0148 states that a $172,000 credit is the 2010-related adjustment to be disposed of in the 2010 ESM and Deferral Account Disposition proceeding. However, Union has noted, on Page 21 of its current Application, that a $409,000 debit is the 2010-related adjustment to be disposed of in the 2010 ESM and Deferral Account Disposition proceeding.

Please reconcile these two adjustment amounts and confirm which adjustment amount is correct.

---

**Response:**

The $172,000 credit stated in EB-2010-0148 is the net amount of the two adjustments. The $581,000 related to income tax changes is based on forecasted rates whereas the amount posted to the deferral account of $573,000 is based on actual volumes.

| | DR (CR) |
|---|---|
| Ratepayer portion of taxable capital changes | 409,000 |
| Ratepayer portion of income tax changes | (581,000) |
| Net adjustment | (172,000) |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**2010 Earnings Sharing and Utility Financial Reporting**

Ref: Exhibit A / Tab 2

a) Please provide the December 31, 2010 audited consolidated financial statements of Union Gas Limited.

b) Please provide the financial statements of each of the corporate entities that are consolidated into the Union Gas Limited December 31, 2010 Consolidated Financial Statements requested above. Please provide the 2010 unconsolidated financial statements either audited or unaudited of the company that owns the distribution business that underpins the Ontario regulated utility disclosures for which the earnings sharing calculation applies.

c) Given Union's 2010 Audited Financial Statements were issued on March 16, 2011 and published on SEDAR, please reconcile the 2010 actual revenues, expenses and income figures in the EB-2011-0038 schedules to the 2010 Audited Financial Statements.

d) Please provide a reconciliation of the Statement of Utility Income for the year ended December 31 2010 that is used in the Earnings Sharing calculations to the 2010 audited consolidated income statement. Please explain any significant differences.

e) Please provide all the background information and calculations used to determine the benchmark ROE as well as the current ROE. Please include all work sheets.

---

**Response:**

a) Please see Attachment 1.

b) Filed under separate confidential cover.

c) Please see Attachment 2.

d) For the reconciliation of the Statement of Utility Income to the 2010 audited consolidated income statement, please see the response at c) above and EB-2011-0038, Exhibit A, Tab 2, Appendix B, Schedule 1.

e) The benchmark return on equity of 8.54% is based on the October 2009 Formula Based ROE as calculated in the table below. For Union's current ROE for 2010 of 10.91%, please refer to EB-2011-0038, Exhibit A, Tab 2, Appendix B, Schedule 1, Line 28.

| | Oct-09 |
|---|---|
| 10 Year Consensus Forecast | |
| 3 Month | 3.50% |
| 12 Month | 3.90% |
| Average | 3.70% |
| Average Spread on 10 & 30 Year Canadian Bonds | 0.53% |
| Long Canada | 4.23% |
| Risk Premium | 3.55% |
| Adjustment factor | 0.76% |
| **Formula Based ROE** | **8.54%** |

Filed: 2011-06-08
EB-2011-0038
Exhibit B1.12
Attachment 1

uniongas
A Spectra Energy Company

**Julie Dill**
**President**

March 16, 2011

Dear Shareholder:

I am pleased to forward you a copy of the Union Gas Limited (Union Gas) 2010 annual report. It contains Union Gas' management's discussion and analysis, management responsibility for financial reporting, consolidated financial results, and corporate directory. I invite you to visit www.sedar.com for electronic versions of Union Gas' consolidated financial statements, management's discussion and analysis, and other filings throughout the year.

Julie Dill
President

This discussion and analysis of Union Gas Limited for the twelve months ended December 31, 2010, should be read in conjunction with the audited consolidated financial statements and accompanying notes. The terms ("we," "our", "us" and "Union Gas") as used in this report refer collectively to Union Gas Limited and its subsidiary unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity within Union Gas. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in millions of Canadian dollars except where noted. Additional information relating to us, including our most recent Annual Information Form, can be found at www.sedar.com.

## FORWARD LOOKING INFORMATION

This Management's Discussion and Analysis (MD&A) includes forward-looking statements. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- local, provincial and federal legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the natural gas industries;
- outcomes of litigation and regulatory investigations, proceedings or inquiries;
- weather and other natural phenomena, including the economic, operational and other effects of storms;
- the timing and extent of changes in commodity prices and interest rates;
- general economic conditions which can affect the long-term demand for natural gas and related services;
- potential effects arising from terrorist attacks and any consequential or other hostilities;
- changes in environmental, safety and other laws and regulations;
- the development of alternative energy resources;
- results of financing efforts, including the ability to obtain financing on favourable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- increases in the cost of goods and services required to complete capital projects;
- declines in the market prices of equity and debt securities and resulting funding requirements for defined benefit pension plans;
- growth in opportunities, including the timing and success of efforts to develop pipeline, storage, and other infrastructure projects and the effects of competition;
- the performance of transmission, storage and distribution facilities;
- the extent of success in connecting natural gas supplies to transmission systems and in connecting to expanding gas markets;
- the effects of accounting pronouncements issued periodically by accounting standard-setting bodies;
- conditions of the capital markets during the periods covered by the forward-looking statements; and

- the ability to successfully complete merger, acquisition or divestiture plans; regulatory or other limitations imposed as a result of a merger, acquisition or divestiture; and the success of the business following a merger, acquisition or divestiture.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## GENERAL

Union Gas is a major Canadian natural gas storage, transmission and distribution company based in Ontario with 100 years of experience and service to customers. The distribution business serves approximately 1.3 million residential, commercial and industrial customers in more than 400 communities across northern, southwestern and eastern Ontario. Union Gas' growing storage and transmission business offers premium storage and transportation services to customers at the Dawn Hub (Dawn). Dawn is the largest underground storage facility in Canada and one of the largest in North America. It offers customers an important link in the movement of natural gas from Western Canadian and U.S. supply basins to markets in central Canada and the northeast U.S.

Our distribution system consists of approximately 60,600 kilometres of main and service pipelines. Our underground natural gas storage facilities have a working capacity of approximately 155 billion cubic feet (Bcf) in 23 underground facilities located in depleted gas fields. The transmission system consists of approximately 5,000 kilometres of high-pressure pipeline and six mainline compressor stations.

Union Gas' common shares are held by Great Lakes Basin Energy L.P., a wholly-owned limited partnership of Westcoast Energy Inc. (Westcoast). Westcoast is a wholly-owned subsidiary of Spectra Energy Corp (Spectra Energy).

Spectra Energy is a Delaware corporation that is a public company in the United States (U.S.) and whose shares are listed on the New York Stock Exchange.

Our board of directors is comprised of at least one-third independent directors with the remainder consisting of officers of Union Gas, Westcoast or Spectra Energy and there is no audit committee of the board. The function of an audit committee is carried out at the level of Spectra Energy during the review of its consolidated financial statements.

## HIGHLIGHTS

| | For the Years Ended December 31 | | |
|---|---|---|---|
| *($millions except where noted)* | **2010** | 2009 | 2008 |
| **Income** | | | |
| Total operating revenues | **1,830** | 2,019 | 2,130 |
| Earnings applicable to common shares | **204** | 173 | 175 |
| **Dividends** | | | |
| Dividends on preference shares | **2** | 2 | 5 |
| Dividends on common shares | **190** | 165 | 115 |
| **Assets and long-term liabilities** | | | |
| Total assets | **5,585** | 5,446 | 4,856 |
| Total long-term liabilities | **2,939** | 2,874 | 2,505 |
| **Volumes of gas ($10^6m^3$)**[1] | | | |
| Distribution volumes | **13,314** | 12,849 | 13,844 |
| Transportation volumes | **25,577** | 22,668 | 25,181 |
| Total throughput | **38,891** | 35,517 | 39,025 |
| **Customers** *(thousands)* | **1,344** | 1,325 | 1,309 |
| **Heating degree days**[2] *(degree Celsius)* | | | |
| Actual | **3,796** | 4,130 | 4,161 |
| Normal[3] | **4,056** | 4,034 | 4,070 |

[1] $10^6m^3$ equals millions of cubic meters. One cubic meter is equivalent to 35.31467 cubic feet.
[2] A heating degree day is a measure of temperature that identifies the need for heating. A degree day occurs when the average temperature falls below 18 degrees Celsius. A temperature of zero degrees Celsius equals 18 heating degree days.
[3] As per OEB approved methodology used in setting rates.

## RESULTS OF OPERATIONS

| ($millions) | For The Three Months Ended December 31 2010 | 2009 | Increase (Decrease) | For The Years Ended December 31 2010 | 2009 | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Gas sales and distribution revenue | 441 | 458 | **(17)** | 1,493 | 1,684 | **(191)** |
| Cost of gas | 238 | 276 | **(38)** | 794 | 1,026 | **(232)** |
| Gas distribution margin | 203 | 182 | **21** | 699 | 658 | **41** |
| Storage and transportation revenue | 78 | 71 | **7** | 308 | 299 | **9** |
| Other revenue | 6 | 11 | **(5)** | 29 | 36 | **(7)** |
| | 287 | 264 | **23** | 1,036 | 993 | **43** |
| Expenses | 160 | 163 | **(3)** | 631 | 608 | **23** |
| Other (income) and expenses, net | - | 2 | **(2)** | - | 2 | **(2)** |
| Interest expense | 41 | 41 | **-** | 158 | 160 | **(2)** |
| Income taxes | 8 | 8 | **-** | 41 | 48 | **(7)** |
| *Net income* | 78 | 50 | **28** | 206 | 175 | **31** |
| *Preference share dividends* | - | - | **-** | 2 | 2 | **-** |
| *Net income applicable to common shares* | 78 | 50 | **28** | 204 | 173 | **31** |

*Three month period ended December 31, 2010 compared to three month period ended December 31, 2009*

*Gas sales and distribution revenue.* The $17 million decrease was mainly driven by:

- a $35 million decrease from lower natural gas prices[4] passed through to customers without a mark-up, and
- a $7 million decrease due to higher earnings to be shared with customers, partially offset by
- a $25 million increase in customer usage of natural gas due to colder weather.

*Cost of gas*. The $38 million decrease was mainly driven by:

- a $35 million decrease from lower natural gas prices passed through to customers without a mark-up, and
- a $15 million decrease in operating fuel costs, partially offset by
- a $23 million increase due to higher volumes of natural gas sold due to colder weather.

*Storage and transportation revenue.* The $7 million increase in storage and transportation revenues was attributable to an increase in long term storage and long term transportation services provided to customers. These increases were partially offset by a decrease in short term storage services provided to customers.

*Twelve month period ended December 31, 2010 compared to twelve month period ended December 31, 2009*

*Gas sales and distribution revenue.* The $191 million decrease was mainly driven by:

- a $182 million decrease from lower natural gas prices passed through to customers without a mark-up, and
- a $23 million decrease in customer usage of natural gas due to weather that was more than 8% warmer than in 2009, partially offset by

[4] Natural gas prices passed through to customers without a mark-up are based on the 12 month New York Mercantile Exchange forecast.

- an $11 million increase due to a 2009 charge for a settlement on 2008 earnings to be shared with customers, and
- a $6 million increase due to growth in the number of customers.

*Cost of gas*. The $232 million decrease was mainly driven by:

- a $182 million decrease from lower natural gas prices passed through to customers without a mark-up,
- a $31 million decrease in operating fuel costs, and
- a $7 million decrease due to lower volumes of natural gas sold as a result of weather that was more than 8% warmer than in 2009.

*Storage and transportation revenue.* The $9 million increase in storage and transportation revenues was attributable to an increase in transportation services provided to customers and an increase in long-term storage resulting from a lower 2010 approved ratio of earnings to be shared with customers.

*Expenses.* The $23 million increase was the result of higher employee costs primarily related to pension costs that are associated with higher amortization of pension plan asset market value losses that have occurred in recent years.

*Income taxes.* The $7 million decrease was primarily due to a lower effective tax rate partially offset by higher pre-tax income.

## QUARTERLY RESULTS

| *($millions)* | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 |
|---|---|---|---|---|---|---|---|---|
| Gas sales and distribution revenue | 788 | 254 | 184 | 458 | 608 | 258 | 186 | 441 |
| Storage and transportation revenue | 83 | 72 | 73 | 71 | 81 | 74 | 75 | 78 |
| Other revenue | 6 | 9 | 10 | 11 | 6 | 8 | 9 | 6 |
| Total operating revenues | 877 | 335 | 267 | 540 | 695 | 340 | 270 | 525 |
| Net income | 108 | 6 | 11 | 50 | 85 | 28 | 15 | 78 |
| Net income applicable to common shares | 107 | 6 | 10 | 50 | 84 | 28 | 14 | 78 |

### *Seasonal Trends*

The natural gas distribution business is highly seasonal due to volume-based rates and the significant effect of the winter heating season on volumes. This is typically reflected in strong first quarter results, second and third quarters that show either small profits or losses and strong fourth quarter results, subject to the impact of weather variations relative to demand during the winter heating season. Changes in natural gas rates that are charged to customers result in corresponding changes in gas sales and distribution revenue. These increases or decreases in gas sales revenue are completely offset in the cost of gas, as a result of the associated regulatory recovery and refund mechanisms.

## RATE REGULATION

Union Gas is regulated by the Ontario Energy Board (OEB) pursuant to the provisions of the Ontario Energy Board Act (1998), which is part of a package of legislation known as *The Energy Competition Act* (1998). This legislation provides for different forms of regulation and competition in the energy (electricity and natural gas) industry in Ontario. We are subject to regulation with respect to the rates that we may charge our customers, system expansion or facility abandonment, adequacy of service, public safety aspects of pipeline system construction and certain accounting practices.

In 2006, the OEB determined that it will forbear from regulating the prices for long-term storage services. The Storage Forbearance Decision created an unregulated storage operation within Union Gas and provides the framework required to support new storage investments. The decision requires Union Gas to continue to share long-term storage margins with ratepayers over a four-year phase-out period that started in 2008. Effective in 2011, there will no longer be any sharing of margins with Union Gas customers on long-term storage transactions.

*Incentive Regulation*

Our distribution rates, effective January 1, 2008 are set under a multi-year incentive regulation framework. The incentive regulation framework establishes new rates at the beginning of each year through the use of a pricing formula rather than through the examination of revenue and cost forecasts. The incentive regulation framework allows for annual inflationary rate increases, offset by a productivity factor of 1.82% that is fixed for each of the next five years. The framework also allows for rate increases in the small volume customer classes where average use is declining, a five-year term, certain adjustments to base rates, the continued pass-through of gas commodity, upstream transportation and demand side management costs, an allowance for unexpected cost changes that are outside of management's control, earnings sharing between Union Gas and our ratepayers beyond specified earnings levels and equal sharing of income tax changes between Union Gas and ratepayers.

The incentive regulation framework included a provision for a review of that framework if we experienced a variance of 3% or more between our actual utility return on equity (ROE) as normalized for weather and the benchmark utility ROE determined by the OEB. Our weather-normalized utility ROE for 2008 exceeded the upper review threshold, and accordingly, we filed for a review by the OEB in April 2009.

In June 2009, we recorded an $11 million charge as a result of a settlement approved by the OEB that amended the incentive regulation framework effective for 2008 by requiring us to share 90% of any utility ROE of 300 basis points or more above the benchmark utility ROE for the year with our customers. The $11 million charge represents the adjustment to credit to customers with 90% of our 2008 utility earnings that exceeded the 2008 benchmark utility ROE by 300 points.

In late 2010, the OEB approved Union Gas' 2011 regulated distribution, storage and transmission rates as determined pursuant to the incentive regulation framework. Changes to Union Gas' revenues are not expected to be material as a result of the new rates.

*Non-Commodity Deferral Account Disposition*

In April 2010, we applied for the annual disposition of the 2009 non-commodity deferral account balances. The combined impact on customers, including the impact of incentive regulation earnings sharing for 2009, is a credit of approximately $15 million. A settlement was reached with intervenors in July 2010, and approved by the OEB in August for changes to rates as of October 1, 2010.

*Commodity Rates*

Union Gas and the OEB have a mechanism in place to change gas commodity rates on a quarterly basis (Quarterly Rate Adjustment Mechanism), to ensure that customers' rates reflect future expected prices to the extent reasonably possible. The difference between the approved and the actual cost of gas incurred is deferred for future recovery from or repayment to customers. These differences are included in quarterly gas commodity rates and recovered from or refunded to customers over the subsequent twelve months and are also subject to review and approval by the OEB on an annual basis. This allows us to adjust customer rates closer to the time of incurrence.

*Cost of Capital*

In December 2009, the OEB issued its policy report on the Cost of Capital for Ontario's Regulated Utilities. In that report, the OEB determined that Union Gas' utility return on equity should be increased by approximately 125 basis points. The OEB also determined that it would only apply the conclusions from its policy report during cost-of-service applications. Accordingly, as we are currently under a five-year incentive regulation framework, we will incorporate the OEB's policy report determinations in our cost-of-service application for 2013 rates. That application is expected to be made by the end of 2011.

*Sale of the St. Clair Line*

In December 2008, we filed an application with the OEB to sell our St. Clair Line to the Dawn Gateway Pipeline Limited Partnership (DGP). The St. Clair Line runs approximately 12 kilometres in the Township of St. Clair located in southwestern Ontario, and was constructed in 1988 to bring new and additional gas supplies to Dawn. The need for the St. Clair Line was largely replaced by the construction of the Vector Pipeline in 2005, such that the St. Clair Line is underutilized.

Spectra Energy and DTE Pipeline Company, through various affiliates, have formed a 50:50 joint venture that proposes to offer a point-to-point transportation service from the Belle River Mills storage facility in Michigan to Dawn. As part of this joint venture, DGP was formed to own and operate the St. Clair Line and a new 17 kilometre section of pipeline to be constructed from the eastern end of the St. Clair Line to Dawn to support this new transportation service. In November 2009, the OEB approved the sale of the St. Clair Line from Union Gas to DGP, with such approval expiring on December 31, 2013. The OEB also determined that the sale price for ratemaking purposes should be set at a value higher than net book value as proposed by Union Gas and that ratepayers should receive a credit for the cumulative under-recovery in rates of the St. Clair Line from 2003 to the date of sale. A decision on the amount of the ratepayer credit was issued by the OEB in March 2010, establishing the amount of the credit as $6.4 million. The OEB also directed Union Gas to record the effect of removing the assets, revenues and costs of the St. Clair Line from regulated operations in a deferral account. In March 2010, the OEB approved DGP's proposal to construct a new 17 kilometre section of pipeline from the eastern end of the St. Clair Line to Dawn and a new light-handed regulatory framework for the Ontario-based portion of the new transportation service offered by DGP.

Since the OEB approved the proposed sale of our St. Clair Line to DGP in March 2010, rapidly changing market conditions have resulted in DGP and its shippers agreeing to delay construction of the Dawn Gateway Pipeline until November 2011 or November 2012, depending on market conditions. As a result of the delay, the sale of the St. Clair Line to DGP was not completed and the deferral accounts associated with the sale of the St. Clair Line have not been disposed of at this time. In February 2011, we filed evidence with the OEB requesting a further delay of the disposition of the deferral accounts. A hearing date to address this evidence has been set for April 6, 2011. DGP shippers have agreed to a final assessment of the viability of the Dawn Gateway Pipeline by November 2011, for possible service in 2012. If the shippers do not support the project at that time, the Dawn Gateway Pipeline project including the sale of the St. Clair Line will be cancelled.

## LIQUIDITY AND CAPITAL RESOURCES

We manage cash to maximize value while assuring appropriate amounts of cash are available, as required. We invest our available cash in high-quality money market securities. Such money market securities are designed for the safety of principal and for liquidity, and accordingly do not include equity-based securities.

We meet our short-term cash requirements through funds generated from operations, the utilization of loans from Westcoast, and the issuance of commercial paper. Long-term capital requirements for expansion, maintenance and investments are met through the combination of cash flow from operations, issuance of long-term debt and preference shares.

*Changes in Cash Flow*

| | For The Years Ended December 31 | |
|---|---|---|
| *($millions)* | **2010** | 2009 |
| Operating activities | **174** | 642 |
| Investing activities | **(232)** | (247) |
| Financing activities | **36** | (361) |

*Operating Activities*

Union Gas' heating season extends from approximately November through March. We begin the heating season with near-capacity natural gas inventory levels which are drawn throughout the heating season. Inventory levels decrease from December and thus contribute to a positive cash flow from operations during the first quarter. After the heating season ends, inventory is replenished for the next heating season. During the third quarter, gas inventory injections typically exceed withdrawals, negatively affecting cash flows. During the fourth quarter inventory decreases as withdrawals exceed injections.

Some of our customers purchase gas directly from marketers. Marketers typically deliver gas to us evenly throughout the year, whereas most of their customers use gas based on seasonality. As part of our normal billing process, we bill the marketers' customers as gas is used and remit this cash to the marketer when gas is delivered to us. Therefore, during the first and fourth quarters of the year, customers typically use more gas than is delivered to us and we collect cash from the marketers' customers creating a positive cash flow. During the second and third quarters, marketers deliver more gas than their customers use, thus creating a significant cash outflow. These are normal seasonal trends.

The primary factors impacting cash flow from operations for 2010 compared to 2009 include lower collections due to a lower spread between commodity rates charged to customers and actual gas costs, higher refunds to customers of over collection of commodity costs in 2009, and a large final payment of 2009 taxes made in the first quarter of 2010.

*Investing Activities*

The table below is a summary of capital expenditures:

| | For The Years Ended December 31 | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | *(estimated)* | | |
| Storage and transmission projects | 36% | 25% | 32% |
| Distribution | 50% | 59% | 57% |
| General equipment | 14% | 16% | 11% |
| | 100% | 100% | 100% |
| Total capital expenditure ($millions) | $305 | $232 | $247 |

The table below is a summary of capital project type:

| | For The Years Ended December 31 | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | *(estimated)* | | |
| Maintenance projects[5] | 92% | 97% | 92% |
| Expansion projects | 8% | 3% | 8% |
| | 100% | 100% | 100% |

Capital expenditures for 2010 were lower compared to 2009 due primarily to expansion and maintenance projects that were not completed in 2010 as planned or were deferred to 2011. Maintenance and expansion expenditures for 2011 are expected to be higher than the 2010 level of spending. The 2011 expansion capital expenditures reflect our continued assessment of the timing of projected long-term market requirements and general economic conditions. Based on our current assessment, we believe that expansion opportunities will continue to exist in the future.

As outlined in the financing activities discussion that follows, we have sufficient financing available to meet our investing requirements. Management expects that financing of 2011 projects will be done through a combination of cash generated from operations and available debt facilities.

*Financing Activities*

We have the following financing arrangements in place:

- In September 2010, Union Gas renewed its shelf prospectus. The shelf prospectus permits the issuance of medium-term notes, in one or more series, up to an aggregate principal amount of $500 million and for terms as covered in the pricing supplement at the time of issue with maturities of not less than one year from the date of issue. The shelf will expire in October 2012. As of December 31, 2010, $500 million was available.
    - In June 2010, we retired, at par, $185 million of Series 2 medium-term note debenture at 7.20% per annum.
    - In July 2010, under our previous shelf prospectus, we issued $250 million of medium-term note debentures at 5.20% per annum, due July 23, 2040.
    - In October 2010, we retired, at par, $37 million of 1988 Series 2 sinking fund debentures at 7.20% per annum.
- Union Gas has a $500 million committed credit facility available to help meet its short-term financing needs. As of December 31, 2010, $343 million was available.
    - Our $500 million committed credit facility expires in July 2012 and includes a provision which requires us to repay all borrowings under the facility for a period of two days during the second quarter of each year. This facility is intended to be used primarily to manage the significant changes in working capital experienced by Union Gas as a result of volumes and prices associated with natural gas purchases and sales. Most of the short-term cash requirements are funded through issuing commercial paper at rates generally below the lender's prime rate. Our 2010 commercial paper peaked in June at approximately $232 million.
- In July 2010, Union Gas cancelled the $15 million credit facility and the $1 million remaining letters of credit issued under the facility were moved to a credit facility of our parent, Spectra Energy Corp.

[5] Maintenance projects include costs incurred for new customer attachments. Maintenance projects also include expansion capital for in-franchise customers.

In order to maintain the common equity component of the capital structure at a level no greater than that approved by the OEB, we typically pay a quarterly dividend to our parent company. During 2010, we paid a quarterly dividend to our parent of approximately $16 million (2009 – approximately $16 million in first three quarters). In December 2010, we paid an additional $125 million dividend to our parent (2009 – $116 million paid in first quarter of 2010).

### OUTSTANDING SHARES

| | **December 31 2010** | December 31 2009 |
|---|---|---|
| **Redeemable Preference Shares** | | |
| Class A, Series A, 5.5% | **47,672** | 47,672 |
| Class A, Series C, 5.0% | **49,500** | 49,500 |
| **Preference Shares** | | |
| Class A, Series B, 6.0% | **90,000** | 90,000 |
| Class B, Series 10, 4.88% | **4,000,000** | 4,000,000 |
| **Common Shares** | **57,822,650** | 57,822,650 |

### FINANCIAL CONDITION

**Ratings Summary**

| | **Standard & Poor's** | **DBRS** |
|---|---|---|
| Commercial paper | A – 1 (low)[6] | R – 1 (low) |
| Debentures | BBB+ | A |
| Preference shares | P – 2 (low)[7] | Pfd – 2 |

Our credit ratings remain unchanged from those reported in the 2009 Annual Report.

The above credit ratings are dependent upon, among other factors, the ability to generate sufficient cash to fund capital and investment expenditures, our results of operations, market conditions and other factors. Our credit ratings could impact our ability to raise capital in the future, impact the cost of our capital and, as a result, have an impact on our liquidity.

[6] Represents Canadian National Scale Commercial Paper Rating.
[7] Represents Canadian Preferred Stock Rating.

## CONTRACTUAL OBLIGATIONS

The table below is a summary of our contractual payment obligations, due by period.

| *($millions)* | Total | 2011 | 2012-2013 | 2014-2015 | Thereafter |
|---|---|---|---|---|---|
| Long-term debt | 2,240 | 250 | – | 300 | 1,690 |
| Redeemable preference shares | 5 | – | – | – | 5 |
| Operating leases | 26 | 5 | 10 | 10 | 1 |
| Purchase obligations[8] | 1,038 | 510 | 209 | 192 | 127 |
| Environmental obligations[9] | 95 | 39 | 45 | 5 | 6 |
| Contributions to employee future benefit plan[10] | 46 | 46 | – | – | – |
| Total contractual obligations[11] | 3,450 | 850 | 264 | 507 | 1,829 |

## RELATED PARTY TRANSACTIONS

We purchase gas, storage and transportation services at prevailing market prices and under normal trade terms from related parties. During the year ended December 31, 2010, these purchases totalled $11 million (2009 – $6 million). Union Gas also provides storage and transportation services to related parties which totalled $1 million during 2010 (2009 – $1 million).

We provided administrative, management and other services to related parties totalling $10 million (2009 – $9 million), which were billed and recovered at cost. Charges from related parties for administrative and other goods and services were $9 million (2009 – $7 million).

At December 31, 2010 we have receivable balances of $2 million (2009 – $6 million) and payable balances of $3 million (2009 – $6 million) with related parties, all of which are recorded in accounts receivable and accounts payable, respectively.

During 2010, we obtained from and provided unsecured loans to Westcoast. The balance outstanding on these loans at December 31, 2010 was a $198 million payable (2009 – $6 million receivable). These loans are classified as short-term borrowings in 2010. Interest received on these loans during 2010 totalled less than $1 million (2009 – less than $1 million) and interest paid on these loans totalled less than $1 million (2009 – less than $1 million). Interest on these loans is calculated based on the monthly average of 30-day banker's acceptance rates.

[8] Includes: firm capacity payments that provide us with uninterrupted firm access to natural gas transportation and storage; contractual obligations to purchase physical quantities of natural gas; contracts for software and consulting or advisory services; contractual obligations for engineering, procurement and construction costs for pipeline projects.

[9] Includes capital, operating and maintenance expenditures related to the comprehensive certificate of approval.

[10] We are unable to reasonably estimate employee future benefit plan contributions beyond 2011 due primarily to uncertainties about market performance of plan assets.

[11] Excludes cash obligations for asset retirement activities. The amount of cash flows to be paid to settle the asset retirement obligations is not known with certainty as Union Gas may use internal resources or external resources to perform retirement activities. Amounts also exclude reserves for litigation, environmental remediation, annual insurance premiums that are necessary to operate the business and regulatory liabilities because Union Gas is uncertain as to the amount and/or timing of when cash payments will be required. Also, amounts exclude future income taxes and investment tax credits on the Consolidated Balance Sheets since cash payments for income taxes are determined based primarily on taxable income for each discrete fiscal year.

## GAS SUPPLY

The gas supply portfolio of Union Gas primarily includes contracts with pricing mechanisms that reflect monthly and daily variations in the price of gas. These contracts are indexed to either the New York Mercantile Exchange natural gas futures contracts, the Canadian Gas Price Reporter that publishes Alberta index prices or the Platt's Inside FERC Dawn Monthly Index.

Union Gas continues to monitor and evaluate the new and changing natural gas supply dynamics to determine what opportunities exist for Union Gas' customers. Union Gas has contracted for upstream transportation capacity to move new supplies to Ontario, including new supply sources based in the U.S. Rocky Mountains and U.S. southern shale supply areas. These new supplies began arriving in the Union Gas system on November 1, 2010. Union Gas has also taken steps to allow for the emerging Marcellus Shale gas supplies to serve its Ontario system customers beginning in 2012, including contracting for firm transportation capacity on other pipelines to facilitate moving this supply to Dawn and ultimately to our customers.

## OUTLOOK

*Gas Sales and Distribution*

The significant increase in North American gas supply production coupled with moderate demand caused by the effects of the recent economic recession, resulted in low natural gas prices and low volatility in 2010. This trend is expected to continue in 2011. Despite low natural gas prices, the growth in demand for natural gas in our residential, commercial and industrial markets is expected to remain flat, however demand growth is expected from natural gas fired power generation.

Union Gas is experiencing a reduction in distribution throughput as a result of energy conservation due to our Demand Side Management (DSM) initiatives, declining normalized use per customer and a general trend toward warmer weather. We expect these trends to continue. In addition, the Ontario Ministry of Energy is continuing their commitment to aggressively promote a culture of conservation across the province that is expected to further reduce energy consumption, with corresponding impacts on our volume-based revenue.

Union Gas continues to support focused efforts to promote conservation and energy efficiency through our DSM programs. In each of 2009 and 2010, we spent $22 million promoting these programs with an increase in spending planned in 2011. In view of the significant efforts to build a culture of conservation in Ontario, we expect customers to continue to focus on reducing gas consumption by increasing investments in energy efficiency and conservation.

In May 2009, the Ontario Legislature passed the *Ontario Green Energy and Green Economy Act*, an Act to help transform the Ontario energy sector towards a culture of conservation and to encourage the development of renewable energy throughout the province. We will continue to monitor the legislation and we do not anticipate any material impact at this time.

*Storage and Transportation*

The storage and transportation marketplace continues to deal with the global economic slowdown but is expected to be stable going forward. Weak commodity prices as a result of a more robust North American gas supply balance and narrower seasonal price spreads in the marketplace are expected to result in lower unregulated storage values. North American natural gas supplies continue to increase as result of new supply attachment including liquefied natural gas (LNG) and development in the U.S. Rocky Mountains, as well as various new shale gas resource projects such as the Barnett, Fayetteville, Woodford and the Marcellus Shale areas. The development of these new resources has increased overall North American gas supply reserves and is leading to significant new pipeline and storage infrastructure to connect these new supplies to the North American pipeline grid and the associated natural gas consuming market areas. These new supply sources will be available to serve Ontario and Eastern Canadian markets. Furthermore, we are experiencing a change in traditional natural gas flow patterns as these new supplies continue to develop. This will continue to provide Union Gas opportunities and challenges for new storage and pipeline infrastructure projects. Union Gas applied to the OEB, during 2010, for multiple transportation service enhancements to respond to these changing flow patterns. These services were approved by the OEB and will enhance access to emerging supply basins and provide enhanced flexibility to attract gas to Dawn, where it can be stored and delivered to downstream eastern markets.

The location of our storage and transportation facilities, with interconnections between major U.S. markets in the Great Lakes region and the U.S. Northeast continues to support long-term growth opportunities for us. It is our expectation that demand for natural gas in North America will continue to grow at a long-term rate of one percent per year along with continued growth in peak day demands.

*Storage Project Developments*

During 2010, Union Gas completed the drilling of additional storage wells in the Tipperary North and South storage reservoirs. These new wells were operational in 2010.

In June 2010, Union Gas purchased a depleted gas reservoir in the Municipality of Chatham-Kent from Torque Energy Inc. and Liberty Oil & Gas Ltd. A test well was completed in the reservoir in the fall of 2010 with favourable results. Senior Management approval to proceed with the project was provided in October 2010 with the application for OEB approval of the project filed in January 2011.

*Environmental, Health and Safety*

During 2008, we obtained approval from the Ontario Ministry of the Environment (MOE) for a multi-site comprehensive certificate of approval (CC of A) for the permitting of our air and noise emission sources. The CC of A will treat Union Gas as a single integrated natural gas storage, transmission and distribution system incorporating all storage pools, metering and regulating stations, compressor stations and buildings into a single environmental permit. The terms and conditions of the CC of A include significant financial obligations for capital, operating and maintenance expenditures over a period of approximately 10 years, and the total estimated obligation has been included in the Contractual Obligations section of this document. Under the terms of the CC of A, we will be allowed to add and modify facilities without prior approval from the MOE, thereby reducing the risk of delays associated with obtaining environmental permits. Union Gas remains on target to meet the current 10 year plan.

In 2010, the MOE confirmed Union Gas's third party audit plan. The purpose of the audits is to confirm that our facilities are operating in accordance with the conditions specified in the CC of A. In November 2010, the Parkway and Dawn compressor station sites were audited with no major findings. Furthermore, the MOE has also confirmed the 2011 audit schedule which will include the Hagar LNG Plant and the Waubuno and Bickford/Sombra Storage Pool Sites.

Union Gas has been notified that a Workwell audit will be conducted in the second quarter of 2011. Workwell is a health and safety management audit conducted by the Workplace Safety and Insurance Board. The Workwell audit is occurring as a result of an employee vehicle fatality in late 2009. We do not anticipate any material impact at this time.

*Global Climate Change*

Policymakers at provincial, federal and international levels continue to evaluate potential legislative and regulatory compliance mechanisms to achieve reductions in global greenhouse gas (GHG) emissions in an effort to address the challenge of climate change. It is likely that our assets and operations are or will become subject to direct and indirect effects of current and possible future global climate change regulatory actions in the jurisdictions in which those assets and operations are located. See Risk Factors – Global Climate Change Risk for further discussion.

## RISK FACTORS

Our earnings are affected by the risks inherent in the natural gas industry and energy marketplace. In general, our business and earnings level may be adversely affected by a number of risks as described below.

*Market Risk*

Sales to industrial customers are affected by general economic conditions, the absolute and relative price of alternative energy sources, foreign exchange rates and global competition. In 2011, we expect that the North American economy will continue to remain sluggish.

Sales to Union Gas' residential, small commercial and small industrial customers are affected by the number of new customer additions to the system, the price of natural gas, the warming trend in weather that is not fully reflected in rates, and the continued shift to higher efficiency. New customer additions increased slightly in 2010, but are expected to remain moderate in 2011. In 2011, the ongoing trend towards energy efficiency will continue to put pressure on usage.

A large quantity of our transportation capacity is now subject to renewal on an annual basis. Our standard contract terms provide automatic renewal of contracts, after the initial term, for one year at a time unless the customer provides two years prior notice of termination. For storage contracts, our standard contract terms do not allow for renewals but will typically have contract terms of one to five years. Due to changing gas supply patterns and as expected, one of our customers gave us notice in 2009 for transportation turnback starting in late 2011, and gave us notice in 2010 for additional turnback commencing in late 2012. This turnback was for capacity on our system that ultimately supplied the U.S. northeast by way of the customer's third party pipeline. This turned back capacity will be used to help satisfy increased demands to move gas from Dawn to points further east and north in Ontario and Quebec.

*Commodity Price Risk*

Fluctuations in natural gas prices affect our gas purchase costs for our own operating requirements as well as for the gas supply costs we incur for and collect from our system customers. Our gas procurement policy primarily includes contracts with pricing mechanisms that reflect monthly and daily variations in the price of gas. Commodity price volatility and absolute price levels also impact the amount of natural gas used by customers.

*Credit Risk*

Credit risk represents the loss that we could incur if a counterparty fails to perform under its contractual obligations. We analyze the customer's financial condition prior to entering into an agreement, obtain collateral when appropriate, establish credit limits and monitor the appropriateness of those limits on an ongoing basis.

Our credit exposure consists of both the risk of collecting receivables for services provided as well as the risk related to gas imbalances that occur as a regular part of the services provided in both the direct purchase market and ex-franchise market.

In the normal course of operations, we provide gas loans to other parties from our holdings of gas in storage. The replacement cost of the gas on loan at December 31, 2010 was $72 million (2009 - $39 million). We manage our credit exposure related to gas loans by subjecting these parties to the same credit policies used for all customers.

*Weather Risk*

As a primary component of Union Gas rates is volume based, the revenue levels approved by the OEB are impacted by weather. The volume forecasts used to determine the rates approved by the OEB assume normal weather conditions. Normal weather, as mandated by the OEB, is based on a 55:45 weighting of the 30-year average forecast and 20-year trend forecast respectively, for 2008 and beyond. Since a large portion of the gas distributed to the residential and commercial markets is used for space heating and is charged using volume-based rates, differences from normal weather have a significant effect on the consumption of gas and on our financial results.

*Regulatory Risk*

Our natural gas assets and operations are subject to regulation by federal, provincial and local authorities including the OEB and by various federal and provincial authorities under environmental laws. Regulation affects almost every aspect of our business, including the ability to determine terms and rates for services provided by some of our businesses, acquisitions, construction, expansion and operation of facilities, issuance of equity or debt securities, and dividend payments.

In addition, regulators in Canada have taken actions to strengthen market forces in the gas pipeline industry, which have led to increased competition. In a number of key markets, natural gas pipeline and storage operators are facing competitive pressure from a number of new industry participants, such as alternative suppliers as well as traditional pipeline competitors. Increased competition driven by regulatory changes could have a material effect on our business, earnings, financial condition and cash flows.

*Competition Risk*

As our distribution business is regulated by the OEB, it is generally not subject to third-party competition within our distribution franchise area. However, as a result of a 2006 decision by the OEB, physical bypass of newly-required facilities even within our distribution franchise area may be permitted. In addition, other companies could enter our markets or regulations could change.

Union Gas competes with other forms of energy available to its customers and end-users, including electricity, coal, propane and fuel oils. Factors that influence the demand for natural gas include price changes, the availability of natural gas and other forms of energy, the level of business activity, conservation, legislation, governmental regulations, the ability to convert to alternative fuels, weather and other factors.

*Storage Market Risk*

We have market based rates for some of our storage capacity which are based largely on seasonal natural gas market pricing spreads. To the extent that seasonal natural gas market pricing spreads deviate from historical norms or there is significant growth in the amount of storage capacity available to natural gas markets relative to demand, our approach to managing our market-based storage capacity may not protect us from significant variations in storage revenues.

*Permit Fees Risk*

Effective January 1, 2007, the Government of Ontario granted municipalities the right to charge a fee to recover the costs of issuing a permit to access pipelines located within a municipal roadway. During 2010, permit fees levied by municipalities against Union Gas did not have a significant impact on our consolidated financial statements. Should more municipalities start implementing a permit fee or if the amounts increase and these assessments become significant in the future, Union Gas will apply to the OEB to recover the annual cost of these fees in rates.

*Financing Risk*

Our business is financed to a large degree through debt. The maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from assets. Accordingly, we rely on access to both short-term and long-term capital markets as a source of liquidity for capital requirements not satisfied by the cash flow from operations and to fund investments originally financed through debt. Our long-term debt is currently rated investment-grade by various rating agencies. If the rating agencies were to rate us below investment-grade, our borrowing costs would increase, perhaps significantly. In addition, we would likely be required to pay a higher interest rate in future financings, and our potential pool of investors and funding sources could decrease.

We are subject to long-term debt covenants that include a limitation on the payment of dividends, and requirements for specific interest coverage ratios prior to the issuance of additional long-term debt. Although we do not anticipate any impact to our current financing plans, reduced earnings may limit the payment of future dividends and the level of new long-term debt available to us. We maintain a revolving credit facility to backstop our commercial paper programs for short-term borrowings. This facility includes a financial covenant which limits the amount of debt that can be outstanding as a percentage of total capital. Failure to maintain this covenant could preclude us from issuing commercial paper or borrowing under the revolving credit facility and could require immediate pay down of any outstanding drawn amounts under other revolving credit agreements, which could adversely affect our cash flow.

If we are not able to access capital at competitive rates, our ability to finance operations and implement our strategy may be adversely affected. Restrictions on our ability to access financial markets may also affect our ability to execute our business plan as scheduled. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for future growth. Any downgrade or other event negatively affecting the credit ratings could make our costs of borrowing higher or access to funding sources more limited.

*Human Resources Risk*

Union Gas' workforce consists of both unionized and non-unionized employees. Labour disruptions associated with the collective bargaining process can affect our ongoing operations. Projected changes in workforce demographics and a future shortage of skilled trades represent an issue that is being addressed by Union Gas.

*Performance Risk*

We have extensive contractual relationships with natural gas producers, customers, marketers, commercial enterprises, industrial companies, and others. The risk of non-performance by a contracting party may be analyzed and reduced but it cannot be entirely eliminated. Ongoing consolidation of customers and partners may increase the severity of a default.

*Litigation Risk*

Union Gas, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, we have no reason to believe that the ultimate outcome of such matters currently known to us could have a material effect on our consolidated financial statements.

*Facility Risk*

We carry on business through a large and complex array of natural gas transmission, storage and distribution assets. These facilities, like any other industrial operations, are subject to outages from time to time. Depending on circumstances, such outages may result in loss of revenues and/or increased maintenance costs.

*Political Risk*

The Ontario Government is operating with large deficits and significant spending commitments, in particular with commitments regarding their poverty agenda. As such it is expected that they will continue to search for new sources of revenues including non-tax revenue streams such as fees and levies. The Ontario Government also has a history of direct intervention in energy matters in the publicly owned electricity sector. This has been increasing in recent years and the risk is that the Ontario Government will intervene on the privately owned natural gas sector, some of which might affect Union Gas.

*Environmental, Health and Safety Risk*

There are a variety of hazards and operating risks inherent in natural gas storage, transmission, and distribution activities, such as leaks, explosions and mechanical problems that could cause substantial financial losses. In addition, these risks could result in significant injury, loss of human life, significant damage to property, environmental pollution and impairment of operations, any of which could result in substantial losses. For pipeline and storage assets located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks could be greater. We do not maintain insurance coverage against all of these risks and losses, and any insurance coverage we might maintain may not fully cover the damages caused by those risks and losses. Therefore, should any of these risks materialize, it could have a material adverse effect on our business, earnings, financial condition and cash flows.

*Global Climate Change Risk*

The current international climate framework, the United Nations-sponsored Kyoto Protocol, prescribes specific targets to reduce GHG emissions for developed countries for the 2008-2012 periods. United Nations-sponsored international negotiations were held in Copenhagen, Denmark in December 2009 and in Cancun, Mexico in December 2010 with the intent of defining a future agreement for 2012 and beyond. While the talks resulted in a non-binding political agreement, to date, a binding successor accord to the Kyoto Protocol has not been realized.

While Canada is a signatory to the Kyoto Protocol, the Canadian federal government has confirmed it will not achieve the targets within the timeframes specified. Instead, the government in 2008 outlined a regulatory framework mandating GHG reductions from large final emitters. Regulatory design details from the Government of Canada remain forthcoming. However, Canada has reaffirmed its strong preference for a harmonized approach with that of the U.S. Regardless of the timing, we expect a number of our assets and operations will be affected by pending federal climate change regulations. However, the materiality of any potential compliance costs is unknown at this time as the final form of the regulation and compliance options has yet to be determined by policymakers.

A number of provinces are establishing or considering provincial or regional programs that would mandate reductions in GHG emissions including Ontario which is a member of the Western Climate Initiative which also includes the provinces of British Columbia, Manitoba and Quebec. However, the key details of future GHG restrictions and compliance mechanisms remain largely undefined.

Due to the uncertainty of Canadian federal and provincial policies, we cannot estimate the potential effect of proposed GHG policies on our future consolidated results of operations, financial position or cash flows. However such legislation could increase our operating costs materially, require material capital expenditures or create additional permitting, which could delay proposed construction projects.

*Protecting Against Potential Terrorist Activities*

The potential for terrorism because of the high profile of the natural gas industry has subjected our operations to increased risks that could have a material adverse effect on our business. This risk is particularly great for companies, like ours, operating in any energy infrastructure industry that handles volatile gaseous and liquid hydrocarbons. The potential for terrorism has subjected our operations to increased risks that could have a material adverse effect on our business. In particular, we may experience increased capital and operating costs to implement increased security for our facilities and pipelines, such as additional physical facility and pipeline security and additional security personnel. Moreover, any physical damage to high profile facilities resulting from acts of terrorism may not be covered, or covered fully, by insurance. We may be required to expend material amounts of capital to repair any facilities, the expenditure of which could adversely affect our cash flows and business.

Changes in the insurance markets attributable to terrorist attacks may make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

*Pension Risk*

Our costs of providing defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan assets, discount rates used to measure pension liabilities, actuarial gains and losses, future government regulation and our contributions made to the plans. Without sustained growth in the pension plan investments over time to increase the value of our plan assets, and depending upon the other factors impacting our costs as listed above, we could experience net asset, expense and funding volatility. This volatility could have a material effect on our earnings and cash flows.

*Land Rights*

Certain aboriginal groups in Ontario have also claimed aboriginal and treaty rights in areas where Union Gas' Dawn storage and transmission assets are located and also in areas where the Dawn-Trafalgar pipeline route is located. The existence of these claims could give rise to future uncertainty regarding land tenure depending upon their negotiated outcome.

## CERTIFICATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

### Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to: (a) provide reasonable assurance that material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that material information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Our management, with the participation of the President and the Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2010, and, based upon this evaluation, the President and the Chief Financial Officer have concluded that these disclosure controls and procedures, as defined by the Companion Policy 52-109CP to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109)*, are effective for the purposes set out above.

### Internal Control over Financial Reporting

Our management is responsible for designing, establishing and maintaining an adequate system of internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with Canadian GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Our management, with the participation of our President and the Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting, as defined by the Companion Policy 52-109CP to NI 52-109, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

### Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the President and Chief Financial Officer, we have evaluated changes in internal control over financial reporting that occurred during the fiscal quarter and year ended December 31, 2010 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Our Board of Directors reviewed and approved the 2010 audited consolidated financial statements and this management's discussion and analysis prior to its release.

## CRITICAL ACCOUNTING POLICIES & ESTIMATES

The application of accounting policies and estimates is an important process that continues to evolve as Union Gas' operations change and accounting guidance is issued. Union Gas has identified a number of critical accounting policies and estimates that require the use of significant estimates and judgments.

Management bases its estimates and judgments on historical experience and on other various assumptions that they believe are reasonable at the time of application. The estimates and judgments may change as time passes and more information becomes available. If estimates and judgments are different than the actual amounts recorded, adjustments are made in subsequent periods to take into consideration the new information. Union Gas discusses its critical accounting policies and estimates and other significant accounting policies with senior members of management and the Board of Directors.

### *Regulatory Accounting*

Union Gas follows Canadian GAAP, which allows accounting treatments that may differ for rate-regulated operations from those otherwise expected in non rate-regulated businesses. As a result, we record assets and liabilities that result from the regulated ratemaking process that may not be recorded under GAAP for non rate-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because they are probable of future recovery in customer rates. Regulatory liabilities generally represent obligations to make refunds to ratepayers. Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes and recent rate orders to other rate-regulated entities. Management believes the existing regulatory assets are probable of recovery. This determination reflects the current political and regulatory climate and is subject to change in the future. If future recovery of costs ceases to be probable, asset write-offs could be required to be recognized in current period earnings.

### *Unbilled Revenue*

Revenues from the transportation, storage, distribution and sales of natural gas are recognized when either the service is provided or the product is delivered. Revenues related to these services provided or products delivered but not yet billed are estimated each month. Gas sales and distribution revenue and cost of gas are recorded on the basis of regular meter readings and estimates of the unbilled customer usage. The unbilled estimate covers the period of the last meter reading date to the end of each month and is calculated using the number of days unbilled, heating degree-days and historical consumption per heating degree-day. Unbilled revenue recorded at December 31, 2010 was $118 million (2009 – $100 million). Differences between actual and estimated unbilled revenues are not material to net income. Included in unbilled revenue are natural gas costs passed through to customers without a mark-up. At December 31, 2010 $73 million (2009 – $54 million) was included in unbilled revenue for the cost of natural gas.

### *Employee Future Benefits*

Critical estimates and assumptions relating to our defined benefit pension plans are required to account for employee future benefits. Changes to these estimates and assumptions could result in a material difference to our employee future benefit plan obligation.

The following is a summary of the sensitivity of key assumptions used to record the employee future benefit liability:

**Sensitivity of key assumptions**

| *($millions)* | **Registered Pension Plan and Supplemental Pension Arrangements** | | **Post-Retirement Benefits Other than Pensions** | |
|---|---|---|---|---|
| Assumed change in: | **1% Increase** | **1% Decrease** | **1% Increase** | **1% Decrease** |
| Discount rate | | | | |
| Change in 2010 net periodic benefit cost | **(7)** | 7 | **(1)** | 1 |
| Change in benefit obligation | **(72)** | 81 | **(9)** | 10 |
| Health care cost trend rate | | | | |
| Change in 2010 net periodic benefit cost | **N/A** | N/A | **1** | (1) |
| Change in benefit obligation | **N/A** | N/A | **6** | (6) |
| Expected rate of return on assets | | | | |
| Change in 2010 net periodic benefit cost | **(5)** | 5 | **N/A** | N/A |

## FUTURE ACCOUNTING CHANGES

*Transition to International Financial Reporting Standards (IFRS)*

In February 2008, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) confirmed that publicly accountable enterprises will be required to adopt IFRS in place of GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

In September, 2010, the AcSB offered an optional one year deferral to adopt IFRS for qualifying entities with rate regulated activities and permit such entities to continue to apply Part V – Pre changeover accounting standards of the CICA Handbook during that period. The Company is a qualifying entity for purposes of this deferral.

While the Company's IFRS conversion project was on track to meet the original conversion deadline, we have elected to use the deferral offered by the AcSB. This decision was made to allow us to convert at the same time as many companies in our industry, and to review our reporting options, including registering with the Securities and Exchange Commission (SEC) of the United States, so that we could report under U.S. GAAP instead of IFRS.

At this time, it is the Company's intention to take the steps necessary to report under U.S. GAAP starting in 2012.

The consolidated financial statements and all information in this report have been prepared by and are the responsibility of management. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and include certain estimated amounts, which are based on informed judgements to ensure fair representation in all material respects. When alternative accounting methods exist, management has chosen those it considers most appropriate.

Management depends upon Union Gas' system of internal controls and formal policies and procedures to ensure the consistency, integrity and reliability of accounting and financial reporting, and to provide reasonable assurance that assets are safeguarded and that transactions are properly executed in accordance with management's authorization. Management is also supported and assisted by a program of internal audit services.

The Board of Directors is responsible for ensuring that management fulfils its responsibility for financial reporting and for final approval of the consolidated financial statements.

The Board of Directors meets regularly with management, the internal auditors and the shareholders' auditors to review the consolidated financial statements, the Independent Auditor's Report and other auditing and accounting matters to ensure that each group is properly discharging its responsibilities.

The shareholders' auditors have full and free access to the Board of Directors, as does the Director of Internal Audit Services.

Deloitte & Touche LLP performed an independent audit of the 2010 and 2009 consolidated financial statements in this report. Their independent professional opinion on the fairness of these consolidated financial statements is included in the Independent Auditor's Report.

March 16, 2011

Julie Dill
President

J. Patrick Reddy
Chief Financial Officer

Deloitte.

Deloitte & Touche LLP
One London Place
255 Queens Avenue
Suite 700
London ON N6A 5R8
Canada

Tel: 519-679-1880
Fax: 519-640-4625
www.deloitte.ca

# Independent Auditor's Report

To the Shareholders of
Union Gas Limited

We have audited the accompanying consolidated financial statements of Union Gas Limited, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of income and comprehensive income, retained earnings, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Union Gas Limited as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 16, 2011

**UNION GAS LIMITED**
**Consolidated Statements of Income and Comprehensive Income**

| *For the Years Ended December 31 ($millions)* | **2010** | 2009 |
|---|---|---|
| Gas sales and distribution revenue | **1,493** | 1,684 |
| Cost of gas (note 15) | **794** | 1,026 |
| Gas distribution margin | **699** | 658 |
| Storage and transportation revenue (note 15) | **308** | 299 |
| Other revenue | **29** | 36 |
| | **1,036** | 993 |
| Expenses | | |
| Operating and maintenance (note 15) | **364** | 345 |
| Depreciation and amortization (note 5) | **200** | 195 |
| Property and capital taxes | **67** | 68 |
| | **631** | 608 |
| Income before other items | **405** | 385 |
| Other (income) and expenses, net | **–** | 2 |
| Income before interest and income taxes | **405** | 383 |
| Interest expense (notes 6 and 15) | **158** | 160 |
| Income before income taxes | **247** | 223 |
| Income taxes (note 14) | **41** | 48 |
| Net income and comprehensive income | **206** | 175 |
| Preference share dividends | **2** | 2 |
| Net income applicable to common shares | **204** | 173 |

(*See accompanying notes)*

## UNION GAS LIMITED
## Consolidated Statements of Retained Earnings

| *For the Years Ended December 31 ($millions)* | **2010** | 2009 |
|---|---|---|
| Retained earnings, beginning of year | **696** | 688 |
| Net income and comprehensive income | **206** | 175 |
| Dividends | | |
| Preference shares | **(2)** | (2) |
| Common shares | **(190)** | (165) |
| Retained earnings, end of year | **710** | 696 |

(*See accompanying notes)*

**UNION GAS LIMITED**
**Consolidated Balance Sheets**

| *As at December 31 ($millions)* | **2010** | 2009 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **12** | 34 |
| Accounts receivable (notes 3 and 15) | **516** | 401 |
| Inventories (note 4) | **174** | 224 |
| Future income taxes (note 14) | **14** | 57 |
| Total current assets | **716** | 716 |
| Property, plant and equipment (note 5) | | |
| Cost | **6,370** | 6,187 |
| Accumulated depreciation | **1,994** | 1,884 |
| Net property, plant and equipment | **4,376** | 4,303 |
| Regulatory and other assets (note 13) | **493** | 427 |
| **Total Assets** | **5,585** | 5,446 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | | |
| Short-term borrowings (note 15) | **198** | – |
| Commercial paper (note 6) | **157** | 39 |
| Accounts payable and accrued charges (notes 3 and 15) | **582** | 794 |
| Income taxes payable (note 14) | **8** | 79 |
| Long-term debt (note 6) | **250** | 222 |
| Total current liabilities | **1,195** | 1,134 |
| Long-term liabilities | | |
| Long-term debt (note 6) | **1,978** | 1,979 |
| Mandatorily redeemable preference shares (note 7) | **5** | 5 |
| Future income taxes (note 14) | **361** | 327 |
| Asset retirement obligations (note 9) | **123** | 108 |
| Regulatory and other liabilities (note 13) | **472** | 455 |
| Total long-term liabilities | **2,939** | 2,874 |
| **Total Liabilities** | **4,134** | 4,008 |
| | | |
| Non-controlling interest | **9** | 10 |
| | | |
| Shareholders' equity | | |
| Share capital (note 8) | **732** | 732 |
| Retained earnings | **710** | 696 |
| **Total Shareholders' Equity** | **1,442** | 1,428 |
| **Total Liabilities and Shareholders' Equity** | **5,585** | 5,446 |

*(See accompanying notes)*

**Approved by the Board**

Director

Director

## UNION GAS LIMITED
### Consolidated Statements of Cash Flows

| *For the Years Ended December 31 ($millions)* | **2010** | 2009 |
|---|---|---|
| **Operating Activities** | | |
| Net income | **206** | 175 |
| Items not affecting cash | | |
| Depreciation and amortization | **200** | 195 |
| Future income taxes | **25** | (55) |
| Changes in working capital | | |
| Accounts receivable | **(42)** | 167 |
| Inventories | **32** | 26 |
| Account payables, accrued charges and other | **(247)** | 134 |
| | **174** | 642 |
| **Investing Activities** | | |
| Capital expenditures | **(232)** | (247) |
| **Financing Activities** | | |
| Net increase (decrease) in short-term borrowings | **198** | (115) |
| Net increase (decrease) in commercial paper | **118** | (167) |
| Long-term debt issued | **250** | – |
| Long-term debt repayments | **(222)** | (29) |
| Dividends paid | **(308)** | (50) |
| | **36** | (361) |
| Change in cash and cash equivalents, during the year | **(22)** | 34 |
| Cash and cash equivalents, beginning of year | **34** | – |
| Cash and cash equivalents, end of year | **12** | 34 |
| **Supplementary Disclosure of Cash Flow Information:** | | |
| Cash payments of interest | **152** | 164 |
| Cash payments of income taxes | **96** | 47 |

*(See accompanying notes)*

**UNION GAS LIMITED**
**Notes to Consolidated Financial Statements**
**December 31, 2010 and 2009**

Union Gas Limited (Union Gas or the Company) owns and operates natural gas transmission, distribution and storage facilities in Ontario. The Company distributes natural gas to customers in northern, southwestern and eastern Ontario and provides natural gas storage and transportation services for other utilities and energy market participants. The property, plant and equipment of the Company consist primarily of pipeline, storage and compression facilities used in the transportation, storage and distribution of natural gas. In total, the Company has approximately 5,000 kilometres of high-pressure transmission pipeline and approximately 60,600 kilometres of distribution main and service pipelines. The Company's underground natural gas storage facilities have a working capacity of more than 155 billion cubic feet (Bcf).

## 1. Significant Accounting Policies

### Accounting Principles

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and certain transactions have been recorded using accounting principles for rate-regulated enterprises as discussed below under "Regulation." The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from these estimates. Management's significant estimates include unbilled revenue, income tax expense, employee future benefit expense, estimated useful life of property, plant and equipment and asset retirement obligations.

### Accounting Changes

*Rate-regulated Operations*

Effective January 1, 2009, amendments have been made to certain sections of the Canadian Institute of Chartered Accountants (CICA) Handbook related to rate-regulated accounting.

CICA Section 3465, Income Taxes has been amended to require rate-regulated enterprises to recognize future income tax assets and liabilities. This amendment also requires that a regulatory asset or liability for the amount of future income taxes expected to be recovered from or refunded to ratepayers, and to present these amounts on a pre-tax basis in the financial statements. The impact of these changes resulted in an increase in regulatory and other assets and an increase in future income tax liabilities of $273 million on January 1, 2009.

CICA Section 1100, Generally Accepted Accounting Principles has been amended to remove a temporary exemption pertaining to the application of the recognition and measurement of assets and liabilities arising from rate regulation. In the absence of specific guidance the CICA has permitted reliance on another source of GAAP, specifically the Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71). Since FAS 71 does not specifically address depreciation methods, Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (FAS 143) applies to entities that meet FAS 71. FAS 143 requires asset removal costs to be reported as a regulatory liability. Prior to 2009, asset removal costs were included in property, plant and equipment. This reclassification resulted in an increase in property, plant and equipment and an increase in regulatory liabilities of $402 million on January 1, 2009.

### Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Union Gas and its subsidiary, Huron Tipperary Limited Partnership I, of which the Company owns 75%.

### Regulation

The Company is regulated by the Ontario Energy Board (OEB) pursuant to the provisions of the *Ontario Energy Board Act* (1998), which is part of a package of legislation known as *The Energy Competition Act* (1998). This legislation provides an opportunity for different forms of regulation and increased competition in the energy (electricity and natural gas) industry in Ontario. The Company is subject to regulation with respect to the rates that it may charge its customers, with the exception of the items noted below, system expansion or facility abandonment, adequacy of service, public safety aspects of pipeline system construction and certain accounting principles. The OEB has determined that it will forbear from regulating the prices for long-term storage services. The Storage Forbearance Decision created an unregulated storage operation within Union Gas and provides the framework required to support new storage investments.

The OEB is mandated to approve rates that are just and reasonable. Utility earnings are regulated by the OEB under cost of service regulation, on the basis of a return on rate base for a future period. Under cost of service regulation, a rate application process leads to the implementation of new rates intended to provide a utility with the opportunity to earn an allowed rate of return. The actual rate of return achieved by the Company may vary from the rate allowed by the OEB as a result of unexpected changes in weather, average use per customer, inflation, the price of competing fuels, interest rates, general economic conditions and its ability to achieve forecast revenues and manage costs.

Rates effective January 1, 2007 were approved by the OEB on the basis of the traditional cost of service framework. Effective January 1, 2008, the Company began a five year incentive regulation term. The incentive regulation framework establishes new rates at the beginning of each year through the use of a pricing formula rather than through the examination of revenue and cost forecasts. The Company is expecting to set rates for 2013 on a cost of service basis.

The Company follows Canadian GAAP, which may differ for regulated operations from those otherwise expected in non rate-regulated businesses. As a result, the Company records assets and liabilities that result from the regulated ratemaking process that may not be recorded under GAAP for non rate-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because they are probable of future recovery in customer rates. Regulatory liabilities generally represent obligations to make refunds to customers for previous collections for costs that are not likely to be incurred, or for certain net revenues beyond a pre-established threshold. Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes and recent rate orders to other regulated entities. Management believes the existing regulatory assets are probable of recovery. This determination reflects the current political and regulatory climate at the provincial and national levels, and is subject to change in the future. If future recovery of costs ceases to be probable, the asset write-offs could be recognized in current period earnings.

### Revenue Recognition

Revenues from the transportation, storage, distribution and sales of natural gas are recognized when either the service is provided or the product is delivered. Revenues related to these services provided or products delivered but not yet billed are estimated each month.

### Gas Sales and Cost of Gas

Gas sales revenue is recorded on the basis of regular meter readings and estimates of customer volume usage since the last meter reading date to the end of the reporting period applied using OEB approved rates. Cost of gas is recorded using amounts approved by the OEB in the determination of customer sales rates. Differences between the OEB approved reference amounts and those costs actually incurred are deferred in either accounts receivable or accounts payable and accrued charges for future disposition subject to approval by the OEB.

In determining the quantities of gas delivered and received, differences arise from the measurement process. The Company includes in the cost of gas an estimated amount of these differences based upon the methodology used by the OEB in the determination of rates for storage, transmission and distribution of gas. Annual fluctuations from the estimated level are recognized in earnings during the year.

As part of the Company's OEB-approved incentive regulation framework, an earnings sharing mechanism exists whereby earnings above an allowable return on equity are shared with ratepayers. A provision of $4 million was recognized as a reduction of gas sales and distribution revenue and as an obligation in accounts payable and accrued charges for 2010 (2009 – $4 million). Also in 2009, the Company recorded an $11 million charge as a result of a settlement agreement reached with Union Gas' stakeholders with regard to our 2008 utility earnings.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and short-term investments, with an original maturity of three months or less.

**Income Taxes**

The asset and liability method of tax allocation is used in the accounting for income taxes for Under this method, future income tax assets and liabilities are recognized for differences between the financial reporting and tax basis of assets and liabilities at enacted, or the substantively enacted, tax rates in effect for the years in which the differences are expected to reverse.

**Inventories**

Gas in storage for resale to customers is carried at costs approved by the OEB in the determination of customer sales rates. The difference between the approved cost and the actual cost of the gas purchased is deferred in either accounts receivable or accounts payable and accrued charges for future disposition subject to approval by the OEB. Inventories of materials and supplies are valued at the lower of cost or net realizable value.

**Property, Plant and Equipment and Depreciation**

Property, plant and equipment are carried at cost which includes all direct costs, overhead attributable to construction and interest capitalized during construction. The cost of property, plant and equipment is reduced by contributions and grants in aid of construction received from customers and governmental bodies in support of specific transmission and distribution facilities.

Regulated depreciation is provided on the straight-line method at various rates based on the average service life of each class of property. Unregulated depreciation rates are based on useful life.

Regulated depreciation rates are determined by periodic review. The depreciation rates for regulated property, plant and equipment are approved by the OEB. Unregulated depreciation rates are determined by management.

When Union Gas retires regulated property, plant and equipment, the Company charges the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When the Company sells entire regulated operating units, or retire non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the OEB.

**Asset Retirement Obligations**

The Company recognizes the fair value of an asset retirement obligation (ARO), where a legal obligation exists, as a liability in the period in which it is incurred provided a reasonable estimate of fair value can be determined. The associated asset retirement cost is added to the carrying amount of the related asset. The liability is accreted over the estimated life of the related asset.

**Stock-Based Compensation**

Our employees participate in a stock-based compensation plan sponsored by Spectra Energy Corp (Spectra Energy). For employee awards, equity classified stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which generally begins on the date the award is granted through the earlier of the date the award vests or the date the employee becomes retirement eligible. Awards, including stock options, granted to employees that are already retirement eligible are deemed to have vested immediately upon issuance, and therefore, compensation cost for those awards is recognized on the date such awards are granted.

In addition, certain of our employees that previously participated in our 1989 Long Term Incentive Share Plan have the ability to receive a portion of their converted stock option awards as a stock appreciation right (SAR) paid in cash. Union Gas accounts for these by measuring the amount by which the quoted market price of the underlying stock exceeds the SAR base stock price at the balance sheet date.

**Employee Benefit Plans**

The Company uses the projected benefit method prorated on services to account for defined benefit pension and post-retirement benefits other than pensions earned by employees.

The Company accrues obligations under employee benefit plans and the related costs, net of plan assets. The plan assets are valued at fair value. The calculation of the expected return on assets is based on the market-related value of assets with the market related adjustment determined over a three-year period.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service life of employees active at the date of amendment.

The amount by which the net unamortized cumulative actuarial gain or loss exceeds ten percent of the greater of the accrued benefit obligation or the market-related value of plan assets at the beginning of the year is amortized over the expected average remaining service period of the active employees.

The average remaining service period of active employees covered by the pension plans and the post-retirement benefits other than pension plans is 10 and 18 years, respectively.

For defined contribution plans maintained by the Company, contributions payable by the Company are expensed as pension costs in the period incurred.

## 2. Financial Statement Effects of Rate Regulation

The Company records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See note 1 for further discussion.

| *($millions)* | Financial Statement Location | Recovery/ Settlement Period | **December 31 2010** | December 31 2009 |
|---|---|---|---|---|
| **Assets** | | | | |
| Other deferrals – current | a | A | **12** | 22 |
| Gas in storage inventory | b | A | **28** | 37 |
| Other deferrals – long-term | c | B | **3** | 4 |
| Future income taxes – long-term | c | B/C | **214** | 174 |
| Total assets | | | **257** | 237 |
| **Liabilities** | | | | |
| Other deferrals – current | d | A | **31** | 37 |
| Gas cost deferrals | d | A | **39** | 186 |
| Storage and transportation deferrals | d | A | **9** | 20 |
| Asset removal costs | e | C | **409** | 398 |
| Total liabilities | | | **488** | 641 |

In the absence of rate regulation, the Company's future income tax asset (current) would have been $20 million lower in 2010 (2009 - $68 million lower), and the future income tax liability (long-term) would have been $48 million higher in 2010 (2009 - $58 million higher) as a result of the elimination of the above regulatory assets and liabilities.

*Financial Statement Classification*

(a) Accounts receivable
(b) Inventories
(c) Regulatory and other assets
(d) Accounts payable and accrued charges
(e) Regulatory and other liabilities

*Recovery/Settlement Period*

(A) Remaining recovery / settlement is less than 1 year
(B) Remaining recovery / settlement is from 2 to 10 years
(C) Remaining recovery / settlement is over the remaining life of the associated assets

*Other deferrals – current*

As prescribed by regulatory order, the Company has various amounts included in customer rates that are intended to recover specifically-identified costs. To the extent that the actual costs differ from forecast costs or revenues, the variance is deferred for future recovery from or refund to ratepayers. In the absence of rate regulation, after-tax earnings for 2010 could have been $3 million higher (2009 - $8 million higher) because GAAP for non-regulated entities would require that all customer rate revenue and costs be recognized in income when earned.

*Gas in storage*

Gas in storage is carried at the weighted average cost of gas as approved by the OEB. In the absence of rate regulation, after-tax earnings for 2010 could have been $9 million higher (2009 - $3 million higher), because GAAP for non-regulated entities would require that gas in storage be recorded at the lower of cost and net realizable value.

*Future income taxes*

The accounting standard related to income taxes has been amended to require rate-regulated enterprises to recognize future income tax assets and liabilities, and an associated regulatory asset or liability, if applicable, for the amount of future income taxes expected to be recovered from or refunded to ratepayers, and to present these amounts on a gross basis in the financial statements. In the absence of rate regulation, after-tax earnings for 2010 could have been $39 million lower (2009 - $29 million higher) because GAAP for non-regulated entities would require that these amounts be recognized in earnings in the current period.

*Gas cost deferrals*

The Company and the OEB have a mechanism in place to change gas commodity rates on a quarterly basis, to ensure that customers' rates reflect future expected costs based on published forward market prices. The difference between the approved and the actual cost of gas incurred is deferred for future recovery from or repayment to customers. These deferred amounts are subject to review and approval by the OEB on an annual basis in the normal course. The regulatory asset or liability represents the difference between actual gas commodity costs incurred and the amount included in approved rates. In the absence of rate regulation, after-tax earnings for the 2010 could have been $101 million lower (2009 - $115 million higher), because GAAP for non-regulated entities would require that actual commodity costs be recognized as an expense when incurred.

*Storage and transportation deferrals*

The Company earns revenue for providing storage and transportation services to customers. The forecast of this revenue is one component used to establish Union Gas' rates for services. Storage and transportation deferral accounts accumulate any difference between the actual revenue earned in providing these storage and transportation services and the forecast revenue approved by the OEB for rate-making purposes. In the absence of rate regulation, GAAP for non-regulated entities would require that actual storage and transportation revenue be recognized in income when earned. After-tax earnings for 2010 could have been $8 million lower (2009 - $9 million lower), if these transactions were accounted for under GAAP for non-regulated entities.

*Asset removal costs*

The Company has recorded a regulatory liability, included in deferred credits and other liabilities, as a result of estimated removal costs for property that does not have an associated legal retirement obligation. In the absence of rate regulation, these costs may not have been recorded and after-tax earnings for 2010 could have been $8 million higher (2009 - $3 million lower).

*Property, plant and equipment*

In the absence of rate regulation, property, plant and equipment may not include overhead costs since these costs may have been charged to earnings in the period in which they occurred. As such, annual operating and maintenance costs could have been higher by the amounts capitalized and depreciation could be lower due to the impact of lower capitalized costs. These amounts are not readily determinable.

## 3. Gas Imbalances

The Company, in the normal course of its operations, experiences imbalances in natural gas volumes between interconnecting pipelines and provides gas balancing services to customers. Natural gas volumes owed to or from the Company are valued at natural gas market prices as of the balance sheet dates. As the settlement of imbalances is done with gas volumes, changes in the balances do not have an impact on the Company's cash flow from operating activities.

At December 31, 2010 accounts receivable and accounts payable include approximately $194 million (2009 – $102 million) related to gas imbalances and gas balancing services.

## 4. Inventories

| ($millions) | **December 31 2010** | December 31 2009 |
|---|---|---|
| Gas in storage | **157** | 208 |
| Materials and supplies | **17** | 16 |
| | **174** | 224 |

Gas in storage includes gas for delivery to customers and for use in the Company's operations. Inventories of materials and supplies are used in the operation and maintenance of the Company's system.

## 5. Property, Plant and Equipment, net

| ($millions) | **December 31 2010** | December 31 2009 |
|---|---|---|
| **Cost** | | |
| Distribution | **3,594** | 3,483 |
| Transmission | **1,639** | 1,596 |
| Storage | **870** | 845 |
| General | **267** | 263 |
| | **6,370** | 6,187 |
| **Accumulated depreciation** | | |
| Distribution | **1,086** | 1,028 |
| Transmission | **498** | 460 |
| Storage | **277** | 267 |
| General | **133** | 129 |
| | **1,994** | 1,884 |
| Net book value | **4,376** | 4,303 |

The depreciation range of each class of property is as follows:

| | |
|---|---|
| Distribution | 27-60 years |
| Transmission | 30-50 years |
| Storage | 5-50 years |
| General | 4-38 years |

Depreciation rates used during the year ended December 31, 2010 resulted in a composite rate of 3.26% (2009 – 3.32%).

Included in property, plant and equipment are the following:

| ($millions) | **December 31 2010** | December 31 2009 |
|---|---|---|
| Assets not subject to depreciation[12] | **161** | 128 |
| Asset retirement cost | **35** | 32 |
| Interest charge capitalized during the year | **1** | 4 |

[12] Assets not subject to depreciation include land, base pressure gas in storage reservoirs and assets under construction.

## 6. Debt and Credit Facility

### Long-term Debt

| *($millions)* | | **December 31 2010** | December 31 2009 |
|---|---|---|---|
| Sinking fund debentures | | | |
| 11.55% | 1988 Series II debentures, redeemed October 2010 | **–** | 37 |
| Medium-term note debentures | | | |
| 7.20% | Series 2, redeemed June 2010 | **–** | 185 |
| 6.65% | Series 3, due May 4, 2011 | **250** | 250 |
| 4.64% | Series 5, due June 30, 2016 | **200** | 200 |
| 5.35% | Series 6, due April 27, 2018 | **200** | 200 |
| 4.85% | Series 7, due April 25, 2022 | **125** | 125 |
| 5.46% | Series 6, due September 11, 2036 | **165** | 165 |
| 6.05% | Series 7, due September 2, 2038 | **300** | 300 |
| 5.20% | Series 8, due July 23, 2040 | **250** | – |
| Other debentures | | | |
| 7.90% | 1994 Series debentures, due February 24, 2014 | **150** | 150 |
| 11.50% | 1990 Series debentures, due August 28, 2015 | **150** | 150 |
| 9.70% | 1992 Series II debentures, due November 6, 2017 | **125** | 125 |
| 8.75% | 1993 Series debentures, due August 3, 2018 | **125** | 125 |
| 8.65% | Senior debentures, due October 19, 2018 | **75** | 75 |
| 8.65% | 1995 Series debentures, due November 10, 2025 | **125** | 125 |
| | | **2,240** | 2,212 |
| Less: deferred financing charges | | **12** | 11 |
| | | **2,228** | 2,201 |
| Less: current portion | | **250** | 222 |
| | | **1,978** | 1,979 |

The Company's long-term debt is unsecured. The weighted average cost of long-term debt as at December 31, 2010 was 6.8% (2009 – 7.1%). Principal repayment requirements on long-term debt are as follows:

| *($millions)* | Total | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|---|---|---|
| Long-term debt | 2,240 | 250 | – | – | 150 | 150 | 1,690 |

Under the terms of the trust indentures relating to certain debentures, the Company has agreed to several covenants including a limitation on the payment of dividends. As of December 31, 2010 and 2009, the Company is in compliance with all such covenants.

Total interest paid on long-term debt in 2010 was $150 million (2009 – $160 million).

### Available Credit Facility and Restrictive Debt Covenants

| | **Expiration Date** | **Credit Facility Capacity** | **Outstanding at December 31, 2010 Commercial Paper** |
|---|---|---|---|
| Multi-year syndicated[13] | 2012 | 500 | 157 |

[13] Credit facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 75% and a provision which requires Union Gas to repay all borrowings under the facility for a period of two days during the second quarter of each year.

The issuance of commercial paper and other facility borrowings reduces the amount available under the credit facility.

The Company's credit agreement contains various financial and other covenants, including the maintenance of certain financial ratios. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreement. As of December 31, 2010, the Company was in compliance with those covenants. In addition, the credit agreement allows for the acceleration of payments or termination of the agreement due to non-payment, or in some cases, due to the acceleration of other significant indebtedness of the borrower or some of its subsidiaries.

A majority of the Company's short-term cash requirements are funded through the issuance of commercial paper. The weighted average rate on outstanding commercial paper as of December 31, 2010 was 1.05% (2009 – 0.4%).

Total interest paid on short-term debt in 2010 was $2 million (2009 – $4 million).

### 7. Mandatorily Redeemable Preference Shares

| Authorized | | Outstanding at December 31 2010 | 2009 | December 31 2010 | December 31 2009 |
|---|---|---|---|---|---|
| *(shares)* | | *(shares)* | | *($millions)* | |
| Class A – 112,072 | Series A, 5.5% | **47,672** | 47,672 | **3** | 3 |
| | Series C, 5.0% | **49,500** | 49,500 | **2** | 2 |
| | | | | **5** | 5 |

The Class A, Series A and C Preference Shares are cumulative and redeemable at $50.50 per share. The Company is obligated to offer to purchase $170,000 of Series A and $140,000 of Series C shares annually at the lowest price obtainable, but not exceeding $50 per share.

### 8. Share Capital

| | Authorized | Outstanding at December 31 2010 | 2009 | December 31 2010 | December 31 2009 |
|---|---|---|---|---|---|
| | *(shares)* | *(shares)* | | *($millions)* | |
| Class A, Series B, 6% | 90,000 | **90,000** | 90,000 | **5** | 5 |
| Class B, Series 10, 4.88% | Unlimited | **4,000,000** | 4,000,000 | **100** | 100 |
| | | | | **105** | 105 |
| Common Shares | Unlimited | **57,822,650** | 57,822,650 | **627** | 627 |
| | | | | **732** | 732 |

The Class A, Series B Preference Shares are cumulative and redeemable at $55 per share at the option of the Company.

The Class B, Series 10 Preference Shares are cumulative and redeemable at $25 per share at the option of the Company and, at the option of the holders, convertible back into Series 11 shares every five years commencing January 1, 2014. Union Gas may redeem at any time all, but not less than all, of the outstanding Series 10 Shares. The dividend rate of the Series 10 Shares is floating at an annual rate equal to 80% of the prime rate until December 31, 2013.

## 9. Asset Retirement Obligation

The Company has a legal obligation to disconnect, purge and cap abandoned pipeline, as well as capping abandoned storage wells. The Company also has buildings that contain asbestos and therefore will have a legal obligation requiring the special handling and disposition of the asbestos if it is disturbed.

The Company has non-asbestos AROs which include easements and some railway license agreements relating to pipeline assets located on land which the Company does not own. The Company has not recognized a liability in regard to these non-asbestos ARO because the fair value of the ARO cannot be reasonably estimated. The Company's pipeline system is considered a critical component of its business and is expected to be maintained and remain in place indefinitely. Natural gas supplies are also considered sufficient for the Company to operate in the long-term. The Company has determined that sufficient information to estimate the fair value of an ARO is not available because the assets are considered permanent with indeterminate useful lives and that sufficient information is not available to estimate a range of potential settlement dates in order to employ a present value technique to estimate fair value.

At December 31, 2010, the estimated undiscounted cash flows required to settle our AROs was $587 million (2009 – $573 million), calculated using an inflation rate of 2.0% per annum (2009 – 2.0%). The estimated fair value of this liability was $123 million (2009 – $108 million). The estimated cash flows of new obligations incurred during the year have been discounted at a rate of 3.80% per annum (2009 – 4.22%). At December 31, 2010, the timing of payment for settlement of the obligations ranges from 1 to 147 years.

Reconciliation of Asset Retirement Obligations:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Balance, beginning of year | **108** | 75 |
| Liabilities incurred | **10** | 32 |
| Liabilities settled | **(1)** | (3) |
| Accretion | **6** | 4 |
| Balance, end of year | **123** | 108 |

## 10. Stock-Based Compensation

Under the Long Term Incentive Share Option Plan 1989 ("1989 Plan"), the Company's parent company, Westcoast Energy Inc. (Westcoast) has granted certain stock options to its employees, including employees of Union Gas. Stock options are granted at an exercise price that equals the market price as defined in the 1989 Plan of Westcoast's shares on the date of grant. The 1989 Plan also provides for share appreciation rights under which the holder of a stock option may, in lieu of exercising the option, exercise the share appreciation right.

The Spectra Energy 2007 Long-Term Incentive Plan (the 2007 LTIP) provides for the granting of stock options, restricted stock awards and units, unrestricted stock awards and units, and other equity-based awards, to employees and other key individuals who perform services for Spectra Energy. A maximum of 30 million shares of common stock may be awarded under the 2007 LTIP. Union Gas employees participate in the 2007 LTIP. Options granted under the 2007 LTIP are issued with exercise prices equal to the fair market value of the Spectra Energy common stock on the grant date, have ten year terms and vest immediately or over terms not to exceed three years. Compensation expense related to stock options is recognized over the requisite service period. The requisite service period for stock options is the same as the vesting period, with the exception of retirement eligible employees, who have shorter requisite service periods ending when the employees become retirement eligible.

Restricted, performance and phantom stock awards granted under the 2007 LTIP typically become 100% vested on the three-year anniversary of the grant date. The fair value of the awards granted is measured based on the fair value of the shares on the date of grant. Related compensation expense is recognized over the requisite service period which is the same as the vesting period.

At the time of the Spectra Energy spin-off from Duke Energy, Duke Energy converted stock options, restricted stock awards, performance awards and phantom stock awards (collectively, Stock-Based Awards) of Duke Energy common stock held by Spectra Energy employees and Duke Energy employees. One replacement Duke Energy Stock-Based Award and one-half Spectra Energy Stock-Based Award were distributed to each holder of Duke Energy Stock-Based Awards for each award held at the time of the spin-off. The Spectra Energy Stock-Based Awards resulting from the conversion are considered to have been issued under the 2007 LTIP.

Spectra Energy allocated pre-tax stock-based compensation expense included in continuing operations to Union Gas for 2010 and 2009 as follows, the components of which are further described below:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Phantom Stock | **1** | 1 |
| Performance Awards | **1** | 1 |
| Total | **2** | 2 |

**Stock Options**

| | **Shares** | **Weighted-Average Exercise Price US$** |
|---|---|---|
| Outstanding at beginning of year | **251,975** | **$25** |
| Transfers in/(out) | **(22,474)** | **24** |
| Granted | **–** | |
| Exercised | **(9,062)** | **18** |
| Forfeited | **(18,681)** | **31** |
| Outstanding at end of year | **201,758** | **$25** |
| Options exercisable at year-end | **201,758** | **$25** |

| | **Options Outstanding** | | | **Options Exercisable** | |
|---|---|---|---|---|---|
| Exercise Prices US$ | Number Outstanding At 12/31/10 | Weighted-Average Remaining Contractual Life(in years) | Weighted-Average Exercise Price US$ | Number Exercisable At 12/31/10 | Weighted-Average Exercise Price US$ |
| $11 – 15 | 21,050 | 2.2 | $12 | 21,050 | $12 |
| $16 – 20 | – | – | – | – | – |
| $21 – 25 | 146,657 | 5.9 | 26 | 146,657 | 26 |
| $26 – 30 | 12,351 | 1.1 | 29 | 12,351 | 29 |
| $31 – 37 | 21,700 | 1.1 | 33 | 21,700 | 33 |
| > $37 | – | – | – | – | – |
| Total | 201,758 | 4.7 | $25 | 201,758 | $25 |

The Company did not award non-qualified stock options to employees during 2010 or 2009. Under the terms of the 2007 LTIP, the exercise price of a non-qualified stock option shall not be less than 100% of the fair market value of Spectra Energy common stock on the date of grant, and the maximum option term is ten years. Spectra Energy issues new shares upon exercising or vesting of share-based awards. The Black-Scholes option-pricing model is used to estimate the fair value of options at grant date. The risk-free rate of return is determined based on a yield curve of U.S. Treasury rates ranging from six months to ten years and a period commensurate with the expected life of the options granted. The expected volatility is established based on historical volatility and implied volatility of a group of 19 peer company stock prices. The expected dividend yield is determined based on Spectra Energy's annual dividend amount as a percentage of the average stock price at the time of grant.

**Performance Awards**

Under the 2007 LTIP, the Company can also grant performance awards. Stock-based performance awards generally vest over three years at the earliest, if performance metrics are met. The Company granted 59,400 performance awards (fair value of US $2 million) during 2010 and 67,600 performance awards (fair value of US $1 million) during 2009.

The unvested and outstanding performance awards granted contain market conditions based on the total shareholder return (TSR) of Spectra Energy common stock relative to a pre-defined peer group. These awards are valued using the Monte Carlo valuation method.

**Weighted-Average Assumptions for Market Based Awards**

| | **December 31 2010** | **December 31 2009** |
|---|---|---|
| Risk free interest rate | **1.4%** | **1.4%** |
| Expected life (years) | **3** | **3** |
| Expected volatility Spectra Energy | **37.9%** | **41.2%** |
| Expected volatility Peer Group | **22.3-58.5%** | **20.8-53.1%** |
| Market Index | **30.3%** | **28.5%** |
| Expected dividend yield | **–** | **–** |

The risk-free rate of return was determined based on a yield of three year U.S. Treasury bonds on the grant date. The expected volatility was established based on historical volatility over three years using daily stock price observations. A shorter period was used if three years of data was not available. Because the award payout includes dividend equivalents, no dividend yield assumption is required.

The total fair value of the performance shares vested was $333,746 in 2009, $333,522 in 2008. No performance shares vested in 2010. As of December 31, 2010, the Company expects to recognize $2 million of future compensation cost related to stock awards over a weighted-average period of less than two years.

**Phantom Stock Awards**

Stock-based phantom awards granted under the 2007 LTIP generally vest over three years. The Company awarded 65,600 phantom awards (fair value $1 million) during 2010, and 47,600 phantom awards (fair value of $1 million) during 2009.

The total fair value of the phantom shares vested was $778,935 in 2010 and $111,258 in 2009.

## 11. Capital Management

The Company's objectives in managing its capital include the continuation of its ability to serve customers and to generate the OEB allowed rate of return for its shareholders while maintaining the OEB-approved level of common equity.

In managing capital, management considers both debt and equity. The mix of debt and equity components is driven by prevailing market conditions, as the Company may take advantage of lower interest rates by issuing debt or utilizing available credit facilities. The Company is required by Undertakings to the Lieutenant Governor in Council of Ontario to maintain sufficient common equity at the level approved by the OEB. The quarterly dividend payment is determined to allow the Company to maintain the common equity component at the level approved by the OEB.

Various debt covenants require the Company's Indebtedness[14] not to exceed 75% of Total Capitalization[15].

As at December 31, 2010 and 2009, the Company was in compliance with the following externally imposed capital requirements. The Company monitors these requirements on a quarterly basis.

| | **December 31 2010** | December 31 2009 |
|---|---|---|
| OEB-approved minimum Common Equity | **36.00%** | 36.00% |
| Allowed Return on Equity – regulated operations | **8.54%** | 8.54% |
| Maximum Total Indebtedness to Total Capitalization | **75.00%** | 75.00% |
| Actual Total Indebtedness to Total Capitalization | **64.10%** | 61.00% |

## 12. Financial Instruments

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying value of the Company's financial instruments are classified into the following categories:

| **Classification** *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Financial assets held for trading[16] | **12** | 34 |
| Loans and receivables[17] | **301** | 269 |
| Other financial liabilities[18] | **2,793** | 2,471 |

The fair values of the Company's financial instruments are not materially different from their carrying value, with the exception of the Company's long-term debt of $2,240 million (2009 – $2,212 million). Based on current interest rates for debt with similar terms and maturities, the fair market value is estimated to be $2,610 million (2009 – $2,484 million).

[14] Indebtedness includes short-term borrowings, commercial paper, long-term debt, mandatorily redeemable preference shares and letters of credit.
[15] Capitalization includes shareholders-equity, non-controlling interest and indebtedness.
[16] Includes cash and cash equivalents
[17] Includes accounts receivable
[18] Includes accounts payable and accrued charges, short-term borrowings, long-term debt, and mandatorily redeemable preference shares

*Fair value hierarchy*

Financial instruments recorded at fair value on the Consolidated Balance Sheet are valued using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents are the only financial instruments recorded at fair value on the Consolidated Balance Sheet and are classified as level 1.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The long-term debt bears interest at fixed rates and therefore the cash flow exposure is not significant. However, the fair value of loans having fixed rates of interest could fluctuate because of changes in market interest rates. The fair value of short-term borrowings have a limited exposure to interest rate risk due to their short-term maturity.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the Company at period end is the carrying value of its financial assets. The Company's principal customers for natural gas transportation and storage services are industrial end-users, marketers, local distribution companies and utilities. The Company's distribution customers are primarily industrial and residential end-users. These concentrations of customers may affect the Company's overall credit risk.

The Company, in the normal course of its operations, provides gas loans to other parties from its holdings of gas in storage. The replacement amount of gas loans at December 31, 2010 is $72 million receivable (2009 - $39 million receivable). The Company manages its credit exposure related to gas loans by subjecting these parties to the same credit policies it uses for all customers, and obtaining collateral when appropriate.

The Company manages its credit risk on cash and cash equivalents by dealing solely with reputable banks and financial institutions. To manage its credit risk on accounts receivable, the Company performs ongoing credit reviews of all its customers. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit, letter of credit or parental guarantee is required. Deposits held by the Company at December 31, 2010 amounted to $51 million (2009 - $58 million). Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the account receivable may be uncollectible and therefore should be included in the allowance for doubtful accounts.

Union Gas continues to utilize its established risk management policies and procedures to ensure the appropriate monitoring of customer credit positions and, based on current evaluations, does not expect any significant negative impacts associated with these positions.

The following table sets forth details of the age of trade receivables that are not impaired as well as the allowance for the doubtful accounts:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Current | **282** | 242 |
| 30 Days over due | **9** | 9 |
| 60 Days over due | **3** | 3 |
| 90+ Days over due | **6** | 10 |
| Total trade accounts receivable | **300** | 264 |
| Allowance for doubtful accounts | **(5)** | (6) |
| Total trade accounts receivable, net[19] | **295** | 258 |

For the years ended December 31, 2010 and 2009, no one customer accounted for more than 10% of sales or 10% of receivables.

*Equity Price Risk*

Our costs of providing non-contributory defined benefit retirement and postretirement benefit plans are dependent upon, among other things, rates of return on plan assets. These plan assets expose us to price fluctuations in equity markets. In addition, our captive insurance company maintains various investments to fund certain business risks and losses. Those investments may, from time to time, include investments in equity securities. Currently, we do not invest in equity securities other than employee benefits plan assets.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has credit facilities available to help meet short-term financing needs (note 6).

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at December 31, 2010:

| *($millions)* | Total | Less than 1 year | 2 – 3 years | 4 – 5 years | More than 5 years |
|---|---|---|---|---|---|
| Short-term borrowings | 198 | 198 | – | – | – |
| Commercial paper | 157 | 157 | – | – | – |
| Accounts payable and accrued charges | 582 | 582 | – | – | – |
| Long-term debt (including principal and interest) | 4,123 | 402 | 271 | 560 | 2,890 |
| Mandatorily redeemable preference shares | 5 | – | – | – | 5 |
| Total | 5,065 | 1,339 | 271 | 560 | 2,895 |

[19] The carrying amount of accounts receivable is impacted by changes in gas prices, which may fluctuate significantly from year to year.

## 13. Employee Future Benefits

The Company sponsors five defined benefit registered pension plans and one registered pension plan with both a defined benefit provision and a defined contribution provision. Our eligible employees participate in one of these registered pension plans. All of the defined benefit plans provide a final average earnings related benefit. The Company makes contributions to the defined contribution plan based on the salary, age and service of each member. Supplemental defined benefit pensions are provided to all employees affected by the maximum pension limits under the Income Tax Act. Other post-retirement benefits provided include health and dental benefits, life insurance coverage and a health care spending account.

Accrued benefit obligations are determined using the projected benefit method pro-rated on services. The Company uses a measurement date of September 30. In determining the accrued benefit obligations and current service costs, the Company uses Management's best-estimate assumptions, except for the liability discount rate, which is determined as the yield on high quality fixed income investments with a term to maturity similar to the covered benefits.

Plan assets are valued at fair value. The calculation of the expected return on assets is based on a market related value of assets, with the market related adjustment determined over a three-year period.

The transitional obligation associated with the change in accounting for Employee Future Benefits at January 1, 2000 is being amortized on a straight line basis over the expected average remaining service lifetime (EARSL) of employees active at January 1, 2000. Past service costs arising from plan amendments are amortized on a straight-line basis over the EARSL of employees active at the date of the amendment. The amount by which the net unamortized cumulative actuarial gain or loss based on the market related value of assets exceeds 10% of the greater of the accrued benefit obligation and the market related value of assets at the beginning of the period is amortized on a straight-line basis over the EARSL of employees active at the beginning of the period. The average remaining service period of the active employees covered by the retirement plans is 10 years. The average remaining service period of the active employees eligible for post retirement benefits other than pensions is 18 years.

The Company made the following employee future benefit contributions:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Defined benefit plans | **40** | 41 |
| Defined contribution pension plan | **5** | 4 |
| Supplemental pension | **1** | 1 |
| Other than pensions | **2** | 3 |
| | **48** | 49 |

### Actuarial Valuations

| | **Pension Benefit Plans** | **Post-Retirement Benefits Other Than Pensions** |
|---|---|---|
| Most recent | January 1, 2010 | January 1, 2009 |
| Next scheduled | January 1, 2011 | January 1, 2012 |

**Benefit Obligations, Plan Assets and Funded Status**

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | Pension | | Other | |
| *($millions)* | **2010** | 2009 | **2010** | 2009 |
| **Change in benefit obligations** | | | | |
| Balance, beginning of year | **585** | 529 | **60** | 49 |
| Employer current service cost | **11** | 9 | **2** | 1 |
| Member contributions | **3** | 3 | **–** | – |
| Interest cost | **34** | 31 | **3** | 3 |
| Benefits paid | **(30)** | (27) | **(2)** | (3) |
| Past service cost | **7** | – | **–** | – |
| Actuarial loss | **45** | 40 | **6** | 10 |
| Balance, end of year | **655** | 585 | **69** | 60 |
| **Change in fair value of assets** | | | | |
| Fair value, beginning of year | **443** | 418 | **–** | – |
| Actual return on plan assets | **45** | 6 | **–** | – |
| Employer contributions | **42** | 43 | **2** | 3 |
| Member contributions | **3** | 3 | **–** | – |
| Benefits paid | **(30)** | (27) | **(2)** | (3) |
| Fair value, end of year | **503** | 443 | **–** | – |
| **Funded status** | | | | |
| Net funded status | **(152)** | (142) | **(69)** | (60) |
| Unamortized net actuarial loss | **258** | 238 | **17** | 11 |
| Unamortized past service costs | **12** | 7 | **–** | – |
| Unamortized transitional obligation | **6** | 7 | **8** | 9 |
| Contributions remitted after measurement date | **10** | 11 | **–** | 1 |
| Accrued benefit asset (liability), end of year | **134** | 121 | **(44)** | (39) |
| **Classification of accrued benefit assets (liabilities)** | | | | |
| Regulatory and other assets | **152** | 137 | **–** | – |
| Regulatory and other liabilities | **(18)** | (16) | **(44)** | (39) |
| Accrued benefit asset (liability) | **134** | 121 | **(44)** | (39) |
| **Allocation of assets to major classes** | | | | |
| Equity securities | **54%** | 60% | **–** | – |
| Debt securities | **46%** | 40% | **–** | – |

For 2010 and 2009, all of the defined benefit pension plans had accrued benefit obligations that exceeded the fair value of plan assets. The other post-retirement benefit plans are not pre-funded.

**Net benefit cost**

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | Pension | | Other | |
| *($millions)* | **2010** | 2009 | **2010** | 2009 |
| Current service cost | **11** | 9 | **2** | 1 |
| Interest cost | **34** | 31 | **3** | 3 |
| Actual return on plan assets | **(45)** | (6) | **–** | – |
| Actuarial losses | **45** | 40 | **6** | 10 |
| Past service cost | **7** | – | **–** | – |
| Elements of employee future benefits costs before adjustments to recognize the long-term nature of employee future benefit costs | **52** | 74 | **11** | 14 |
| Adjustments to recognize the long-term nature of employee future benefit costs: | | | | |
| Difference between actual and expected return | **11** | (27) | **–** | – |
| Difference between actual and recognized actuarial gains in year | **(31)** | (34) | **(6)** | (10) |
| Difference between actual and recognized past service costs in year | **(5)** | 1 | **–** | – |
| Amortization of transitional obligation | **1** | 2 | **2** | 2 |
| Defined benefit costs recognized | **28** | 16 | **7** | 6 |
| Defined contribution cost | **5** | 4 | **–** | – |
| Total net benefit cost | **33** | 20 | **7** | 6 |

**Weighted average assumptions used to determine benefit liability**

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | Pension | | Other | |
| | **2010** | 2009 | **2010** | 2009 |
| Discount rate at measurement date | **5.04%** | 5.62% | **5.11%** | 5.69% |
| Rate of compensation increase | **3.25%** | 3.50% | **3.25%** | 3.50% |
| Initial overall health care trend rate | **–** | – | **8.00%** | 8.00% |
| Annual rate of decline in health care trend rate | **–** | – | **0.50%** | 0.50% |
| Ultimate health care cost trend rate | **–** | – | **5.00%** | 5.00% |
| Year that the rate reaches the ultimate trend rate | **–** | – | **2017** | 2016 |

**Weighted average assumptions used to determine net benefit cost**

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | Pension | | Other | |
| | **2010** | 2009 | **2010** | 2009 |
| Discount rate | **5.62%** | 5.98% | **5.69%** | 6.03% |
| Expected rate of return on plan assets | **7.00%** | 7.00% | **–** | – |
| Rate of compensation increases | **3.50%** | 3.50% | **3.50%** | 3.50% |
| Initial overall health care trend rate | **–** | – | **8.00%** | 8.00% |
| Annual rate of decline in health care trend rate | **–** | – | **0.50%** | 0.50% |
| Ultimate health care cost trend rate | **–** | – | **5.00%** | 5.00% |
| Year that the rate reaches the ultimate trend rate | **–** | – | **2016** | 2015 |

**Sensitivity of key assumption**

| *($millions)* | Post-Retirement Benefits Other than Pensions | |
|---|---|---|
| Assumed change in health care cost trend rate | **1% Increase** | **1% Decrease** |
| Change in obligation | **6** | (6) |

**14. Income Taxes**

The provision for income taxes consists of the following:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Current | **16** | 103 |
| Future | **25** | (55) |
| | **41** | 48 |

The year-over-year change in the components of current and future income taxes is primarily due to the difference in the treatment of the approved cost and the actual cost of gas for income tax and accounting purposes.

Net income taxes paid in 2010 were $96 million (2009 - $47 million).

Reconciliation between the combined Federal and Ontario statutory tax rate and the effective rate of income taxes is as follows:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Income before income taxes | **247** | 223 |
| Statutory income tax rate (percent) | **31.0** | 33.0 |
| Statutory income tax rate applied to accounting income | **77** | 74 |
| Increase/(decrease) resulting from: | | |
| Future tax recovery resulting from tax rate changes | **(4)** | (44) |
| Future regulatory income tax payable/receivable recorded through tax expense | **(32)** | 18 |
| Provision for income taxes | **41** | 48 |
| Effective rate of income tax (percent) | **16.6** | 21.0 |

The future income taxes recorded in current assets of $14 million (2009 – $57 million) arise from temporary differences primarily related to regulatory deferral accounts.

The long-term future income tax liability of $361 million (2009 - $327 million) includes the following:

| *($millions)* | **December 31 2010** | December 31 2009 |
|---|---|---|
| Temporary differences related to pension asset | **26** | 26 |
| Temporary differences related to accelerated depreciation rates | **335** | 301 |
| | **361** | 327 |

### 15. Related Party Transactions

The Company purchases gas, storage and transportation services at prevailing market prices and under normal trade terms from related parties. During the year ended December 31, 2010, these purchases totalled $11 million (2009 – $6 million). Union Gas also provides storage and transportation services to related parties which totalled $1 million during 2010 (2009 – $1 million).

The Company provided administrative, management and other services to related parties totalling $10 million (2009 – $9 million), which were billed and recovered at cost. Charges from related parties for administrative and other goods and services were $9 million (2009 – $7 million).

At December 31, 2010 the Company had receivable balances of $2 million (2009 – $6 million) and payable balances of $3 million (2009 – $6 million) with related parties, all of which are recorded in accounts receivable and accounts payable, respectively.

During 2010, the Company obtained from and provided unsecured loans to Westcoast. The balance outstanding on these loans at December 31, 2010 was a $198 million payable (2009 – $6 million receivable). These loans are classified as short-term borrowings in 2010. Interest received on these loans during 2010 totalled less than $1 million (2009 – less than $1 million) and interest paid on these loans totalled less than $1 million (2009 – less than $1 million). Interest on these loans is calculated based on the monthly average of 30-day banker's acceptance rates.

### 16. Contingencies

The Company, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. Accruals are made in instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. The Company has no reason to believe that the ultimate outcome of these matters could have a significant impact on its consolidated financial statements.

### DIRECTORS

**David G. Unruh**

**Julie A. Dill**

**Bruce E. Pydee**

### OFFICERS

**Julie A. Dill**
Chair and President

**J. Patrick Reddy**
Chief Financial Officer

**M. Richard Birmingham**
Vice President, Regulatory, Government, Aboriginal and Public Affairs

**Bruce E. Pydee**
Vice President and General Counsel

**Bohdan I. Bodnar**
Vice President, Human Resources

**Menelaos Ydreos**
Vice President, Marketing and Customer Care

**Allen C. Capps**
Vice President, Business Development – Storage and Transmission

**Paul Rietdyk**
Vice President, Distribution Operations

**Michael P. Shannon**
Vice President, Engineering, Construction and Storage and Transmission Operations

**Joe R. Martucci**
Vice President, Finance

**Stephen W. Baker**
Vice President and Treasurer

**Timothy Kennedy**
Vice President, Federal Government Affairs

**Paul K. Haralson**
Assistant Treasurer

**Patricia M. Rice**
Corporate Secretary

**Leigh A. Hodgins**
Assistant Secretary

**Joseph Marra**
Assistant Secretary

### CORPORATE INFORMATION

Transfer Agent and Registrar **CIBC Mellon**

Union Gas Limited preference shares are listed on the Toronto Stock Exchange
**Class A Preference, Series A – 5½% (UNG.PR.C)**

**Class A Preference, Series B – 6% (UNG.PR.D)**

### REGISTERED OFFICE

50 Keil Drive North Chatham, Ontario N7M 5M1

| Line No. | Particulars ($ millions) | EB-2011-0038, Exhibit A, Tab 2, Appendix B, Schedule 1, column (a) | Audited Financial Statements | Difference | |
|---|---|---|---|---|---|
| | Operating Revenues: | | | | |
| 1 | Operating revenue | 1,497 | 1,493 | 4 | [1] |
| 2 | Storage & Transportation | 308 | 308 | - | |
| 3 | Other | 29 | 29 | - | |
| 4 | | 1,834 | 1,830 | 4 | |
| | Operating Expenses: | | | | |
| 5 | Cost of gas | 794 | 794 | - | |
| 6 | Operating and maintenance expenses | 363 | 364 | (1) | [2] |
| 7 | Depreciation | 199 | 200 | (1) | [2] |
| 8 | Other financing | - | - | - | |
| 9 | Property and capital taxes | 67 | 67 | - | |
| 10 | | 1,423 | 1,425 | (2) | |
| | Other | | | | |
| 11 | Gain / (Loss) on sale of assets | - | - | - | |
| 12 | Other / HTLP | (1) | - | (1) | [2] |
| 13 | Gain / (Loss) on foreign exchange | (1) | - | (1) | [3] |
| 14 | | (2) | - | (2) | |
| 15 | Earning Before Interest and Taxes | 409 | 405 | 4 | |

[1] 2010 Earnings Sharing Provision
[2] HTLP activity
[3] Rounding in Audited Financial Statements

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A / Tab 2 / Appendix B/ Schedule 1

a) Please recalculate the earning sharing using the numbers from 2010 audited consolidated income statement and explain the difference between the recalculated earning sharing and $3.433 million currently calculated.

b) Please provide Union's course of actions if the difference noted in a) is material.

---

**Response:**

a) and b)

The audited consolidated income statement includes the unregulated storage operations as well as the non-utility adjustments. Using these results for the earnings sharing calculation would result in sharing of unregulated storage results above the amounts shared through the deferral account mechanism. This approach would be entirely inconsistent with the Board's decision in the Natural Gas Electricity Interface Review, and inconsistent with prior years' earnings sharing calculations as approved by the Board.

This approach would include items in the sharing calculation that are not appropriately included. For example, the earnings sharing provision would be included resulting in a circular calculation. The SSM amount, which the Board has previously agreed is not subject to sharing, is also included in the audited consolidated income statement.

Accordingly, it is not appropriate to recalculate an earnings sharing amount based on total corporate earnings that includes non-utility and unregulated storage activities.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A / Tab 2 / App. A /Sch. 4

Please provide an explanation for the significant increase in the Unfunded Short Term Debt from $37.811 million in 2009 to $97.441 million in 2010.

---

**Response:**

The increase in Unfunded Short-term Debt is a result of growth in rate base.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref. Exhibit A/ Tab 2/ App A/ Sch 13

Please provide an explanation for the increases in salaries & wages from $175.066 million in 2009 to $183.249 million in 2010. What is the driver for this increase? What positions were added?

---

**Response:**

The following table explains the increase and associated drivers in salaries & wages from $175.066 million in 2009 to $183.249 million in 2010.

| | |
|---|---|
| 2009 Actual | $175.066 |
| Salary Increase | $4.710 |
| Short Term Incentive Plan Increase | $4.600 |
| 2009 Severances | ($0.828) |
| Other | ($0.299) |
| 2010 Actual | $183.249 |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref. Exhibit A/ Tab 2/ App A/ Sch 13

Please provide an explanation of the fluctuation of the in outbound and inbound affiliate services. Please include a breakdown of both the outbound and the inbound affiliate services expenses.

---

**Response:**

The fluctuation of the in outbound and inbound affiliate services is the result of the separation of Union Gas Limited and Spectra Energy from Duke Energy Corporation.

In 2007 Duke Energy Corporation spun off its natural gas businesses forming Spectra Energy. At that time the Company went through significant restructuring. The services and organizational structures of the former Duke and the current Spectra Energy and Union Gas companies changed substantially. Some services provided by Duke were terminated, some re-contracted with 3rd parties, some were transferred to Union, and some were restructured for cost reductions. These changes have made a meaningful comparison of services between Board-approved 2007 and 2009/2010 Actual complex.

Please see the Attachment for a breakdown of outbound and inbound affiliate services expenses.

UNION GAS LIMITED
Outbound and Inbound Affiliate Expenses

| | | Affiliate Revenue | | | | | Affiliate Expense | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Line No. | Particulars ($000s) | 2007 Board - Approved | 2009 | 2010 | 2009 Vs 2007 Board - Approved | 2010 Vs 2009 Board - Approved | 2007 Board - Approved | 2009 | 2010 | 2009 Vs 2007 Board - Approved | 2010 Vs 2009 Board - Approved |
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| 1 | Audit | 568 | | 206 | (568) | 206 | (36) | (396) | (708) | (360) | (311) |
| 2 | BDST | 197 | 507 | 377 | 310 | (130) | (336) | (254) | (308) | 82 | (54) |
| 3 | Corp Services | | 120 | 36 | 120 | (84) | (367) | (361) | (77) | 6 | 284 |
| 4 | Engineering & Construction | 45 | 808 | 1,177 | 762 | 370 | (2,810) | (408) | (513) | 2,402 | (105) |
| 5 | EHS | 282 | 388 | 705 | 106 | 317 | (382) | (26) | (538) | 357 | (513) |
| 6 | Ethics | 0 | 0 | 0 | 0 | 0 | | (170) | (188) | (170) | (18) |
| 7 | Finance | 760 | 1,061 | 1,046 | 301 | (14) | (1,338) | (1,108) | (1,202) | 230 | (94) |
| 8 | HR | 789 | 2,070 | 2,174 | 1,281 | 104 | (3,021) | (1,927) | (2,281) | 1,094 | (354) |
| 9 | Insurance | 10 | 135 | 116 | 125 | (20) | (1,309) | (87) | (92) | 1,222 | (5) |
| 10 | IT | 2,044 | 2,667 | 2,906 | 624 | 238 | (1,451) | (1,398) | (1,985) | 53 | (587) |
| 11 | Legal | | 4 | 9 | 4 | 5 | (470) | (152) | (129) | 318 | 23 |
| 12 | Other | 159 | 299 | 39 | 140 | (260) | 241 | (148) | 0 | (389) | 148 |
| 13 | Public Affairs | 0 | 0 | 0 | 0 | 0 | (125) | (42) | (25) | 83 | 17 |
| 14 | Supply Chain | 54 | 437 | 471 | 382 | 35 | (490) | (163) | (703) | 327 | (541) |
| 15 | Tax | 833 | 817 | 921 | (16) | 104 | (39) | (238) | (338) | (199) | (100) |
| 16 | Total | 5,741 | 9,312 | 10,182 | 3,571 | 870 | (11,933) | (6,878) | (9,087) | 5,055 | (2,209) |
| 17 | Depreciation Expense | | | | | | | (428) | (375) | (428) | 53 |
| 18 | Total | 5,741 | 9,312 | 10,182 | 3,571 | 870 | (11,933) | (7,306) | (9,462) | 4,627 | (2,156) |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Allocation of Costs between Union's Regulated and Unregulated Storage Operations**

Ref: Exhibit A / Tab 4

For how long does Union propose to continue with its current cost allocation methodology? When does Union propose to conduct a new cost allocation study?

---

**Response:**

Union is seeking final Board approval of the methods used in this proceeding to separate the costs of its unregulated storage operations from its regulated business. A new cost allocation study would not be required and will not be conducted.

In the Board's NGEIR Decision with Reasons (EB-2005-0551 p. 74) the Board ruled that "Union's current cost allocation study is adequate for the purposes of separating the regulated and unregulated costs and revenues for ratemaking purposes."

As directed by the Board, Union has used the 2007 cost allocation study, adjusted to reflect the reservation of 100 PJ for in-franchise storage requirements, to separate the costs of its unregulated storage business from its regulated business as at December 31, 2006.

Any storage assets developed after December 31, 2006 are allocated directly and solely to the unregulated storage business. Replacement assets are allocated based on their prior allocation up to the capacity of the asset being replaced. Any incremental capacity generated by the replacement asset is allocated to the unregulated business.

As part of its 2013 cost of service filing, Union will file a cost allocation study for its regulated business only.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Cost of Gas Deferral Adjustment**

Ref: Exhibit A / Tab 2 / Page 4

In the EB-2011-0038 application, Union indicated that as a result of the 2009 correction (related to the prior adjustment of $3.468 million in North TCPL Tolls and Fuel deferral account 179-100 resulting from the cancellation of 3rd party transportation contract), Union's 2010 earning subject to sharing included the $3.5 million from 2009, increasing the earning sharing payable to rate payers by $1.75 million.

Please explain why the $1.75 million was not included in the Adjustment column (Column C of Appendix B of Exhibit A) of earning sharing calculation since it was related to the prior period adjustment.

---

**Response:**

The $1.75 million was not included in the Adjustment column (column c of Appendix B of Exhibit A) of the earnings sharing calculation so that the current earnings sharing would include a refund to the ratepayers of $1.75 million, which would offset the understated 2009 earnings sharing of $1.75 million.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Accounting Adjustment**

Ref: Exhibit A / Tab 2 / Page 6

Union indicated that "an adjustment of $0.912 million is a result of the difference between the 2009 deferral disposition application amount requested by Union and the Board-approved amounts for items to be excluded from utility earnings".

a) Please explain in detail the nature of the accounting adjustment and provide relevant evidence including applicable journal entries and adjustment steps to support the $0.912 million accounting adjustment.

b) How will Union ensure to minimize making accounting adjustments in the deferral and variance accounts going forward? Please explain in detail.

c) Has Union established any policy/procedure related to the recording of accounting adjustments in the deferral and variance accounts? If so, please provide a copy of the policy/procedure document. If not, please explain why not.

d) How far back Union is allowed to record the accounting adjustments in the deferral and variance accounts as per its own policy/procedure?

e) If Union has established a policy/procedure regarding the accounting adjustment, does the policy require the disclosure of the adjustments to the Board? If not, please explain why not.

f) What is Union's internal approval process for recording and reporting of the accounting adjustments?

---

**Response:**

a) The adjustment for $0.912 million is made up of the following differences between the 2009 deferral disposition application amount requested by Union and the Board-approved amounts. Adjustments related to prior period deferral account balances are excluded from utility earnings.

| ($ millions) | Booked by Union at Dec 2009 | Approved by Board in 2010 | Impact to 2010 Earnings DR (CR) |
|---|---|---|---|
| 2009 Earnings Sharing | 6.075 | 7.397 | 1.322 |
| 2009 Shared Savings Mechanism | (8.879) | (8.922) | (0.043) |
| 2009 IFRS Conversion Costs | 0.000 | (2.577) | (2.577) |
| OEB Adjustment to 2008 Earnings Sharing RE: 2008 O&M IFRS costs included in original 2008 Earnings Sharing calculation | 0.000 | 0.386 | 0.386 |
| Total | (2.804) | (3.716) | (0.912) |

b) – f) The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities for 2010 year-end reporting. Actual amounts could differ from these estimates. The above accounting adjustments are the result of management's estimates being different from the actual amounts approved by the Board in 2010.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**Preamble:**
In its EB-2010-0359 QRAM application for rates effective January 1, 2011, Union proposed three prior period adjustments for the commodity related deferral and variance accounts as set out below:

South Purchase Gas Variance Account (SPGVA) 179-106 - $8.377 million debit

North Purchased Gas Variance Account (NPGVA) 179-105 - $4.919 million credit

North TCPL Tolls and Fuel deferral account 179-100 - $3.468 million debit

In its Decision EB-2010-0359, the Board stated that, “These adjustments were identified by Union through its reconciliation exercise of its QRAM filing and its general ledger that was performed in 2010. These adjustments were related to an accounting error resulting from a change in the way service is delivered as well as an input errorregarding delivered service volumes in the southern region.”[2] These adjustments were disposed on an interim basis but the intevenors expressed the interests of further scrutinizing the issue in Union’s 2010 deferral account disposition proceeding. The Board further stated in the EB-2010-0359 Decision that “Parties are free to raise the issue of the deferral account adjustments as part of the 2010 deferral account disposition proceeding.”[3] Board staff is interested in further scrutinizing this matter.

**SPGVA 179-106, NPGVA 179-105, North TCPL Tolls and Fuel deferral account 179-100**

Ref: EB-2010-0359 QRAM application and evidence section 3.2 Deferral Account Adjustments

As indicated in Union’s pre-filed evidence for its EB-2010-0359 QRAM application, the three prior period adjustments were related to the errors made back to 2008.
In the EB-2008-0106 Decision, the Board stated that “the Quarterly Rate Adjustment Mechanism ("QRAM") should be a transparent benchmark that reflects market prices and should reflect an appropriate trade-off between market prices and price stability”[4].
Given that the prior period adjustment does not contribute to the transparency of the market price, or to the price stability, please explain in detail:

a) How will Union ensure that it minimizes making prior period adjustments going forward? Please explain in detail.

b) Has Union established any policy or procedures related to the recording of prior period adjustments in the PGVA related accounts? If so, please provide a copy of the policy and procedures document. If not, please explain why not.

c) How far back is Union allowed to record prior period adjustments in the PGVA related accounts as per its own policies and procedures?

d) What is Union's internal approval process for recording and reporting of these prior period adjustments in the PGVA related accounts?

e) If Union has established a policy/procedure regarding prior period adjustments, does the policy require the disclosure of the adjustments to the Board? If not, please explain why not.

---

[2] Union QRAM Decision EB-2010-0359, Page 2
[3] Union QRAM Decision EB-2010-0359, Page 3
[4] Decision EB-2008-0106, Page 1

---

**Response:**

a) and b)

In conjunction with the reorganization of responsibilities and the discovery of the misalignment between the General Ledger ("GL") and the QRAM deferral account model, Union has established new procedures related to the preparation and review of the QRAM application. Prior period adjustments ("PPA") are not specifically identified as part of this procedure nor do they need to be. Union has reconciled the QRAM filings to the GL up to and including March 31, 2011. Union's reconciliations are current and Union does not anticipate any further PPAs to previous filings.

The prior period adjustments for the SPGVA and NPGVA of $8.377 million debit and $4.919 million credit respectively were adjustments required to be made within the QRAM models, <u>not</u> adjustments required to be made to the GL. The adjustment for the North Tolls and Fuel of $3.468 million debit was a required adjustment to the QRAM model as well as an entry to correct the accounting error in the GL.

c) - e)

Union does not have a policy specific to prior period adjustments. PPAs are part of the normal QRAM application review and approval. The QRAM process does not indicate how far back Union can record prior period adjustments, however, Union believes it is prudent to record adjustments as they are discovered and should be identified to the Board through the normal QRAM process.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**SPGVA 179-106, NPGVA 179-105, North TCPL Tolls and Fuel deferral account 179-100**

Ref: EB-2010-0359 Union's Reply Submission on December 15, 2010

Union indicated in its reply submission for EB-2010-0359 that "Union undertook the reconciliation when it became aware that the gas supply deferrals as reported on the QRAM schedules were not aligned with Union's financial records (the general ledger)."[5]

a) Please explain what was the trigger of this awareness?

b) Please explain when Union became aware of the "not-alignment".

c) Please explain when Union undertook the reconciliation.

[5] Union Reply submission for EB-2010-0359, December 15, 2011, Page 2

---

**Response:**

a) - c) There was no specific trigger event that uncovered the misalignment. Through an effort of continuous improvement and an internal reorganization, the differences between the QRAM filings and the General Ledger ("GL") were noted. Gas Supply and Finance Management discussed and addressed this issue in 2009 by dedicating staff to the reconciliation process which was completed in 2010.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**SPGVA 179-106, NPGVA 179-105, North TCPL Tolls and Fuel deferral account 179-100**

Ref: EB-2010-0359 Union's Reply Submission on December 15, 2010

Union indicated in its reply submission for EB-2010-0359 that "Union will perform a monthly reconciliation ensuring that the gas supply deferrals reported in QRAM filings are consistent with the gas supply deferral data included in Union's financial records, which are subject to Union's internal financial controls and the independent financial audit process."[6]

a) Please explain in detail "Union's internal financial controls and the independent financial audit process" as mentioned above and clarify how they would minimize the accounting errors going forward.

b) Is the practice of the monthly reconciliation mentioned above documented as a part of Union's policy and procedures? If so, please provide a copy of the documented policy/procedure for the monthly reconciliation. If not, please explain why not?

c) Has Union started monthly reconciliation as stated above? If so, please provide the start date of the reconciliation. If not, please explain why not. Please also provide the expected start date of this practice.

d) Please provide a copy of the monthly reconciliation for March 2011 of 179-100,179-105,179-106 &179-107.

e) Please reconcile the QRAM schedules in EB-2010-0359 to Union's financial records for the following accounts as of December 31, 2010:
    i) SPGVA 179-106
    ii) NPGVA 179-105
    iii) North TCPL Tolls and Fuel deferral account 179-100
    iv) Spot Gas Variance Account 179-107

f) Please state if the reconciliation would provide sufficient confidence to the Board in approving the disposition of the commodity related deferral and variance accounts.

g) Does Union intend to file the monthly reconciliations as part of QRAM applications moving forward? If not, why not?

[6] Union Reply Submission for EB-2010-0359, December 15, 2011, Page 3

**Response:**

a) The internal financial controls provided below describe the activities performed at Union that ensure the existence, completeness and accuracy of the cost of gas expenses and deferral amounts reported in its General Ledger ("GL"). These activities in general terms can be described as follows:

- Balance sheet accounts are reconciled to supporting schedules and documentation as per corporate policy.
- Reconciliation of the monthly Supply and Transportation portfolio.
- Reconciliation of ending inventory balances to supporting documentation.
- All journal entries created are reviewed by management prior to entry in the GL.
- Income statement margin analysis is performed and reviewed by management.
- Detailed analysis of actual cost of gas versus budgeted cost of gas is performed with significant variances investigated and explained.
- Effective 2011 gas supply deferrals per the QRAM filing are reconciled to the GL and any discrepancies are investigated and addressed or explained prior to filing.

The independent financial audit process refers to the annual audit of our financial statements completed by Deloitte and Touche.

b) Union does not have a policy specific to reconciling the GL to the QRAM filings. The GL balance for these deferral accounts will include a reference and reconciliation to the QRAM filing to ensure that the two sources of data are aligned.

c) Union started the monthly reconciliations during the fourth quarter of 2010 and completed these reconciliations up to and including the most recent QRAM application EB-2011-0135.

d) Please see Attachment 1.

The cumulative balances contained in Schedule 3 of the QRAM application includes three months of forecast activity. The information for these three months will not have been recorded in Union's GL at the time of the QRAM application filing. Therefore, the forecast information reported will be a reconciling timing difference to the GL.

e) Please see Attachment 2.

As noted in d) above, the cumulative balances contained in Schedule 3 of the QRAM application includes three months of forecast activity. The information for these three months will not have been recorded in Union's GL at the time of the QRAM application filing. Therefore, the forecast information reported will be a reconciling timing difference to the GL.

f) This reconciliation provides the Board with sufficient confidence to approve the disposition of the commodity related deferral and variance accounts.

g) The internal reconciliation process is intended to ensure that the QRAM filings and GL are aligned prior to filing of the QRAM application. Any discrepancies will be investigated and resolved internally and if any adjustments are required to be disclosed in the QRAM filings then the reconciliations can be made available.

**Deferral Account Reconciliation**
**NPGVA - 179-105**

| | |
|---|---|
| Cumulative balance - GL - March 31, 2011 | $ (200,673,987) |
| less: pre-2008 cumulative balance | $ (88,443,825) |
| | $ (112,230,162) |
| Timing differences - estimate vs actual | $ (169,245) |
| Adjusted cumulative balance - GL March 31, 2011 | $ (112,399,407) |
| Cumulative balance - EB-2011-0135 - March 31, 2011 | $ (112,399,407) |
| Unreconciled difference | $ - |

**Deferral Account Reconciliation**
**SPGVA - 179-106**

| | |
|---|---|
| Cumulative balance - GL - March 31, 2011 | $ (546,533,690) |
| less: pre-2008 cumulative balance | $ (265,508,601) |
| | $ (281,025,089) |
| South Portfolio Cost Differential | $ 3,807,786 |
| Timing differences - estimate vs actual | $ (14,675,674) |
| Adjusted cumulative balance - GL March 31, 2011 | $ (291,892,977) |
| Cumulative balance - EB-2011-0135 - March 31, 2011 | $ (291,892,977) |
| Unreconciled difference | $ 0 |

**Deferral Account Reconciliation**
**North Tolls & Fuel - 179-100**

| | |
|---|---|
| Cumulative balance - GL - March 31, 2011 | $ 12,440,577 |
| less: pre-2008 cumulative balance | $ 7,868,788 |
| | $ 4,571,789 |
| Timing differences - estimate vs actual | $ 964,604 |
| Adjusted cumulative balance - GL March 31, 2011 | $ 5,536,393 |
| Cumulative balance - EB-2011-0135 - March 31, 2011 | $ 5,536,393 |
| Unreconciled difference | $ - |

**Deferral Account Reconciliation**
**Spot Gas Variance - 179-107**

| | |
|---|---|
| Cumulative balance - GL - March 31, 2011 | $ (16,959,560) |
| less: pre-2008 cumulative balance | $ (10,865,581) |
| | $ (6,093,979) |
| Timing differences - estimate vs actual | $ - |
| Adjusted cumulative balance - GL March 31, 2011 | $ (6,093,979) |
| Cumulative balance - EB-2011-0135 - March 31, 2011 | $ (6,093,979) |
| Unreconciled difference | $ - |

**Deferral Account Reconciliation**
**NPGVA - 179-105**

| | | |
|---|---|---|
| Cumulative balance - GL - December 31, 2010 | $ | (197,581,538) |
| less: pre-2008 cumulative balance | $ | (88,443,825) |
| | $ | (109,137,713) |
| Timing differences - estimate vs actual | $ | - |
| Adjusted cumulative balance - GL December 31, 2010 | $ | (109,137,713) |
| Cumulative balance - EB-2010-0359 - December 31, 2010 | $ | (108,227,212) |
| Unreconciled difference | $ | (910,501) |

**Deferral Account Reconciliation**
**SPGVA - 179-106**

| | | |
|---|---|---|
| Cumulative balance - GL - December 31, 2010 | $ | (543,453,234) |
| less: pre-2008 cumulative balance | $ | (265,508,601) |
| | $ | (277,944,633) |
| South Portfolio Cost Differential | $ | 2,592,050 |
| Timing differences - estimate vs actual | $ | (3,051,012) |
| Adjusted cumulative balance - GL December 31, 2010 | $ | (278,403,595) |
| Cumulative balance - EB-2010-0359 - December 31, 2010 | $ | (278,403,595) |
| Unreconciled difference | $ | - |

**Deferral Account Reconciliation**
**North Tolls & Fuel - 179-100**

| | | |
|---|---|---|
| Cumulative balance - GL - December 31, 2010 | $ | 8,492,742 |
| less: pre-2008 cumulative balance | $ | 7,868,788 |
| | $ | 623,954 |
| Timing differences - estimate vs actual | $ | (490,091) |
| Adjusted cumulative balance - GL December 31, 2010 | $ | 133,863 |
| Cumulative balance - EB-2010-0359 - December 31, 2010 | $ | 133,863 |
| Unreconciled difference | $ | - |

**Deferral Account Reconciliation**
**Spot Gas Variance - 179-107**

| | | |
|---|---|---|
| Cumulative balance - GL - December 31, 2010 | $ | (16,959,560) |
| less: pre-2008 cumulative balance | $ | (10,865,581) |
| | $ | (6,093,979) |
| Timing differences - estimate vs actual | $ | - |
| Adjusted cumulative balance - GL December 31, 2010 | $ | (6,093,979) |
| Cumulative balance - EB-2010-0359 - December 31, 2010 | $ | (6,093,979) |
| Unreconciled difference | $ | - |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**South PGVA (179-106) – Debit adjustment of $8.377 Million**

Ref: EB-2010-0359 Union application and evidence section 3.2 Deferral Account Adjustments and Union's reply submission dated December 15, 2010

Union indicated in EB-2010-0359 that the $8.377 million debit adjustment recorded in SPGVA was due to an inputting error of the delivered service volume of 2,497,224 Gj instead of the correct service volume of 1,357,830 Gj entered into the Gas Supply deferral account model for the month of April 2010. As a result, the volume was overstated and the average unit cost of gas was understated. While the reference price was being constant, the deferral credits were overstated by $8.377 million.

a) Please explain in detail how the input error in the Gas Supply deferral account model came about. Please provide relevant evidence/documents to support the explanation.

b) Please explain what controls Union has established in the Gas Supply deferral account model to ensure the accuracy of the inputs and outputs of the model?

c) Please provide a detailed explanation and calculation of how the $8.377 million debit adjustment was arrived at.

d) Please explain, in detail, the movement in the account which reconciles the $8.377 million adjustment. Please also provide the relevant journal entries from Union's financial records including the original entry recorded and the adjusting entry made by Union to correct the September 2010 error. Please explain the rationale for each of the journal entries showing all the steps for the purpose of the reconciliation to the $8.377 million adjustment.

---

**Response:**

a) The input error was a data entry error. The volume was entered incorrectly and the error was not discovered as there was, at the time, no check on volume input and no reconciliation to the GL.

b) Please see the response at Exhibit B1.23 a).

c) Please see the Attachment.

d) This adjustment was not an accounting error that required a GL journal entry. The error identified was an item that required input into the QRAM deferral model in order to bring the QRAM balance in line with the actual GL balances.

The GL properly reflected the actual costs of $8.377 million.

SPGVA Reconciliation Detail

| Line No. | Delivered Service Error | Total GJs (incl. Delivered Service) | Weighted Avg. Price ($) | Referenc e Price ($) | Unit Rate Variance ($) | Adjustment ($) |
|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d = b - c) | (e = a x d) |
| 1 | Original Volumes and Costs Filed * | 8,580,175 | 4.209 | 7.094 | (2.885) | (24,758,005) |
| 2 | Revised Volumes at revised cost | 7,440,781 | 4.853 | 7.094 | (2.241) | (16,674,860) |
| 3 | Difference | 1,139,394 | | | (0.644) | 8,083,145 |
| 4 | Other Reconciling Items | | | | | 293,855 |
| 5 | Total Reconciliation Adjustment | | | | | 8,377,000 |

* As per EB-2010-0265 QRAM Filing Sch.3, Page 4

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**North PGVA (179-105) – Credit adjustment of $4.919 million**
**Spot Purchase Deferral Account (179-107)**

Ref: EB-2010-0359 Union application and evidence section 3.2 Deferral Account Adjustments and Union's reply submission dated December 15, 2010

Union indicated in EB-2010-0359 that "the adjustment to the NPGVA corrects for errors made when transferring spot gas volumes and costs from the NPGVA to the Spot Gas purchase deferral account (Account No. 179-107) during 2008 and 2009."[7] "Because Union used the Alberta Boarder Reference Price for the original entry into the NPGVA and then transferred the spot gas purchases using the Ontario Landed reference price, a variance was created within the NPGVA."[8] Union stated in its application for EB-2010-0359 that "this resulted in correct entry in the Spot Gas Purchase deferral account but overstated the costs in the NPGVA because the Alberta Border Reference price lower than the Ontario Landed Reference Price."[9]

a) Please provide detailed information related to the spot purchases made by Union in 2008 and 2009 that were impacted by this error. Please also specify the location of these spot purchases (e.g. Empress or Dawn).

b) As indicated by Union in EB-2010-0359, Spot purchases made at Empress use the Alberta Reference Price and Spot purchases made at Dawn use the Ontario Landed Reference price.

   Please explain how the transfer of spot purchases using the Ontario Landed reference price would result in correct entry in the Spot Gas Purchase deferral account since Union indicated in its reply submission that "**some of the purchases** had been made at Dawn"[10] [Emphasis added]

c) Please provide the calculation of the overstatement which resulted in the NPGVA balance of $4.919 million.

d) Please explain in detail the movement in NPGVA which reconciles to $4.919 million adjustment and provide relevant journal entries from Union's financial records including the original entry recorded in NPGVA, subsequent transfer entry recorded in NPGVA and the adjusting entry made by Union to correct the error in September 2010. Please explain the rationale for each journal entries showing all steps for the purpose of reconciliation to the $4.919 million adjustment.

[7] Union application and evidence for EB-2010-0359, Tab 1, Page 6 of 9
[8] Union Reply submission for EB-2010-0359, Page 3
[9] Union application and evidence for EB-2010-0359, Tab 1, Page 6 of 9
[10] Union Reply submission for EB-2010-0359, Page 3

---

**Response:**

a) All of the following North purchases were made at Dawn in 2008 & 2009:

- May 2008 250,150 GJs
- June 2008 249,990 GJs
- September 2008 333,340 GJs
- February 2009 1,750,003 GJs
- October 2009 125,000 GJs

b) Union transferred the net deferral costs from the NPGVA to the Spot Gas Variance deferral account.

For North purchases made at Empress, the Alberta Reference Price was correctly used to calculate the deferred amounts that were removed from the NPGVA. These deferred amounts would have been calculated in the NPGVA using the Alberta Reference Price. Therefore, when deferred costs were taken out of the NPGVA, no variance was created.

For North purchases made at Dawn, the correct deferred amounts dollars were transferred from the NPGVA to the Spot Gas Variance deferral account. The deferred amounts that were removed from the NPGVA were calculated using the Ontario Landed Reference Price. Therefore, the correct amounts were reflected in the Spot Gas Variance deferral account.

When these purchases were incorrectly recorded in the NPGVA, they created a deferral impact in the NPGVA using the Alberta Reference Price. In this instance, when deferred costs were removed from the NPGVA, a variance was created because the deferral that was calculated when the costs were entered was calculated differently than the deferral that was calculated when the costs were removed.

All North purchases made at Dawn on behalf of sales service customers will be recorded in the Spot Purchase Variance deferral Account and referenced against the Ontario Landed Reference Price. These purchases will no longer be recorded in the NPGVA.

c) Please see the Attachment.

d) This adjustment was not an accounting error that required a GL journal entry. The error identified was an item that required input into the QRAM deferral model in order to bring the QRAM balance in line with the actual GL balances.

The GL properly reflected the actual costs of $4.919 million.

NPGVA Reconciliation Detail

North Delivered Supply Purchased at Dawn

| | | GJs | Alberta Border ($) | Ontario Landed ($) | Unit Rate Variance ($) | Adjustment ($) |
|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d=b-c) | (e=axd) |
| | May-08 | 250,150 | 7.677 | 9.119 | 1.442 | 360,716 |
| | Jun-08 | 249,990 | 7.677 | 9.119 | 1.442 | 360,486 |
| | Sep-08 | 333,340 | 9.562 | 11.372 | 1.810 | 603,345 |
| | Feb-09 | 1,750,003 | 7.625 | 9.319 | 1.694 | 2,964,505 |
| | Oct-09 | 125,000 | 5.003 | 6.385 | 1.382 | 172,750 |
| | | | | | | 4,461,802 |
| Other Reconciling Items | 2008 - 2010 | | | | | 457,198 |
| Total Reconciliation Adjustment | Sep-10 | | | | | 4,919,000 |

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

**North TCPL Tolls and Fuel deferral account 179-100 – Debit adjustment of $3.468 million**

Ref: EB-2010-0359 Union application and evidence section 3.2 Deferral Account Adjustments

Union stated in its application EB-2010-0359 that, "Union replaced that 3rd party Dawn to Parkway transportation contract with existing Union Dawn to Parkway Capacity in November, 2008. When the 3rd party contract was replaced, the cost reduction associated with this contract was incorrectly reflected in the deferral account. However, the cost has not changed, only the source of the costs had changed. As a result, Union inadvertently refunded North sales service and bundled-t customers the costs associated with Dawn to Parkway transportation service. This adjustment reverses the error."[11]
As indicated in Union's response to the Federation of Rental-Housing providers of Ontario in EB-2010-0359, Union stated that the unit price of 3rd party transportation contract was $2.334 Gj/day/month, which was the same as the unit cost embedded in rates for the Union owned Dawn to Parkway capacity. In addition, the 3rd party was not an affiliate of Union.

a) Please explain further why the unit price charged by the 3rd party for the transportation contract was the same as the unit cost for Union own capacity.

b) Please provide the necessary supporting documentation (e.g. 3rd party contract and the unit cost calculation for Union owned capacity) to show that the cost has not changed as claimed by Union above.

c) Please provide the detailed calculation of this adjustment of $3.468 million.

d) Please explain in detail the movement in the account which reconciles to $3.468 million adjustment and provide relevant journal entries from Union's financial records including the original entry recorded, subsequent entry recorded to refund to the customers and the adjusting entry made by Union to correct the error in September 2010. Please explain the rationale for each journal entries showing all detail steps for the purpose of the reconciliation to the $3.468 million adjustment.

[11] Union application and evidence for EB-2010-0359, Tab 1, Page 7 of 9

**Response:**

a) and b)

In Union's January 1, 2011 QRAM evidence (EB-2010-0359, Tab 1, p.7) Union stated that the cost of the upstream transportation had not changed, only the source of the costs had changed. This was incorrect.

The letter to the Federation of Rental-Housing Providers of Ontario ("FRPO") dated December 13, 2010 in EB-2010-0359 was also incorrect. The unit price charged by the 3rd party for the transport contract was different than the unit cost for Union owned capacity.

The average unit cost used as the approved cost in the deferral account calculation to calculate the deferral credit of $3,468,000 was $3.4918 GJ/month not $2.334 GJ/month as previously stated in Union's response to FRPO. The $2.334 GJ/month is the demand related unit cost of the Trafalgar system approved in the 2007 rate case. This cost is not used in the deferral calculation.

Union uses a combination of owned assets and purchased capacity on the Dawn Trafalgar system to provide service to customers in the North. These costs are recovered from customers in the North storage rates and are not subject to deferral. Replacing a third party contract with company owned assets should not have generated a credit to the deferral account.

The 2009 deferral entry incorrectly refunded to customers the difference between the actual cost and the approved revenue used in the calculation. The debit adjustment recorded in 2010 reversed this error.

c) Please see the Attachment.

d) As indicated in parts a) and b) above, the deferral account adjustment in 2009 resulted from the inclusion of revenues with no associated costs in the deferral model resulting in a $3.468 million credit to customers. Through the QRAM process Union refunded the credit to customers. Upon discovering the error in the approved costs recorded and the related deferral impact, Union included the $3.468 million adjustment as part of the reporting for September as per EB-2010-0359 Schedule 3, p. 3. Union recorded this deferral impact adjustment in its GL in November 2010. The adjustment to the GL was recorded as follows:

| | | |
|---|---|---|
| Dr. GL#179470-North Tolls (#179-100) | $3.468 million | |
| Cr. GL#302490-Deferred Cost of Gas | | $3.468 million |

As at December 31, 2010 the North Tolls and Fuel Deferral account 179-100 was reconciled between QRAM Filings and the GL.

Dawn-Parkway Capacity Adjustment

| Line No. | Particulars ($) | Costs Incurred | Approved Costs Recorded | Deferral Impact |
|---|---|---|---|---|
| | | (a) | (b) | (c = a - b) |
| 1 | Original Costs as filed | 512,609 | 3,981,000 | (3,468,391) |
| 2 | Revised Costs | 512,609 | 512,609 | - |
| 3 | Difference | | | 3,468,391 |

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

**Unabsorbed Demand Cost Account No. 179-108**

**Reference: Exhibit A, Tab 1, pages 2 to 4**

Please provide the following information with respect to the calculation of the Unabsorbed Demand Cost ("UDC") Variance Account credit balance of $4.615M:

a) Is the UDC amount recovered in rates the product of a particular volume of demand per day and a cost per unit of demand per day? If so, then please provide the cost per unit of demand per day associated with the UDC volume of 4.4 PJs in the Northern and Eastern Operations area and 0.2 PJs in the South Operations area that produces costs collected in rates of $6.853M and $0.128M respectively for a total of $6.981M shown in Table 1 of Exhibit A, Tab 1 at page 3.

b) Please explain how 13.207 PJs of actual UDC in the Northern and Eastern Operations area and 1.391 PJs in the Southern Operations area produces UDC costs incurred of $2.160M and $0.227M respectively for each operations area, for a total of $2.387M when the lower volumes of demand being collected in rates produce substantially higher cost recovery amounts in each operations area.

---

**Response:**

a) Please see the response at Exhibit B1.1.

The amount also includes an adjustment to correct the UDC deferral account. For the period April 1, 2007 to Dec 31, 2009, the UDC deferral calculation did not account for the changes in TCPL tolls that were included in Union's approved rates during the same period. In the deferral model, Union understated the amount of UDC recovered in approved rates by $1.931 million. As noted above, an adjustment has been made to the 2010 UDC deferral calculation to credit ratepayers an additional $1.931 million.

Please see the Attachment that shows the calculation of the UDC amount recovered in rates in 2010.

b) Unfilled capacity was sold on the secondary market to minimize UDC. Revenues generated from the transportation releases were credited to the UDC deferral account mitigating the UDC that was forecasted in rates.

UNION GAS LIMITED
Calculation of 2010 UDC Collected in Rates

| | | | | | Original Deferral Calculation of North UDC Collected in rates | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Line No. | Particulars | Actual UDC Unit Rate ($/$10^3m^3$) | Actual Throughput Volumes ($10^3m^3$) | UDC Collected in Rates ($000's) | 2007 Board Approved UDC Unit Rate ($/$10^3m^3$) | Actual Throughput Volumes ($10^3m^3$) | UDC using 2007 Board Approved Rates ($000's) | Variance in UDC from Prior Periods ($000's) | Total 2010 UDC ($000's) |
| | | (a) | (b) | (c) = (a x b) | (d) | (e) = (b) | (f) = (d x e) | (g) = (c - f) | (h) |
| | Jan 1, 2010 - Dec 31, 2010 | | | | | | | | |
| 1 | R01 | 4.4574 | 837,602 | 3,734 | | | | | |
| 2 | R10 | 3.4066 | 316,303 | 1,078 | | | | | |
| 3 | R20 | 0.9081 | 122,491 | 111 | | | | | |
| 4 | Total North | | | 4,922 | | | | | |
| 5 | M1/M2 | 0.0515 | 2,457,963 | 127 | | | | | |
| 6 | M4 | 0.0515 | 14,885 | 1 | | | | | |
| 7 | M10 | 0.0515 | 35 | 0 | | | | | |
| 8 | Total South | | | 128 | | | | | |
| | Apr 1, 2009 - Dec 31, 2009 | | | | | | | | |
| 9 | R01 | 3.1453 | 471,664 | 1,484 | 2.5325 | 471,664 | 1,194 | 289 | |
| 10 | R10 | 2.4038 | 199,792 | 480 | 1.9355 | 199,792 | 387 | 94 | |
| 11 | R20 | 0.6408 | 90,583 | 58 | 0.5159 | 90,583 | 47 | 11 | |
| 12 | Total North | | | 2,022 | | | 1,628 | 394 | |
| | Jul 1, 2008 - Mar 31, 2009 | | | | | | | | |
| 13 | R01 | 3.6775 | 806,995 | 2,968 | 2.5325 | 806,995 | 2,044 | 924 | |
| 14 | R10 | 2.8105 | 301,566 | 848 | 1.9355 | 301,566 | 584 | 264 | |
| 15 | R20 | 0.7492 | 109,221 | 82 | 0.5159 | 109,221 | 56 | 25 | |
| 16 | Total North | | | 3,897 | | | 2,684 | 1,213 | |
| | Apr 1, 2008 - Jun 30, 2008 | | | | | | | | |
| 17 | R01 | 2.9086 | 136,819 | 398 | 2.5325 | 136,819 | 346 | 51 | |
| 18 | R10 | 2.2229 | 62,605 | 139 | 1.9355 | 62,605 | 121 | 18 | |
| 19 | R20 | 0.5925 | 39,833 | 24 | 0.5159 | 39,833 | 21 | 3 | |
| 20 | Total North | | | 561 | | | 488 | 73 | |
| | Jul 1, 2007 - Mar 30, 2008 | | | | | | | | |
| 21 | R01 | 2.7564 | 771,668 | 2,127 | 2.5325 | 771,668 | 1,954 | 173 | |
| 22 | R10 | 2.1066 | 288,736 | 608 | 1.9355 | 288,736 | 559 | 49 | |
| 23 | R20 | 0.5616 | 124,805 | 70 | 0.5159 | 124,805 | 64 | 6 | |
| 24 | Total North | | | 2,805 | | | 2,577 | 228 | |
| | Apr 1, 2007 - Jun 30, 2007 | | | | | | | | |
| 25 | R01 | 2.6564 | 132,988 | 353 | 2.5325 | 132,988 | 337 | 16 | |
| 26 | R10 | 2.0302 | 64,009 | 130 | 1.9355 | 64,009 | 124 | 6 | |
| 27 | R20 | 0.5412 | 37,556 | 20 | 0.5159 | 37,556 | 19 | 1 | |
| 28 | Total North | | | 504 | | | 480 | 23 | |
| 29 | Subtotal - UDC Recovery Adjustment | | | | | | | 1,931 | |
| 30 | Total North 2010 UDC Collected in Rates (Column c, line 4 plus Column g lines 12+16+20+24+28) | | | | | | | | 6,853 |
| 31 | Total South 2010 UDC Collected in Rates (Column c, line 8) | | | | | | | | 128 |
| 32 | Total 2010 UDC Collected in Rates (line 29 + line 30) | | | | | | | | 6,981 |

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

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

**Reference:** **Exhibit A, Tab 1, page 5**
**Exhibit A, Tab 1, Schedule 1, line 2**
**Exhibit A, Tab 1, Schedule 6, page 1, column A, page 2, line 14**
**Exhibit A, Tab 4, Attachment A, page 2-4 and Table 1, and page 3-21**

With respect to the foregoing evidence, please provide the following additional information:

a) Please broaden Table 1 at page 2-4 of Exhibit A, Tab 4, Attachment A, to include actual storage levels for 2010 and show how the Unaccounted for Gas ("UFG") allocation factor for short-term storage of 31.9% shown in Exhibit A, Tab 1, Schedule 6, page 2, line 3 is derived from the ratio of actual unregulated short-term volumes to total actual unregulated volumes.

b) Please provide the 2010 data that was used to calculate the short-term, long-term and total storage activity used to derive the short-term allocation factor of 33.1% shown in Exhibit A, Tab 1, Schedule 6, page 2, line 4.

c) Please have Black and Veatch ("B&V") explain the statement at page 3-21 of their report pertaining to the process they followed to confirm that 7.9 PJs of storage services was used to support only short-term sales as indicated in Exhibit A, Tab 1, Schedule 6, page 2, line 14.

d) Please explain why depreciation, taxes and regulated return on equity related to the 7.9 PJs of excess in-franchise storage capacity is classified as O&M expenses in the presentation at Exhibit A, Tab 1, Schedule 6, page 1, line 3.

---

**Response:**

a) Please see Attachment 1.

b) Please see Attachment 2.

c) It is assumed for purposes of responding to this question that the proper page reference in the Black & Veatch report should be page 3-20 (item 2). The process Black & Veatch followed to confirm that 7.9 PJ of storage services was used to support only short-term sales as indicated in Exhibit A, Tab 1, Schedule 6, page 2, line 14 is described at pages 3-14 through 3-16 of its report. In addition, page 1 of Schedule 16 provides a summary of the storage services at October 31, 2009 that was supported by Union's available storage space above the level previously set aside for its in-franchise customers, which was equal to 100 PJ. The available storage space reflected on page 1 of Schedule 16 was equal to the difference between the storage space required to serve Union's in-franchise customers (which was 90.5 PJ from Union's Integrated Supply Plan) and 100 PJ, or 9.5 PJ. The 9.5 PJ level of unutilized storage space in Schedule 16 is conceptually equivalent to the 7.9 PJ of available storage space that was determined at the time the Board issued its NGEIR Decision.

d) The classification of the $2.261 million revenue requirement related to the 7.9 PJs of excess in-franchise storage capacity as O&M in the non-utility storage operation simulates the treatment of these costs as if they were costs to purchase the space from the utility storage operation.

Table 1
Union's Actual Storage Service Levels in 2008; 2009 and 2010

| Line No. | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|
| | Service Type | Service level ($10^3$ $m^3$) (a) | Amount ($000) (b) | Service level ($10^3$ $m^3$) (c) | Amount ($000) (d) | Service level ($10^3$ $m^3$) (e) | Amount ($000) (f) |
| 1 | Long-Term Peak Storage | 4,950,347 | $ 81,540 | 4,378,235 | $ 85,230 | 5,546,669 | $ 87,166 |
| 2 | T1 Deliverability and Up. Bal. | | | 84 | $ 797 | 62 | $ 1,825 |
| 3 | Down Stream Balancing | | | 48 | $ 634 | 107 | $ 742 |
| 4 | Dehydration Service | | | | $ 1,199 | | $ 1,257 |
| 5 | Storage Compression | | | | $ 347 | | $ 772 |
| 6 | High Deliverability Storage | 208,613 | $ 5,553 | 1,051,450 | $ 18,166 | 920,717 | $ 20,179 |
| 7 | Total Long-Term Storage | 5,158,960 | $ 87,093 | 5,429,817 | $ 106,373 | 6,467,554 | $ 111,941 |
| 8 | C1 Off-Peak Storage | 1,351,590 | $ 2,040 | 1,145,504 | $ 4,344 | 928,598 | $ 1,710 |
| 9 | Supplemental Balancing Services | 1,511,426 | $ 3,122 | 695,632 | $ 2,903 | 1,251,226 | $ 3,240 |
| 10 | Gas Loans | 647,556 | $ 2,177 | 1,335,987 | $ 3,922 | 1,080,066 | $ 916 |
| 11 | Enbridge Load Bal. Agreement | | $ 211 | 744,717 | | | $ 135 |
| 12 | C1 ST Firm Peak Storage | 1,239,871 | $ 15,777 | | $ 17,746 | 841,430 | $ 14,886 |
| 13 | C1 Firm ST Deliverability | | | | | | |
| 14 | Total Short-Term Storage | 4,750,443 | $ 23,327 | 3,921,840 | $ 28,915 | 4,101,320 | $ 20,887 |

Table 2
Unaccounted for Gas (UFG) Allocation Factors

| Line No. | | 2010 Volumes ($10^3$ $m^3$) (a) | Percentage of Total Volume (b) | Percentage of Total Unregulated Volumes (c) |
|---|---|---|---|---|
| 1 | Total Infranchise Volumes | 13,314,009 | 16.7% | |
| 2 | Exfranchise Volumes (Transport and Loans) | 57,158,909 | 71.4% | |
| 3 | Exfranchise Storage Volumes (Short Term) | 3,021,254 | 3.8% | 31.9% |
| 4 | Exfranchise Storage Volumes (Long Term) | 6,467,554 | 8.1% | 68.1% |
| 5 | Total | 79,961,726 | 100.0% | 100.0% |

## 2010 Actual Compressor Fuel Allocation

| Line No. | | Actuals Volume ($10^3m^3$) | | | Actuals Cost ($000's) | | |
|---|---|---|---|---|---|---|---|
| | | LT Storage | ST Storage | WACOG | LT Storage | ST Storage | Total |
| | | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | January | 1971 | 453 | 257.161 | 507 | 116 | 623 |
| 2 | February | 1232 | 431 | 257.161 | 317 | 111 | 428 |
| 3 | March | 315 | 291 | 257.161 | 81 | 75 | 156 |
| 4 | April | 373 | 344 | 267.657 | 100 | 92 | 192 |
| 5 | May | 1066 | 784 | 267.657 | 285 | 210 | 495 |
| 6 | June | 666 | 504 | 267.657 | 178 | 135 | 313 |
| 7 | July | 520 | 803 | 230.945 | 120 | 185 | 306 |
| 8 | August | 887 | 584 | 230.945 | 205 | 135 | 340 |
| 9 | September | 1503 | 380 | 230.945 | 347 | 88 | 435 |
| 10 | October | 1159 | 308 | 213.930 | 248 | 66 | 314 |
| 11 | November | 280 | 31 | 213.930 | 60 | 7 | 67 |
| 12 | December | 76 | 2 | 213.930 | 16 | 0 | 17 |
| 13 | YTD | 10,048 | 4,915 | | 2,464 | 1,220 | 3,684 |
| 14 | | | | | Allocation Percentage | | |
| 15 | | | | | LT Storage: | 2464/3684= | 66.9% |
| 16 | | | | | ST Storage: | 1220/3684= | 33.1% |

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

**Utility Results and Earnings Sharing**

**Reference: Exhibit A, Tab 2, pages 1 to 9**
**Exhibit A, Tab 2, Appendix A, Schedule 3**
**Exhibit A, Tab 2, Appendix B, Schedule 1**

With respect to this evidence, please provide the following information:

a) For the "Corporate" presentation at Exhibit A, Tab 2, Appendix A, Schedule 3, column (i) and in column (a) of Exhibit A, Tab 2, Appendix B, Schedule 1, please provide details of each of the loss transactions referenced in lines 11, 12 and 13 of those Schedules.

b) For the "Non-utility Storage" information presented in column (j) of Exhibit A, Tab 2, Appendix A, Schedule 3 and column (b) of Exhibit A, Tab 2, Appendix B, Schedule 1, please provide a detailed explanation of the manner in which the total corporate O&M expenses of $363.410M were determined to be allocable $13.339M to "Non-utility Storage" and $349.373M to 2010 "Utility" expenses.

c) Please reconcile the "Non-utility Storage" "Earnings before Interest and Taxes" of $98.747M, shown in each of these Exhibits, to the "Net Margin" amount of $72.766M, for total Short and Long-term storage transactions in 2010 shown in Exhibit A, Tab 1, Schedule 6, page 1, column (c) at line 8.

d) In the column entitled "Adjustments" in Exhibit A, Tab 2, Appendix A, Schedule 3, column (k) and in Exhibit A, Tab 2, Appendix B, Schedule 1, column (c), please provide the following information:

   i) Please confirm that the St. Clair Line activity amounts shown at lines 2 and 5 of $326,000 and $342,000 respectively are based on a premise that the sale of the St. Clair Line was completed on or about January 1, 2010;

   ii) Please explain how the revenue amount of $326,000 and expense amount of $342,000 were derived;

   iii) Please provide details of the accounting adjustment of $912,000 included at line 5, and in particular, the 2009 deferral account disposition application amount requested by Union and the Board approved amount for items to be excluded from utility earnings referenced at Exhibit A, Tab 2, page 6. Please explain why this difference should lead to a "charge" against 2010 earnings for the purposes of calculating earnings sharing for 2010.

---

**Response:**

a) The following are the details of the losses:
- Line 11 – Loss on Sale of Assets: Removal of old shop at Dawn facility resulting in a write-off of the net book value.
- Line 12 – Other/HTLP: Union's portion of the net loss in its subsidiary Huron Tipperary Limited Partnership for 2010.
- Line 13 – Loss on Foreign Exchange: Is the net amount of Union's realized and unrealized gains and losses on foreign transactions and balances for the year.

b) Please see Attachment 1.

c) Please see Attachment 2.

d) i) Confirmed
ii) $326,000 is based on revenue earned for January to December 2010
$342,000 is based on Union's contract with St. Clair Pipelines ($28,500/month x 12 months)
iii) Please see the response at Exhibit B1.20.

New Storage Assets

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

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

Operating & Maintenance Expenses

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

O&M. Benefits were allocated in proportion to labour. This is consistent with the treatment of these costs in the Board-approved 2007 cost allocation study.

Allocation percentages are reviewed and updated annually for areas directly involved in storage operations as well as those supporting storage activities that reflect the operation and maintenance of assets, the supporting corporate services and the development of new storage capacity. Table 3 below summarizes the unregulated storage O&M by activity.

Table 3

Unregulated Storage O&M by Activity ($ millions)

| Activity | 2009 | 2008 | Variance |
|---|---|---|---|
| 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** | **12.8** | **11.9** | **0.9** |

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

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

*Storage Operations*

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

*Business Development*

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

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

*Regulatory*

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

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

Table 4

Composite Allocation Factors

| | 2008 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | 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** | 335.1 | 9.6 | 3% | 334.8 | 10.5 | 3% |

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

Also included in unregulated storage O&M is the cost for use of excess in-franchise storage capacity. In-franchise cost-based rates will continue to recover the costs of in-franchise storage requirements of 92.1 PJs. Since in-franchise customers currently require less than 100 PJs, Union sells the difference between the space needed and the reserve amount (7.9 PJs) on a short term basis. In order to ensure there is no cross-subsidization between regulated and unregulated storage, the costs associated with the excess storage are charged to the unregulated business.

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

In the 2013 cost of service proceeding, Union will file the forecast in-franchise storage requirements, the ensuing amount of storage to be sold as short-term storage services and the corresponding revenue requirement to be charged to the unregulated business. Union's cost allocation proposals for its 2013 cost of service proceeding will ensure that in-franchise cost-based rates recover only the revenue requirement of the forecast in-franchise storage needs.

Non-Utility Storage Reconciliation

| Line No. | Paticulars (000's) | Exhibit A,Tab 2, Appendix B, Schedule 1 & 3 | Exhibit A, Tab 1, Schedule 6 | Difference | |
|---|---|---|---|---|---|
| | | (a) | (b) | (c) = (a) - (b) | |
| 1 | Operating Revenue: | | | | |
| 2 | Storage & Transportation | 123,904 | 132,828 | (8,924) | (i) |
| 3 | | | | | |
| 4 | Operating Expenses: | | | | |
| 5 | Cost of gas | 726 | 591 | 135 | (ii) |
| 6 | O&M | 13,339 | 13,339 | - | |
| 7 | Depreciation | 8,645 | 8,645 | - | |
| 8 | Property and capital taxes | 1,661 | 1,661 | - | |
| 9 | | 24,371 | 24,236 | 135 | |
| 10 | Other Costs | 1,486 | - | 1,486 | (iii) |
| 11 | Net Margin | 98,047 | 108,592 | (10,545) | |
| 12 | Interest and taxes | - | 35,826 | (35,826) | (iv) |
| 13 | Net Income | 98,047 | 72,766 | 25,281 | |

Notes:

| | | |
|---|---|---|
| i) | Deferral accounts | (9,309) |
| | Column (a) is based on estimated revenues whereas column (b) is based on actual revenues. | 385 |
| | | (8,924) |

ii) Column (a) is based on estimated costs whereas column (b) is based on actual costs.

iii) Not included in Tab 1, Exhibit A; Schedule 6 as they are not part of S&T margin calculation.

iv) Interest and taxes is not included in Tab 2, Appendix B; Schedule 1.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

**Allocation and Disposition of Deferral Account Balances and Earnings Sharing Amounts**

**Reference: Exhibit A, Tab 3, pages 1 to 8**

Have any changes been made to the methods previously applied by Union to allocate deferral account balances and earnings sharing amounts to rate classes? If so, then please provide details of such changes and the rationale for proposing that the method previously applied be changed.

---

**Response:**

No. The methods to allocate deferral account and earnings sharing amounts to rate classes are consistent with those approved by the Board in EB-2010-0039 (Union's 2009 Deferral Disposition). The allocation methodology to dispose of the balances in the HST deferral account (179-124) has not yet been approved by the Board and is requested as part of this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

**Allocation of Costs Between Union's Regulated and Unregulated Storage Operations**

**Reference: Application paragraph 12(e)**
**Exhibit A, Tab 4, pages 1 to 4, and Attachment A (Black and Veatch March 2011 Final Report)**

In paragraph 12(e) of its Application, Union asks the Board to approve its regulated and unregulated cost allocation methodology. The B&V Report contains a "Review" of that methodology. In the context of the relief requested in the Application and the "Review" evidence of B&V, please provide the following information:

a) Please confirm that this is the proceeding in which any concerns that parties may have with respect to the appropriateness of Union's allocation of storage assets and the owning and operating costs associated therewith between its utility and non-utility operations are to be raised and determined by the Board;

b) Please confirm that this is the proceeding in which any concerns that parties may have with respect to the allocations of expenses between short-term and long-term storage services and the determination of any other factors pertaining to the portion of short-term storage premiums allocable to ratepayers are to be raised and determined by the Board.

---

**Response:**

a) Confirmed. Please see the response at Exhibit B1.17.

b) Confirmed. Please see the response at Exhibit B1.17.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

In its "Review" Report, B&V identified deficiencies in Union's approach and recommended that a number of enhancements to Union's computational process and evidentiary presentation be made to remedy the lack of sufficient detail and transparency in Union's material. The stated purpose of these enhancements is to enable an outside party to understand, trace and verify the cost allocation methodologies underlying assumptions and computational processes and to readily understand and trace the deferral account development to verify assumptions, computational processes and to independently confirm the results. Schedule 2 of B&V's Report depicts Union's treatment of storage-related costs in its most recently completed cost allocation study. Using Union's current cost allocation study equivalent of Schedule 2 to the B&V Report, please have B&V note thereon the following:

a) All of the additional information that should be included in the Union equivalent of Schedule 2 to produce a presentation that includes a sufficient level of detail and explanation to enable an outside party to understand, trace and verify the cost allocation methodologies underlying assumptions, computational processes and to independently confirm the results.

b) Please have B&V take the material Union has presented at Exhibit A, Tab 1 pertaining to its calculation of storage-related deferral account balances and include therein all of the additional information needed to make Union's deferral account filings sufficiently transparent to enable third parties to readily understand and trace the deferral account development and to verify underlying assumptions, computational processes and to independently confirm the results.

---

**Response:**

a) First, it should be recognized that in preparing its application and evidence for this proceeding (EB-2011-0038), Union viewed the submission of the Black & Veatch report as an integral part of its evidence to explain and depict the allocation of costs between Union's regulated and unregulated storage operations. As such, the narrative and accompanying schedules in Black & Veatch's report serve as enhancements to the level of detail and transparency provided by Union related to its storage cost allocation process.

   As described at page 3-2 of Black & Veatch's report, the purpose of Schedule 2 was to depict Union's treatment of storage-related costs in its most recently completed cost allocation study and the three-phase process it followed to derive those costs by class of service. This Schedule provided Black & Veatch with a high-level view of the components of Union's cost allocation study that required further review to understand the computational details and results of Union's cost functionalization, classification, and allocation processes. However, Black & Veatch believes it is not feasible to prepare an equivalent of Schedule 2 in the form requested to provide further clarity to the process because of the numerous cost items and allocation steps included in Union's cost allocation study. Instead, Black & Veatch developed in its report additional explanatory information and computational details to address the cost allocation process utilized by Union. Specifically, Section 3 and Schedules 2, 3, and 12-15 in Black & Veatch's report provide the explanatory information and computational details that were necessary for Black & Veatch to understand, trace, and verify Union's cost allocation methodologies underlying assumptions, computational processes and to independently confirm the results.

b) Black & Veatch was not required in its project scope of work to review Union's revenue, cost, and storage deferral account data for calendar year 2010, so it is not able to take the material presented at Exhibit A, Tab 1 pertaining to its calculation of storage-related deferral account balances and modify it as requested. Union has included an additional schedule at Tab 1, Schedule 6 in response to Black & Veatch's recommendations in its report that provides further details of the assignment of Union's 2010 Unregulated Storage Costs to its Short-Term and Long-Term Storage Deferral Accounts.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

With respect to Union's allocation to non-utility storage of only $13.339M of total corporate O&M expenses of $363.417M, shown in Exhibit A, Tab 2, Appendix B, Schedule 1 at line 6, please have B&V provide an exhibit that transparently demonstrates how the 2010 allocation of O&M expenses to non-utility storage is derived, including the allocation factor(s) that are used to determine the amount of the non-utility storage allocation.

---

**Response:**

The allocation of O&M expenses to Union's unregulated storage operations is consistent with prior periods. As described at Exhibit A, Tab 4, Attachment 1, Schedule 2, p. 4 actual O&M related to the operation of the storage facilities was allocated using the same allocators applied to the assets for that facility. O&M related to the support of the storage operations was allocated using factors provided by management based on analysis of activities as part of the forecast process.

Please see the Attachment.

UNION GAS LIMITED
Unregulated Net O&M
by Responsibility Area

| | 2010 | | |
|---|---|---|---|
| Particulars ($ Millions) | Total O&M | Unregulated O&M | Composite Allocation % |
| Business development | 17.20 | 1.82 | 11% |
| Storage operations | 127.50 | 3.64 | 3% |
| Regulatory | 10.60 | 1.47 | 14% |
| HR | 83.60 | 2.97 | 4% |
| IT / ITI / BIS | 24.10 | 0.69 | 3% |
| Administrative and general | 100.41 | 0.48 | 0% |
| Unregulated O&M | 363.41 | 11.08 | 3% |
| 8 PJ Surcharge & Donations | | 2.26 | |
| Total | | 13.34 | |

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Please confirm that Union accepts and will implement each and every one of B&V's recommendations. If there are any B&V recommendations that Union declines to implement, then please identify them and provide Union's rationale for refusing to implement such recommendations.

---

**Response:**

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

St. Clair Line Deferral Accounts

Reference: Exhibit A, Tab 1, page 13
Exhibit A, Tab 1, Schedule 1, lines 15 and 16
Exhibit A, Tab 3, Schedule 1

Please revise these Schedules to include the debit balances at December 31, 2010, in each of these deferral accounts so that the information requested will be available in the event that the sale transaction proceeds prior to the October 1, 2010 date Union proposes for the clearing of 2010 deferral account balances.

---

**Response:**

Please see Attachment 1 and Attachment 2.

# UNION GAS LIMITED
## Deferral Account Balances, Market Transformation Incentive, Federal and Provincial Tax Changes, and Taxable Capital Base Changes
## Year Ending December 31, 2010

| Line No. | Account Number | Account Name | Balance ($000's) (1) | |
|---|---|---|---|---|
| | Gas Supply Accounts: | | | |
| 1 | 179-108 | Unabsorbed Demand Costs (UDC) Variance Account | (4,615) | (2) |
| | Storage Accounts: | | | |
| 2 | 179-70 | Short-Term Storage and Other Balancing Services | (657) | |
| 3 | 179-72 | Long-Term Peak Storage Services | (8,652) | |
| 4 | Total Storage Accounts (Lines 2 + 3) | | (9,309) | |
| | Other: | | | |
| 5 | 179-26 | Deferred Customer Rebates/Charges | - | |
| 6 | 179-75 | Lost Revenue Adjustment Mechanism | 2,384 | |
| 7 | 179-103 | Unbundled Services Unauthorized Storage Overrun | - | |
| 8 | 179-111 | Demand Side Management Variance Account | (1,020) | |
| 9 | 179-112 | Gas Distribution Access Rule (GDAR) Costs | - | |
| 10 | 179-113 | Late Payment Penalty Litigation | 1,812 | |
| 11 | 179-115 | Shared Savings Mechanism | 5,985 | |
| 12 | 179-117 | Carbon Dioxide Offset Credits | - | |
| 13 | 179-118 | Average Use Per Customer | 611 | |
| 14 | 179-120 | IFRS Conversion Cost | 124 | |
| 15 | 179-121 | Cumulative Under-recovery – St. Clair Transmission Line | (6,447) | |
| 16 | 179-122 | Impact of Removing St. Clair Transmission Line from Rates | (1,028) | |
| 17 | 179-123 | Conservation Demand Management | - | |
| 18 | 179-124 | Harmonized Sales Tax | (51) | |
| 19 | Total Other Accounts (Lines 5 through 18) | | 2,370 | |
| 20 | Total Deferral Account Balances (Lines 1 + 4 + 19) | | (11,554) | |
| 21 | | Market Transformation Incentive | 500 | |
| 22 | | Federal and Provincial Tax Changes | (573) | |
| 23 | | Taxable Capital Base Changes | 1,641 | |
| 24 | **Total Deferral Account Balances, Market Transformation Incentive and Federal and Provincial Tax Changes (Lines 20 + 21 + 22 + 23)** | | (9,986) | |

*Notes:*
(1) Account balances include interest to December 31, 2010 per accounting order EB-2010-0148.

(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
Allocation of 2010 Deferral Account Balances, Market Transformation Incentive, Federal & Provincial
Tax Changes, and 2010 Earnings Sharing Amounts to Rate Classes
*Updated to include St. Clair Deferrals (Per CME IR)*

| | | | 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 (1) ($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 | (3,470) | (1,111) | (134) | - | - | - | 82 | 17 | 1 | 0 | - | - | 0 | - | - | - | - | - | - | (4,615) |
| | Storage Related Deferrals: | | | | | | | | | | | | | | | | | | | | | |
| 2 | Short-Term Storage and Other Balancing Services | 179-70 | (86) | (27) | (3) | - | (4) | - | (234) | (77) | (26) | (2) | (19) | (2) | (0) | (155) | (22) | - | - | - | - | (657) |
| 3 | Long-Term Peak Storage Services | 179-72 | (1,147) | (367) | (44) | - | (60) | - | (3,069) | (1,004) | (346) | (24) | (244) | (25) | (1) | (2,029) | (292) | - | - | - | - | (8,652) |
| 4 | Total Gas Supply & Storage Related Deferrals | | (4,702) | (1,505) | (182) | - | (65) | - | (3,221) | (1,064) | (372) | (26) | (263) | (26) | (1) | (2,183) | (314) | - | - | - | - | (13,924) |
| | Delivery Related Deferrals: | | | | | | | | | | | | | | | | | | | | | |
| 5 | Deferred Customer Rebates/Charges | 179-26 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Lost Revenue Adjustment Mechanism | 179-75 | 302 | 402 | 28 | - | 66 | - | 733 | 593 | 58 | 149 | 17 | - | - | 35 | - | - | - | - | - | 2,384 |
| 7 | Unbundled Services Unauthorized Storage Overrun | 179-103 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Demand Side Management Variance Account | 179-111 | (528) | (1,446) | (822) | - | 541 | - | 3,108 | (1,585) | (1,886) | 632 | (46) | - | - | 1,012 | - | - | - | - | - | (1,020) |
| 9 | Gas Distribution Access Rule (GDAR) Costs | 179-112 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Late Payment Penalty Litigation | 179-113 | 417 | 4 | 0 | 0 | 0 | 0 | 1,381 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | - | 1,812 |
| 11 | Shared Savings Mechanism | 179-115 | 194 | 88 | 368 | - | 1,296 | - | 943 | 483 | 475 | 354 | 527 | - | - | 1,257 | - | - | - | - | - | 5,985 |
| 12 | Carbon Dioxide Offset Credits | 179-117 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Average Use Per Customer | 179-118 | (1,078) | (3,405) | - | - | - | - | 3,715 | 1,379 | - | - | - | - | - | - | - | - | - | - | - | 611 |
| 14 | IFRS Conversion Costs | 179-120 | 22 | 2 | 1 | 0 | 2 | 0 | 65 | 6 | 3 | 1 | 1 | 0 | 0 | 7 | 1 | 9 | 0 | 3 | 0 | 124 |
| 15 | Cumulative Under-recovery - St. Clair Transmission Line | 179-121 | - | - | - | - | - | - | (1,598) | (523) | (226) | (44) | (165) | - | - | (3,339) | - | - | - | (434) | (118) | (6,447) |
| 16 | Impact of Removing St. Clair Transmission Line from Rates | 179-122 | - | - | - | - | - | - | (255) | (83) | (36) | (7) | (26) | - | - | (532) | - | - | - | (69) | (19) | (1,028) |
| 17 | Conservation Demand Management | 179-123 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 | Harmonized Sales Tax | 179-124 | 2 | 3 | (2) | (0) | 18 | (1) | (53) | 29 | 8 | 7 | 5 | 1 | (0) | (15) | (2) | (43) | (0) | (9) | 1 | (51) |
| 19 | Total Delivery-Related Deferrals | | (669) | (4,352) | (426) | (0) | 1,923 | (1) | 8,039 | 309 | (1,604) | 1,094 | 312 | 1 | (0) | (1,575) | (1) | (34) | (0) | (509) | (137) | 2,370 |
| 20 | Total 2010 Deferral Account Disposition (Line 4 + Line 19) | | (5,371) | (5,857) | (608) | (0) | 1,859 | (1) | 4,818 | (755) | (1,976) | 1,067 | 50 | (26) | (1) | (3,759) | (315) | (34) | (0) | (509) | (137) | (11,554) |
| | Other Items: | | | | | | | | | | | | | | | | | | | | | |
| 21 | 2010 Market Transformation Incentive | | 88 | - | - | - | - | - | 412 | - | - | - | - | - | - | - | - | - | - | - | - | 500 |
| 22 | 2010 Federal & Provincial Tax Changes | | 178 | 33 | 17 | 0 | 22 | 8 | 415 | 63 | 17 | 10 | 10 | 1 | 0 | 51 | 6 | 201 | 0 | 35 | 0 | 1,068 |
| 23 | Total 2010 Deferrals plus Other Items (Line 20 + Line 21 + Line 22) | | (5,106) | (5,824) | (591) | 0 | 1,881 | 7 | 5,646 | (692) | (1,959) | 1,078 | 60 | (25) | (1) | (3,707) | (309) | 167 | 0 | (475) | (136) | (9,986) |
| 24 | 2010 Earnings Sharing (2) | | (589) | (109) | (56) | (0) | (75) | (25) | (1,378) | (209) | (56) | (34) | (35) | (3) | (0) | (170) | (20) | (669) | (1) | (2) | (1) | (3,433) |
| 25 | Grand Total (Line 23 + Line 24) | | (5,696) | (5,933) | (647) | - | 1,807 | (18) | 4,268 | (901) | (2,015) | 1,043 | 25 | (28) | (1) | (3,877) | (330) | (502) | (0) | (477) | (137) | (13,419) |

Notes:
(1) EB-2011-0038, Exhibit A, Tab 1, Schedule 1.
(2) EB-2011-0038, Exhibit A, Tab 3, Schedule 1, page 2.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters (“CME”)

Incremental Transportation Contracting Analysis

Reference: Exhibit A, Tab 5

Attached is a copy of a presentation that we understand was made by a Union representative in Calgary in the Spring of this year. At page 9 of the presentation, Union appears to indicate that it has contracted for 21,101 GJ/d of firm transportation from Niagara to Kirkwall to accommodate the delivery of Marcellus Shale gas into its integrated system. In connection with this presentation, please provide the following additional information:

a) Has Union executed a Precedent Agreement with TransCanada Pipelines Limited ("TCPL") for the 21,101 GJ/d of firm transportation from Niagara to Kirkwall as indicated in the presentation?

b) If so, then please provide an incremental transportation contract analysis pertaining to that arrangement in the same format of the analysis presented in Exhibit A, Tab 5; and

c) Please explain why a contract analysis with respect to this arrangement was not included in Exhibit A, Tab 5.

---

**Response:**

a) Yes.

b) The requested analysis was provided in Union’s application evidence in EB-2010-0300 Pre-Approval of The Cost Consequences of Three Long-Term Transportation Contracts, Exhibit A, Appendix D. Please see the Attachment.

c) Union has included new upstream contract evidence in the deferral disposition proceeding immediately following the start of the contract. The upstream contract referenced above starts on November 1, 2012. Union will include the evidence and contract analysis in its 2012 deferral and earnings sharing proceeding, filed in 2013.

## Long-term Transportation Contracting Analysis

| Route (A) | Point of Supply (B) | Basis Differential $US/mmBtu ( C ) | Supply Cost $US/mmBtu (D) = Nymex + C | Unitized Demand Charge $US/mmBtu (E) | Commodity Charge $US/mmBtu (F) | Fuel Charge $US/mmBtu (G) | 100% LF Transportation Inclusive of Fuel $US/mmBtu (I) = E + F + G | Landed Cost $US/mmBtu (J) = D + I | **Landed Cost $Cdn/Gj (K)** | Point of Delivery (L) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Vector - 2008** | Chicago | 0.26 | 7.61 | 0.2500 | 0.0019 | 0.0822 | 0.3341 | $7.95 | **$8.23** | Dawn |
| **Trunkline/Panhandle** | Trunkline Field Zone | 0.12 | 7.48 | 0.1900 | 0.0274 | 0.3305 | 0.5479 | $8.03 | **$8.31** | Dawn |
| **Panhandle Longhaul** | Panhandle Field Zone | -0.34 | 7.01 | 0.4251 | 0.0442 | 0.3268 | 0.7961 | $7.81 | **$8.09** | Dawn |
| **Alliance/Vector** | Alliance Field Zone | -0.66 | 6.70 | 1.6209 | -0.2934 | 0.3683 | 1.6957 | $8.39 | **$8.69** | Dawn |
| **TCPL SWDA** | Empress | -0.31 | 7.05 | 1.2630 | 0.0541 | 0.1974 | 1.5145 | $8.56 | **$8.87** | Dawn |
| **TCPL Niagara** | Niagara | 0.84 | 8.20 | 0.0874 | 0.0000 | 0.0000 | 0.0874 | $8.29 | **$8.58** | Dawn |

**Assumptions used in Devleoping Long-term Transportation Contracting Analysis**

| **Annual Gas Supply & Fuel Ratio Forecasts** | **Point of Supply Col (B) above** | **2012 $US/mmBtu** | **2013 $US/mmBtu** | **2014 $US/mmBtu** | **2015 $US/mmBtu** | **2016 $US/mmBtu** | **2017 $US/mmBtu** | **2018 $US/mmBtu** | **2019 $US/mmBtu** | **2020 $US/mmBtu** | **2021 $US/mmBtu** | **Average Annual Gas Supply Cost $US/mmBtu Col (D) above** | **Fuel Ratio Forecasts Col (G) above** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Henry Hub (NYMEX) $US/mmBtu** | | $5.91 | $6.18 | $6.45 | $6.99 | $6.98 | $7.05 | $7.85 | $8.25 | $8.66 | $9.24 | $7.36 | |
| | | | | | | | | | | | | | |
| **Vector - 2008** | Chicago | $6.09 | $6.37 | $6.67 | $7.26 | $7.20 | $7.30 | $8.11 | $8.54 | $8.95 | $9.63 | $7.61 | 1.08% |
| **Trunkline/Panhandle** | Trunkline Field Zone | $5.95 | $6.24 | $6.54 | $7.11 | $7.10 | $7.19 | $7.99 | $8.41 | $8.82 | $9.42 | $7.48 | 4.42% |
| **Panhandle Longhaul** | Panhandle Field Zone | $5.62 | $5.87 | $6.10 | $6.63 | $6.58 | $6.69 | $7.49 | $7.90 | $8.32 | $8.93 | $7.01 | 4.46% |
| **Alliance/Vector** | Alliance Field Zone | $5.27 | $5.53 | $5.78 | $6.31 | $6.25 | $6.42 | $7.19 | $7.60 | $7.99 | $8.62 | $6.70 | 5.50% |
| **TCPL SWDA** | Empress | $5.56 | $5.84 | $6.12 | $6.68 | $6.63 | $6.78 | $7.56 | $7.97 | $8.37 | $8.99 | $7.05 | 2.80% |
| **TCPL Niagara** | Niagara | $6.50 | $6.84 | $7.22 | $7.88 | $7.85 | $7.93 | $8.74 | $9.18 | $9.59 | $10.24 | $8.20 | 0.00% |

**Sources for Assumptions:**

Gas Supply Prices (Col D): Energy & Environmental Analysis; April 2010

Fuel Ratios (Col G): Average ratio over the previous 12 months or Pipeline Forecast

Transportation Tolls (Cols E & F): Tolls in effect on Alternative Routes at the time of Union's Analysis

Foreign Exchange (Col K) $1 US = 1.093 CDN

Energy Conversions (Col K) 1 Dth = 1 mmBtu = 1.055056 GJs

Union's Analysis Completed: Jul-10

UNION GAS LIMITED

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

References: Exhibit A, Pages 4 to 6
EB-2010-0039, Exhibit B1.01
EB-2010-0039, Exhibit B1.02
EB-2010-0039, Exhibit B3.38
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

Please update the table labelled “2007 – 2009 Continuity: Short Term Storage Services Account 179-70” that Union provided as EB-2010-0039, Exhibit B1.01 to include the same information for 2010.

---

**Response:**

Please see the response at Exhibit B1.2.

UNION GAS LIMITED

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

References: Exhibit A, Pages 4 to 6
EB-2010-0039, Exhibit B1.01
EB-2010-0039, Exhibit B1.02
EB-2010-0039, Exhibit B3.38
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

Please correct and update the table labelled "2007 – 2009 Continuity: Long Term Storage Services Account 179-72" that Union provided as EB-2010-0039, Exhibit B1.02 to include the same information for 2010.

---

**Response:**

Please see the response at Exhibit B1.3.

UNION GAS LIMITED

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

References: Exhibit A, Pages 4 to 6
EB-2010-0039, Exhibit B1.01
EB-2010-0039, Exhibit B1.02
EB-2010-0039, Exhibit B3.38
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

Please provide plant continuity tables for Unregulated, Regulated, and Total Regulated and Unregulated for calendar year 2010 to update the tables Union provided as EB-2010-0039, Exhibit B3.38.

---

**Response:**

Please see Attachment 1 and Attachment 2.

REGULATED

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | O.E.B. No. | Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Depreciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: | | | | | | | | | | |
| | Intangible plant: | | | | | | | | | | |
| 1 | Franchises and consents | 401 | 1,321,346 | | | | 0 | | 1,321,346 | 448,502 | 872,844 |
| 2 | Other intangible plant | 402 | 6,370,350 | | | | 0 | | 6,370,350 | 5,300,986 | 1,069,365 |
| 3 | | | 7,691,696 | 0 | 0 | 0 | 0 | 0 | 7,691,696 | 5,749,488 | 1,942,209 |
| | Local Storage Plant | | | | | | | | | | |
| 4 | Land | 440 | 7,303 | | | | 0 | | 7,303 | | 7,303 |
| 5 | Structures and improvements | 442 | 2,512,002 | 162,065 | | | 162,065 | | 2,674,066 | 2,452,635 | 221,431 |
| 6 | Gas holders - storage | 443 | 4,574,078 | | | | 0 | | 4,574,078 | 4,574,078 | 0 |
| 7 | Gas holders - equipment | 443 | 8,678,146 | 1,094,120 | | | 1,094,120 | | 9,772,265 | 7,957,005 | 1,815,260 |
| 8 | Regulatory Overheads | 495 | | 228,196 | | | 228,196 | | 228,196 | 3,805 | 224,391 |
| 9 | | | 15,771,527 | 1,484,380 | 0 | 0 | 1,484,380 | 0 | 17,255,908 | 14,987,523 | 2,268,385 |
| | Underground storage plant: | | | | | | | | | | |
| 10 | Land | 450 | 3,814,101 | | | | 0 | | 3,814,101 | | 3,814,101 |
| 11 | Land rights | 451 | 32,062,296 | | | | 0 | | 32,062,296 | 10,285,037 | 21,777,259 |
| 12 | Structures and improvements | 452 | 55,033,180 | 85,871 | | | 85,871 | | 55,119,051 | 23,311,865 | 31,807,186 |
| 13 | Wells | 453/4/5 | 87,164,609 | 436,956 | | | 436,956 | | 87,601,565 | 35,711,229 | 51,890,336 |
| 14 | Compressor equipment | 456 | 223,075,852 | 1,721,587 | | | 1,721,587 | -10,615,186 | 214,182,254 | 109,331,218 | 104,851,036 |
| 15 | Measuring & regulating equipment | 457 | 49,130,321 | 2,302,688 | 12,711 | | 2,315,399 | -730 | 51,444,990 | 35,294,747 | 16,150,243 |
| 16 | Base pressure gas | 458 | 30,349,652 | 4,854,426 | | | 4,854,426 | | 35,204,078 | | 35,204,078 |
| 17 | Other equipment | 459 | 0 | 1,641,500 | | | 1,641,500 | | 1,641,500 | 27,357 | 1,614,143 |
| 18 | Regulatory Overheads | 495 | | 2,995,865 | | | 2,995,865 | | 2,995,865 | 42,797 | 2,953,068 |
| 19 | | | 480,630,012 | 14,038,892 | 12,711 | 0 | 14,051,603 | -10,615,915 | 484,065,700 | 214,004,250 | 270,061,450 |

REGULATED

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | O.E.B. No. | Actual Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Depreciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: (Cont'd) | | | | | | | | | | |
| | Transmission plant: | | | | | | | | | | |
| 1 | Land | 460 | 23,671,761 | 102,970 | | | 102,970 | -31,870 | 23,742,862 | | 23,742,862 |
| 2 | Land rights | 461 | 37,637,439 | 71,565 | | | 71,565 | | 37,709,004 | 8,919,615 | 28,789,389 |
| 3 | Structures & improvements | 462/3/4 | 53,258,758 | 285,121 | | | 285,121 | | 53,543,879 | 26,092,822 | 27,451,057 |
| 4 | Mains | 465 | 1,035,507,264 | 6,901,938 | 9,343 | | 6,911,281 | -446,337 | 1,041,972,208 | 397,889,273 | 644,082,935 |
| 5 | Compressor equipment | 466 | 295,911,578 | 5,059,051 | | | 5,059,051 | -61,532 | 300,909,097 | 90,361,284 | 210,547,813 |
| 6 | Measuring & regulating equipment | 467 | 140,445,761 | 2,291,769 | 480,036 | | 2,771,806 | -596,725 | 142,620,842 | 63,772,552 | 78,848,289 |
| 7 | Regulatory Overheads | 495 | | 7,515,158 | | | 7,515,158 | | 7,515,158 | 93,938 | 7,421,220 |
| 8 | | | 1,586,432,561 | 22,227,573 | 489,379 | 0 | 22,716,952 | -1,136,464 | 1,608,013,048 | 587,129,483 | 1,020,883,565 |
| | Distribution plant - Southern Operations | | | | | | | | | | |
| 9 | Land | 470 | 6,931,865 | 162 | | | 162 | | 6,932,027 | | 6,932,027 |
| 10 | Land rights | 471 | 5,333,354 | 160,950 | | | 160,950 | | 5,494,304 | 1,165,527 | 4,328,777 |
| 11 | Structures & improvements | 472 | 100,094,623 | 1,889,947 | | | 1,889,947 | -17,603 | 101,966,967 | 46,261,759 | 55,705,208 |
| 12 | Services - metallic | 473 | 110,133,304 | 581,541 | -479,062 | | 102,479 | -602,829 | 109,632,954 | 101,160,672 | 8,472,282 |
| 13 | Services - plastic | 473 | 728,310,795 | 14,164,997 | 462,668 | | 14,627,665 | -1,320,436 | 741,618,024 | 291,246,443 | 450,371,581 |
| 14 | Regulators | 474 | 71,501,913 | 3,287,730 | | | 3,287,730 | -4,706,471 | 70,083,173 | 26,633,162 | 43,450,011 |
| 15 | House regulators & meter installatic | 474 | 66,351,977 | 1,079,829 | 163,115 | | 1,242,944 | -38,955 | 67,555,966 | 26,720,592 | 40,835,374 |
| 16 | Mains - metallic | 475 | 395,812,725 | 5,126,350 | -9,343 | | 5,117,007 | -1,806,676 | 399,123,055 | 212,172,022 | 186,951,033 |
| 17 | Mains - plastic | 475 | 491,494,633 | 11,538,204 | | | 11,538,204 | -528,274 | 502,504,563 | 156,518,147 | 345,986,416 |
| 18 | Measuring & regulating equipment | 477 | 28,675,995 | 1,351,197 | -766,876 | | 584,322 | -33,996 | 29,226,321 | 15,364,312 | 13,862,009 |
| 19 | Meters | 478 | 177,433,888 | 20,863,223 | 16,394 | | 20,879,617 | -6,698,339 | 191,615,166 | 60,049,572 | 131,565,594 |
| 20 | Other distribution equipment | 479 | 0 | | | | 0 | | 0 | 0 | 0 |
| 21 | Regulatory Overheads | 495 | | 25,370,031 | | | 25,370,031 | | 25,370,031 | 362,433 | 25,007,598 |
| 22 | | | 2,182,075,070 | 85,414,162 | -613,104 | 0 | 84,801,058 | -15,753,577 | 2,251,122,551 | 937,654,641 | 1,313,467,910 |
| | Distribution plant - Northern & Eastern Operations | | | | | | | | | | |
| 23 | Land | 470 | 3,635,270 | 193,928 | | | 193,928 | | 3,829,199 | | 3,829,199 |
| 24 | Land rights | 471 | 8,891,313 | 119,830 | | | 119,830 | | 9,011,143 | 3,046,141 | 5,965,002 |
| 25 | Structures & improvements | 472 | 58,883,880 | 3,293,600 | | | 3,293,600 | -28,043 | 62,149,436 | 21,707,244 | 40,442,192 |
| 26 | Services - metallic | 473 | 92,060,246 | 1,021,974 | -67,195 | | 954,779 | -254,021 | 92,761,004 | 61,819,635 | 30,941,369 |
| 27 | Services - plastic | 473 | 344,755,284 | 9,815,844 | 26,195 | | 9,842,040 | -476,952 | 354,120,371 | 154,003,927 | 200,116,444 |
| 28 | Regulators | 474 | 25,549,412 | 1,506,141 | | | 1,506,141 | | 27,055,553 | 11,323,841 | 15,731,712 |
| 29 | House regulators & meter installatic | 474 | 28,859,862 | 180,390 | 61,736 | | 242,127 | -12,105 | 29,089,884 | 10,143,131 | 18,946,753 |
| 30 | Mains - metallic | 475 | 345,430,107 | 5,893,445 | | | 5,893,445 | -100,798 | 351,222,754 | 146,899,969 | 204,322,785 |
| 31 | Mains - plastic | 475 | 196,367,481 | 4,744,678 | | | 4,744,678 | -39,847 | 201,072,312 | 71,688,284 | 129,384,028 |
| 32 | Compressor equipment | 476 | 0 | | | | 0 | | 0 | 0 | -0 |
| 33 | Measuring & regulating equipment | 477 | 101,862,247 | 1,872,806 | 82,599 | | 1,955,405 | -38,876 | 103,778,777 | 50,944,049 | 52,834,728 |
| 34 | Meters | 478 | 52,022,664 | 2,559,881 | | | 2,559,881 | -2,179,173 | 52,403,372 | 16,508,017 | 35,895,355 |
| 35 | Other distribution equipment | 479 | 0 | | | | 0 | | 0 | 0 | 0 |
| 36 | Regulatory Overheads | 495 | | 11,596,421 | | | 11,596,421 | | 11,596,421 | 165,662 | 11,430,759 |
| 37 | | | 1,258,317,767 | 42,798,938 | 103,335 | 0 | 42,902,273 | -3,129,815 | 1,298,090,225 | 548,249,900 | 749,840,326 |

REGULATED

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | O.E.B. No. | Actual Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Deprciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: (Cont'd) | | | | | | | | | | |
| | General plant: | | | | | | | | | | |
| 1 | Land | 480 | 620,845 | | | | 0 | | 620,845 | | 620,845 |
| 2 | Structures & improvements | 482 | 41,153,326 | 215,220 | | | 215,220 | | 41,368,545 | 18,783,853 | 22,584,692 |
| 3 | Office furniture & equipment | 483 | 14,982,715 | 276,300 | | | 276,300 | -4,469,635 | 10,789,381 | 5,515,643 | 5,273,738 |
| 4 | Office equipment - computers | 483 | 84,439,615 | 16,824,542 | | | 16,824,542 | -17,688,998 | 83,575,158 | 47,755,046 | 35,820,112 |
| 5 | Transportation equipment | 484 | 39,169,579 | 5,652,766 | | | 5,652,766 | -2,195,708 | 42,626,637 | 11,062,737 | 31,563,900 |
| 6 | Heavy work equipment | 485 | 12,330,297 | 3,859,108 | | | 3,859,108 | -377,540 | 15,811,866 | 971,740 | 14,840,126 |
| 7 | Tools & work equipment | 486 | 32,903,315 | 1,763,590 | | | 1,763,590 | -3,853,715 | 30,813,191 | 15,343,636 | 15,469,555 |
| 8 | Communication equipment | 488 | 13,185,691 | 660,597 | | | 660,597 | -527,188 | 13,319,100 | 6,618,120 | 6,700,980 |
| 9 | Communication structures | | 2,685,293 | | | | 0 | | 2,685,293 | 2,030,900 | 654,393 |
| 10 | Other general equipment | 489 | 0 | | | | 0 | | 0 | 0 | 0 |
| 11 | Regulatory Overheads | 495 | | 5,914,555 | | | 5,914,555 | | 5,914,555 | 295,730 | 5,618,825 |
| 12 | | | 241,470,676 | 35,166,678 | 0 | 0 | 35,166,678 | -29,112,784 | 247,524,570 | 108,377,404 | 139,147,166 |
| | Undistributed plant: | | | | | | | | | | |
| 13 | Contributions in aid of construction | 496 | 0 | 0 | | | 0 | | 0 | | 0 |
| 14 | Contributions in aid of construction | 496 | 0 | 0 | 0 | | 0 | | 0 | | 0 |
| 15 | Oil wells and equipment | 496 | 0 | | | | 0 | | 0 | | 0 |
| 16 | Total gas plant in service | 100 | 5,772,389,310 | 201,130,623 | -7,679 | 0 | 201,122,945 | -59,748,556 | 5,913,763,699 | 2,416,152,688 | 3,497,611,011 |
| 17 | ARO (Asset Retirement Obligation) | | 31,827,878 | 3,001,709 | | | 3,001,709 | | 34,829,587 | 14,794,435 | 20,035,152 |
| 18 | Negative Salvage | | 0 | | | | 0 | | 0 | -512,202,294 | 512,202,294 |
| | Gas plant held for future use - | | | | | | | | | | |
| 19 | Ontario exploration and developme | 102 | 0 | | | | 0 | | 0 | | 0 |
| 20 | Gas plant under construction | 115 | 29,629,709 | 16,958,961 | | | 16,958,961 | | 46,588,670 | | 46,588,670 |
| 21 | Total property plant and equipment | | 5,833,846,896 | 221,091,294 | -7,679 | 0 | 221,083,615 | -59,748,556 | 5,995,181,956 | 1,918,744,829 | 4,076,437,127 |

UNREGULATED

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Acct. No. | Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Depreciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: | | | | | | | | | | |
| | Underground storage plant: | | | | | | | | | | |
| 1 | Land | 550 | 1,259,705 | 204,600 | | | 204,600 | | 1,464,305 | | 1,464,305 |
| 2 | Land rights | 551 | 21,908,595 | -203,498 | | | -203,498 | | 21,705,097 | 6,248,185 | 15,456,912 |
| 3 | Structures and improvements | 552 | 18,757,508 | 80,684 | | | 80,684 | | 18,838,192 | 5,466,504 | 13,371,688 |
| 4 | Wells | 553/4/5 | 85,331,709 | 486,088 | | | 486,088 | | 85,817,797 | 20,055,204 | 65,762,593 |
| 5 | Compressor equipment | 556 | 134,730,306 | 379,339 | | | 379,339 | -2,631,862 | 132,477,783 | 29,252,434 | 103,225,349 |
| 6 | Measuring & regulating equipment | 557 | 21,502,249 | 904,169 | 7,679 | | 911,848 | -0 | 22,414,097 | 8,631,048 | 13,783,049 |
| 7 | Base pressure gas | 558 | 19,995,628 | 2,932,590 | | | 2,932,590 | | 22,928,218 | | 22,928,218 |
| 8 | Other equipment | 559 | 0 | | | | 0 | | 0 | | 0 |
| 9 | | | 303,485,699 | 4,783,973 | 7,679 | 0 | 4,791,651 | -2,631,862 | 305,645,489 | 69,653,375 | 235,992,114 |
| | General plant: | | | | | | | | | | |
| 10 | Land | 480 | 18,672 | | | | 0 | | 18,672 | | 18,672 |
| 11 | Structures & improvements | 482 | 1,237,707 | 6,473 | | | 6,473 | | 1,244,180 | 564,935 | 679,245 |
| 12 | Office furniture & equipment | 483 | 450,610 | 8,325 | | | 8,325 | -134,439 | 324,496 | 165,886 | 158,610 |
| 13 | Office equipment - computers | 483 | 2,539,548 | 506,073 | | | 506,073 | -532,054 | 2,513,567 | 1,436,257 | 1,077,310 |
| 14 | Transportation equipment | 484 | 1,845,625 | 266,365 | | | 266,365 | -103,463 | 2,008,527 | 518,934 | 1,489,593 |
| 15 | Heavy work equipment | 485 | 580,990 | 181,843 | | | 181,843 | -17,793 | 745,040 | 45,787 | 699,253 |
| 16 | Tools & work equipment | 486 | 989,583 | 53,053 | | | 53,053 | -115,913 | 926,723 | 461,468 | 465,255 |
| 17 | Communication equipment | 488 | 396,563 | 19,874 | | | 19,874 | -15,857 | 400,580 | 199,043 | 201,537 |
| 18 | Communication structures | | 78,126 | | | | 0 | | 78,126 | 58,962 | 19,164 |
| 19 | Other general equipment | 489 | 0 | | | | 0 | | 0 | | 0 |
| 20 | | | 8,137,424 | 1,042,006 | 0 | 0 | 1,042,006 | -919,519 | 8,259,911 | 3,451,272 | 4,808,639 |
| | Undistributed plant: | | | | | | | | | | |
| 21 | Contributions in aid of construction | | 0 | 0 | | | 0 | | 0 | | 0 |
| 22 | Contributions in aid of construction | | 0 | 0 | 0 | | 0 | | 0 | | 0 |
| 23 | Oil wells and equipment | | 0 | | | | 0 | | 0 | | 0 |
| 24 | Total gas plant in service | | 311,623,123 | 5,825,979 | 7,679 | 0 | 5,833,657 | -3,551,381 | 313,905,400 | 73,104,647 | 240,800,753 |
| 25 | ARO (Asset Retirement Obligation) | | 0 | | | | 0 | | 0 | | 0 |
| | Gas plant held for future use - | | | | | | | | | | |
| 26 | Ontario exploration and development | | 0 | | | | 0 | | 0 | | 0 |
| 27 | Gas plant under construction | 115 | 679,769 | 7,415,013 | | | 7,415,013 | | 8,094,782 | | 8,094,782 |
| 28 | Total property plant and equipment | | 312,302,893 | 13,240,991 | 7,679 | 0 | 13,248,670 | -3,551,381 | 322,000,182 | 73,104,647 | 248,895,535 |

TOTAL UNION GAS

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Depreciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: | | | | | | | | | |
| | Intangible plant: | | | | | | | | | |
| 1 | Franchises and consents | 1,321,346 | 0 | 0 | 0 | 0 | 0 | 1,321,346 | 448,502 | 872,844 |
| 2 | Other intangible plant | 6,370,350 | 0 | 0 | 0 | 0 | 0 | 6,370,350 | 5,300,986 | 1,069,365 |
| 3 | | 7,691,696 | 0 | 0 | 0 | 0 | 0 | 7,691,696 | 5,749,488 | 1,942,209 |
| | Local Storage Plant | | | | | | | | | |
| 4 | Land | 7,303 | 0 | 0 | 0 | 0 | 0 | 7,303 | 0 | 7,303 |
| 5 | Structures and improvements | 2,512,002 | 162,065 | 0 | 0 | 162,065 | 0 | 2,674,066 | 2,452,635 | 221,431 |
| 6 | Gas holders - storage | 4,574,078 | 0 | 0 | 0 | 0 | 0 | 4,574,078 | 4,574,078 | 0 |
| 7 | Gas holders - equipment | 8,678,146 | 1,094,120 | 0 | 0 | 1,094,120 | 0 | 9,772,265 | 7,957,005 | 1,815,260 |
| 8 | Regulatory Overheads | 0 | 228,196 | 0 | 0 | 228,196 | 0 | 228,196 | 3,805 | 224,391 |
| 9 | | 15,771,527 | 1,484,380 | 0 | 0 | 1,484,380 | 0 | 17,255,908 | 14,987,523 | 2,268,385 |
| | Underground storage plant: | | | | | | | | | |
| 10 | Land | 5,073,806 | 204,600 | 0 | 0 | 204,600 | 0 | 5,278,406 | 0 | 5,278,406 |
| 11 | Land rights | 53,970,891 | -203,498 | 0 | 0 | -203,498 | 0 | 53,767,393 | 16,533,222 | 37,234,171 |
| 12 | Structures and improvements | 73,790,688 | 166,555 | 0 | 0 | 166,555 | 0 | 73,957,243 | 28,778,369 | 45,178,874 |
| 13 | Wells | 172,496,318 | 923,044 | 0 | 0 | 923,044 | 0 | 173,419,362 | 55,766,433 | 117,652,929 |
| 14 | Compressor equipment | 357,806,158 | 2,100,926 | 0 | 0 | 2,100,926 | -13,247,048 | 346,660,037 | 138,583,652 | 208,076,385 |
| 15 | Measuring & regulating equipment | 70,632,571 | 3,206,857 | 20,389 | 0 | 3,227,246 | -730 | 73,859,087 | 43,925,795 | 29,933,292 |
| 16 | Base pressure gas | 50,345,279 | 7,787,016 | 0 | 0 | 7,787,016 | 0 | 58,132,295 | 0 | 58,132,295 |
| 17 | Other equipment | 0 | 1,641,500 | 0 | 0 | 1,641,500 | 0 | 1,641,500 | 27,357 | 1,614,143 |
| 18 | Regulatory Overheads | 0 | 2,995,865 | 0 | 0 | 2,995,865 | 0 | 2,995,865 | 42,797 | 2,953,068 |
| 19 | | 784,115,712 | 18,822,865 | 20,389 | 0 | 18,843,254 | -13,247,777 | 789,711,189 | 283,657,625 | 506,053,563 |

TOTAL UNION GAS

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Actual Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Depreciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: (Cont'd) | | | | | | | | | |
| | Transmission plant: | | | | | | | | | |
| 1 | Land | 23,671,761 | 102,970 | 0 | 0 | 102,970 | -31,870 | 23,742,862 | 0 | 23,742,862 |
| 2 | Land rights | 37,637,439 | 71,565 | 0 | 0 | 71,565 | 0 | 37,709,004 | 8,919,615 | 28,789,389 |
| 3 | Structures & improvements | 53,258,758 | 285,121 | 0 | 0 | 285,121 | 0 | 53,543,879 | 26,092,822 | 27,451,057 |
| 4 | Mains | 1,035,507,264 | 6,901,938 | 9,343 | 0 | 6,911,281 | -446,337 | 1,041,972,208 | 397,889,273 | 644,082,935 |
| 5 | Compressor equipment | 295,911,578 | 5,059,051 | 0 | 0 | 5,059,051 | -61,532 | 300,909,097 | 90,361,284 | 210,547,813 |
| 6 | Measuring & regulating equipment | 140,445,761 | 2,291,769 | 480,036 | 0 | 2,771,806 | -596,725 | 142,620,842 | 63,772,552 | 78,848,289 |
| 7 | Regulatory Overheads | 0 | 7,515,158 | 0 | 0 | 7,515,158 | 0 | 7,515,158 | 93,938 | 7,421,220 |
| 8 | | 1,586,432,561 | 22,227,573 | 489,379 | 0 | 22,716,952 | -1,136,464 | 1,608,013,048 | 587,129,483 | 1,020,883,565 |
| | Distribution plant - Southern Operations | | | | | | | | | |
| 9 | Land | 6,931,865 | 162 | 0 | 0 | 162 | 0 | 6,932,027 | 0 | 6,932,027 |
| 10 | Land rights | 5,333,354 | 160,950 | 0 | 0 | 160,950 | 0 | 5,494,304 | 1,165,527 | 4,328,777 |
| 11 | Structures & improvements | 100,094,623 | 1,889,947 | 0 | 0 | 1,889,947 | -17,603 | 101,966,967 | 46,261,759 | 55,705,208 |
| 12 | Services - metallic | 110,133,304 | 581,541 | -479,062 | 0 | 102,479 | -602,829 | 109,632,954 | 101,160,672 | 8,472,282 |
| 13 | Services - plastic | 728,310,795 | 14,164,997 | 462,668 | 0 | 14,627,665 | -1,320,436 | 741,618,024 | 291,246,443 | 450,371,581 |
| 14 | Regulators | 71,501,913 | 3,287,730 | 0 | 0 | 3,287,730 | -4,706,471 | 70,083,173 | 26,633,162 | 43,450,011 |
| 15 | House regulators & meter installations | 66,351,977 | 1,079,829 | 163,115 | 0 | 1,242,944 | -38,955 | 67,555,966 | 26,720,592 | 40,835,374 |
| 16 | Mains - metallic | 395,812,725 | 5,126,350 | -9,343 | 0 | 5,117,007 | -1,806,676 | 399,123,055 | 212,172,022 | 186,951,033 |
| 17 | Mains - plastic | 491,494,633 | 11,538,204 | 0 | 0 | 11,538,204 | -528,274 | 502,504,563 | 156,518,147 | 345,986,416 |
| 18 | Measuring & regulating equipment | 28,675,995 | 1,351,197 | -766,876 | 0 | 584,322 | -33,996 | 29,226,321 | 15,364,312 | 13,862,009 |
| 19 | Meters | 177,433,888 | 20,863,223 | 16,394 | 0 | 20,879,617 | -6,698,339 | 191,615,166 | 60,049,572 | 131,565,594 |
| 20 | Other distribution equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 | Regulatory Overheads | 0 | 25,370,031 | 0 | 0 | 25,370,031 | 0 | 25,370,031 | 362,433 | 25,007,598 |
| 22 | | 2,182,075,070 | 85,414,162 | -613,104 | 0 | 84,801,058 | -15,753,577 | 2,251,122,551 | 937,654,641 | 1,313,467,910 |
| | Distribution plant - Northern & Eastern Operations | | | | | | | | | |
| 23 | Land | 3,635,270 | 193,928 | 0 | 0 | 193,928 | 0 | 3,829,199 | 0 | 3,829,199 |
| 24 | Land rights | 8,891,313 | 119,830 | 0 | 0 | 119,830 | 0 | 9,011,143 | 3,046,141 | 5,965,002 |
| 25 | Structures & improvements | 58,883,880 | 3,293,600 | 0 | 0 | 3,293,600 | -28,043 | 62,149,436 | 21,707,244 | 40,442,192 |
| 26 | Services - metallic | 92,060,246 | 1,021,974 | -67,195 | 0 | 954,779 | -254,021 | 92,761,004 | 61,819,635 | 30,941,369 |
| 27 | Services - plastic | 344,755,284 | 9,815,844 | 26,195 | 0 | 9,842,040 | -476,952 | 354,120,371 | 154,003,927 | 200,116,444 |
| 28 | Regulators | 25,549,412 | 1,506,141 | 0 | 0 | 1,506,141 | 0 | 27,055,553 | 11,323,841 | 15,731,712 |
| 29 | House regulators & meter installations | 28,859,862 | 180,390 | 61,736 | 0 | 242,127 | -12,105 | 29,089,884 | 10,143,131 | 18,946,753 |
| 30 | Mains - metallic | 345,430,107 | 5,893,445 | 0 | 0 | 5,893,445 | -100,798 | 351,222,754 | 146,899,969 | 204,322,785 |
| 31 | Mains - plastic | 196,367,481 | 4,744,678 | 0 | 0 | 4,744,678 | -39,847 | 201,072,312 | 71,688,284 | 129,384,028 |
| 32 | Compressor equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0 |
| 33 | Measuring & regulating equipment | 101,862,247 | 1,872,806 | 82,599 | 0 | 1,955,405 | -38,876 | 103,778,777 | 50,944,049 | 52,834,728 |
| 34 | Meters | 52,022,664 | 2,559,881 | 0 | 0 | 2,559,881 | -2,179,173 | 52,403,372 | 16,508,017 | 35,895,355 |
| 35 | Other distribution equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36 | Regulatory Overheads | 0 | 11,596,421 | 0 | 0 | 11,596,421 | 0 | 11,596,421 | 165,662 | 11,430,759 |
| 37 | | 1,258,317,767 | 42,798,938 | 103,335 | 0 | 42,902,273 | -3,129,815 | 1,298,090,225 | 548,249,900 | 749,840,326 |

TOTAL UNION GAS

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Actual Balance Dec. 31/09 | Additions: Capital Additions | Additions: Transfers | Additions: Net Salvage | Additions: Net Additions | Retirements | Balance Dec. 31/10 | Accumulated Deprciation Dec. 31/10 | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f') | (g) | (h) | (i) |
| | Gas Plant in Service: (Cont'd) | | | | | | | | | |
| | General plant: | | | | | | | | | |
| 1 | Land | 639,517 | 0 | 0 | 0 | 0 | 0 | 639,517 | 0 | 639,517 |
| 2 | Structures & improvements | 42,391,033 | 221,693 | 0 | 0 | 221,693 | 0 | 42,612,725 | 19,348,788 | 23,263,937 |
| 3 | Office furniture & equipment | 15,433,325 | 284,625 | 0 | 0 | 284,625 | -4,604,074 | 11,113,877 | 5,681,529 | 5,432,348 |
| 4 | Office equipment - computers | 86,979,163 | 17,330,615 | 0 | 0 | 17,330,615 | -18,221,052 | 86,088,725 | 49,191,303 | 36,897,422 |
| 5 | Transportation equipment | 41,015,204 | 5,919,131 | 0 | 0 | 5,919,131 | -2,299,171 | 44,635,164 | 11,581,671 | 33,053,493 |
| 6 | Heavy work equipment | 12,911,287 | 4,040,951 | 0 | 0 | 4,040,951 | -395,333 | 16,556,906 | 1,017,527 | 15,539,379 |
| 7 | Tools & work equipment | 33,892,898 | 1,816,643 | 0 | 0 | 1,816,643 | -3,969,628 | 31,739,914 | 15,805,104 | 15,934,810 |
| 8 | Communication equipment | 13,582,254 | 680,471 | 0 | 0 | 680,471 | -543,045 | 13,719,680 | 6,817,163 | 6,902,517 |
| 9 | Communication structures | 2,763,419 | 0 | 0 | 0 | 0 | 0 | 2,763,419 | 2,089,862 | 673,557 |
| 10 | Other general equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | Regulatory Overheads | 0 | 5,914,555 | 0 | 0 | 5,914,555 | 0 | 5,914,555 | 295,730 | 5,618,825 |
| 12 | | 249,608,100 | 36,208,684 | 0 | 0 | 36,208,684 | -30,032,303 | 255,784,481 | 111,828,676 | 143,955,805 |
| | Undistributed plant: | | | | | | | | | |
| 13 | Contributions in aid of construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | Contributions in aid of construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 | Oil wells and equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Total gas plant in service | 6,084,012,433 | 206,956,602 | -0 | 0 | 206,956,602 | -63,299,937 | 6,227,669,098 | 2,489,257,335 | 3,738,411,763 |
| 17 | ARO (Asset Retirement Obligation) | 31,827,878 | 3,001,709 | 0 | 0 | 3,001,709 | 0 | 34,829,587 | 14,794,435 | 20,035,152 |
| 18 | Negative Salvage | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -512,202,294 | 512,202,294 |
| | Gas plant held for future use - | | | | | | | 0 | | |
| 19 | Ontario exploration and development | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 | Gas plant under construction | 30,309,478 | 24,373,974 | 0 | 0 | 24,373,974 | 0 | 54,683,452 | 0 | 54,683,452 |
| 21 | Total property plant and equipment | 6,146,149,789 | 234,332,285 | -0 | 0 | 234,332,285 | -63,299,937 | 6,317,182,137 | 1,991,849,476 | 4,325,332,661 |

REGULATED

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | O.E.B. No. | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f) |
| | Gas Plant in Service: | | | | | | | |
| | Intangible Plant: | | | | | | | |
| 1 | Franchises and consents | 401 | 385,621 | | 62,881 | | | 448,502 |
| 2 | Intangible Plant - other | 402 | 5,182,744 | | 118,242 | | | 5,300,986 |
| 3 | | | 5,568,365 | 0 | 181,123 | 0 | 0 | 5,749,488 |
| | Local Storage Plant | | | | | | | |
| 4 | Structures and improvements | 442 | 2,367,066 | | 85,570 | | | 2,452,635 |
| 5 | Gas holders - storage | 443 | 4,608,967 | | -34,889 | | | 4,574,078 |
| 6 | Gas holders - equipment | 443 | 7,624,679 | | 339,489 | | -7,162 | 7,957,005 |
| 7 | Regulatory Overheads | 495 | | | 3,805 | | | 3,805 |
| 8 | | | 14,600,711 | 0 | 393,974 | 0 | -7,162 | 14,987,523 |
| | Underground storage plant: | | | | | | | |
| 9 | Land rights | 451 | 9,570,048 | | 714,989 | | | 10,285,037 |
| 10 | Structures & improvements | 452 | 22,023,084 | | 1,288,781 | | | 23,311,865 |
| 11 | Wells and lines | 453/4/5 | 33,386,861 | | 2,324,402 | | -35 | 35,711,229 |
| 12 | Compressor equipment | 456 | 112,985,339 | | 6,974,271 | -10,615,186 | -13,207 | 109,331,218 |
| 13 | Measuring & regulating equipment | 457 | 33,147,869 | 6,746 | 2,162,368 | -730 | -21,507 | 35,294,747 |
| 14 | Other equipment | 459 | | | 27,357 | | | 27,357 |
| 15 | Regulatory Overheads | 495 | | | 42,797 | | | 42,797 |
| 16 | | | 211,113,202 | 6,746 | 13,534,965 | -10,615,915 | -34,748 | 214,004,250 |
| | Transmission plant: | | | | | | | |
| 17 | Land rights | 461 | 8,166,151 | | 753,464 | | | 8,919,615 |
| 18 | Structures & improvements | 462/3/4 | 24,673,025 | | 1,420,477 | | -680 | 26,092,822 |
| 19 | Mains | 465 | 373,852,441 | 4,911 | 24,618,140 | -446,337 | -139,883 | 397,889,273 |
| 20 | Compressor equipment | 466 | 79,825,934 | 0 | 10,504,045 | -61,532 | 92,837 | 90,361,284 |
| 21 | Measuring & regulating equipment | 467 | 59,157,047 | 254,814 | 5,109,352 | -596,725 | -151,936 | 63,772,552 |
| 22 | Regulatory Overheads | 495 | | | 93,938 | | | 93,938 |
| 23 | | | 545,674,598 | 259,725 | 42,499,416 | -1,104,594 | -199,662 | 587,129,483 |

REGULATED

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | O.E.B. No. | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f) |
| | Distribution plant - Southern Operations | | | | | | | |
| 1 | Land rights | 470 | 1,075,118 | | 90,409 | | | 1,165,527 |
| 2 | Structures & improvements | 471 | 43,323,729 | | 2,955,633 | -17,603 | | 46,261,759 |
| 3 | Services - metallic | | 99,148,902 | -438,709 | 4,054,695 | -602,829 | -1,001,387 | 101,160,672 |
| 4 | Services - plastic | 472 | 269,478,438 | 432,406 | 23,371,885 | -1,320,436 | -715,850 | 291,246,443 |
| 5 | Regulators | 473 | 29,003,481 | | 2,336,151 | -4,706,471 | | 26,633,162 |
| 6 | Regulator & meter installations | 474 | 24,339,404 | 91,093 | 2,350,085 | -38,955 | -21,035 | 26,720,592 |
| 7 | Mains - metallic | | 205,581,600 | -4,911 | 10,095,696 | -1,806,676 | -1,693,686 | 212,172,022 |
| 8 | Mains - plastic | 475 | 145,659,658 | | 11,629,817 | -528,274 | -243,054 | 156,518,147 |
| 9 | Measuring & regulating equipment | 477 | 14,631,722 | -411,568 | 1,343,340 | -33,996 | -165,186 | 15,364,312 |
| 10 | Meters | 478 | 59,846,478 | 6,303 | 6,827,399 | -6,698,339 | 67,730 | 60,049,572 |
| 11 | Regulatory Overheads | 495 | | | 362,433 | | | 362,433 |
| 12 | | | 892,088,528 | -325,386 | 65,417,545 | -15,753,577 | -3,772,468 | 937,654,641 |
| | Distribution plant - Northern & Eastern Operations | | | | | | | |
| 13 | Land rights | 471 | 2,900,322 | | 150,382 | | -4,563 | 3,046,141 |
| 14 | Structures & improvements | 472 | 19,814,882 | | 1,917,406 | -28,043 | 3,000 | 21,707,244 |
| 15 | Services - metallic | | 59,187,883 | -44,349 | 3,308,306 | -254,021 | -378,185 | 61,819,635 |
| 16 | Services - plastic | 473 | 143,405,305 | 27,154 | 11,147,063 | -476,952 | -98,643 | 154,003,927 |
| 17 | Regulators | 474 | 10,444,238 | | 878,503 | | 1,100 | 11,323,841 |
| 18 | Regulator & meter installations | 474 | 9,112,916 | 28,198 | 1,014,122 | -12,105 | | 10,143,131 |
| 19 | Mains - metallic | | 138,847,008 | | 8,777,826 | -100,798 | -624,067 | 146,899,969 |
| 20 | Mains - plastic | 475 | 67,068,905 | | 4,669,931 | -39,847 | -10,705 | 71,688,284 |
| 21 | Compressor Equipment | 476 | 0 | | | | | 0 |
| 22 | Measuring & regulating equipment | 477 | 46,242,271 | 43,836 | 4,760,591 | -38,876 | -63,773 | 50,944,049 |
| 23 | Meters | 478 | 16,745,058 | | 1,916,198 | -2,179,173 | 25,934 | 16,508,017 |
| 24 | Other distribution equipment | 479 | 0 | | | | | 0 |
| 25 | Regulatory Overheads | 495 | | | 165,662 | | | 165,662 |
| 26 | | | 513,768,789 | 54,839 | 38,705,988 | -3,129,815 | -1,149,901 | 548,249,900 |

REGULATED

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | O.E.B. No. | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f) |
| | General plant: | | | | | | | |
| 1 | Structures & improvements | 482 | 17,850,815 | | 933,039 | | | 18,783,853 |
| 2 | Office furniture & equipment | 483 | 9,126,207 | | 859,070 | -4,469,635 | | 5,515,643 |
| 3 | Office equipment - computers | 483 | 44,442,192 | | 21,001,853 | -17,688,998 | | 47,755,046 |
| 4 | Transportation equipment | 484 | 8,939,010 | 0 | 4,118,429 | -2,195,708 | 201,006 | 11,062,737 |
| 5 | Heavy work equipment | 485 | 709,051 | | 640,228 | -377,540 | | 971,740 |
| 6 | Tools and other equipment | 486/89/79 | 17,073,434 | | 2,123,916 | -3,853,715 | | 15,343,636 |
| 7 | Communication structures | | 1,968,537 | | 131,041 | | -68,678 | 2,030,900 |
| 8 | Communication equipment | 488 | 6,261,817 | | 883,491 | -527,188 | | 6,618,120 |
| 9 | Regulatory Overheads | 495 | | | 295,730 | | | 295,730 |
| 10 | | | 106,371,062 | 0 | 30,986,797 | -29,112,784 | 132,328 | 108,377,404 |
| 11 | Total Gas Plant carried forward | | 2,289,185,255 | -4,075 | 191,719,808 | -59,716,686 | -5,031,614 | 2,416,152,688 |
| 12 | Total gas plant in service | | 2,289,185,255 | -4,075 | 191,719,808 | -59,716,686 | -5,031,614 | 2,416,152,688 |
| 13 | ARO (Asset Retirement Obligation) | | 12,195,641 | 2,598,794 | | | | 14,794,435 |
| 14 | Negative Salvage | | -486,058,294 | -26,144,000 | | | | -512,202,294 |
| 15 | Total | | 1,815,322,602 | -23,549,281 | 191,719,808 | -59,716,686 | -5,031,614 | 1,918,744,829 |

UNREGULATED

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Acct. No. | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d) | (e) | (f) |
| | Gas Plant in Service: | | | | | | | |
| | Underground storage plant: | | | | | | | |
| 1 | Land rights | 551 | 5,814,660 | | 433,525 | | | 6,248,185 |
| 2 | Structures & improvements | 552 | 4,750,733 | | 718,452 | -2,681 | | 5,466,504 |
| 3 | Wells and lines | 553/4/5 | 17,961,049 | | 2,094,155 | | | 20,055,204 |
| 4 | Compressor equipment | 556 | 27,543,521 | | 3,935,077 | -2,226,164 | | 29,252,434 |
| 5 | Measuring & regulating equipment | 557 | 8,156,083 | 4,075 | 473,809 | -2,920 | | 8,631,048 |
| 6 | | | 64,226,046 | 4,075 | 7,655,018 | -2,231,765 | 0 | 69,653,375 |
| | General plant: | | | | | | | |
| 7 | Structures & improvements | 482 | 536,876 | | 28,059 | | | 564,935 |
| 8 | Office furniture & equipment | 483 | 274,472 | | 25,853 | -134,439 | | 165,886 |
| 9 | Office equipment - computers | 483 | 1,336,623 | | 631,688 | -532,054 | | 1,436,257 |
| 10 | Transportation equipment | 484 | 418,860 | | 194,066 | -103,463 | 9,471 | 518,934 |
| 11 | Heavy work equipment | 485 | 33,407 | | 30,173 | -17,793 | | 45,787 |
| 12 | Tools and other equipment | 486/89/79 | 513,493 | | 63,888 | -115,913 | | 461,468 |
| 13 | Communication structures | | 57,214 | | 3,814 | | -2,066 | 58,962 |
| 14 | Communication equipment | 488 | 188,325 | | 26,575 | -15,857 | | 199,043 |
| 15 | | | 3,359,270 | 0 | 1,004,116 | -919,519 | 7,405 | 3,451,272 |
| 16 | Total Gas Plant carried forward | | 67,585,316 | 4,075 | 8,659,134 | -3,151,284 | 7,405 | 73,104,647 |
| 17 | ARO (Asset Retirement Obligation) | | 0 | | | | | 0 |
| | Accumulated Amortization: | | | | | | | |
| 18 | Oil wells and equipment | | | | | | | 0 |
| 19 | Total | | 67,585,316 | 4,075 | 8,659,134 | -3,151,284 | 7,405 | 73,104,647 |

TOTAL UNION GAS

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f) |
| | Gas Plant in Service: | | | | | | |
| | Intangible Plant: | | | | | | |
| 1 | Franchises and consents | 385,621 | 0 | 62,881 | 0 | 0 | 448,502 |
| 2 | Intangible Plant - other | 5,182,744 | 0 | 118,242 | 0 | 0 | 5,300,986 |
| 3 | | 5,568,365 | 0 | 181,123 | 0 | 0 | 5,749,488 |
| | Local Storage Plant | | | | | | |
| 4 | Structures and improvements | 2,367,066 | 0 | 85,570 | 0 | 0 | 2,452,635 |
| 5 | Gas holders - storage | 4,608,967 | 0 | -34,889 | 0 | 0 | 4,574,078 |
| 6 | Gas holders - equipment | 7,624,679 | 0 | 339,489 | 0 | -7,162 | 7,957,005 |
| 7 | Regulatory Overheads | 0 | 0 | 3,805 | 0 | 0 | 3,805 |
| 8 | | 14,600,711 | 0 | 393,974 | 0 | -7,162 | 14,987,523 |
| | Underground storage plant: | | | | | | |
| 9 | Land rights | 15,384,708 | 0 | 1,148,514 | 0 | 0 | 16,533,222 |
| 10 | Structures & improvements | 26,773,818 | 0 | 2,007,232 | -2,681 | 0 | 28,778,369 |
| 11 | Wells and lines | 51,347,910 | 0 | 4,418,558 | 0 | -35 | 55,766,433 |
| 12 | Compressor equipment | 140,528,860 | 0 | 10,909,348 | -12,841,350 | -13,207 | 138,583,652 |
| 13 | Measuring & regulating equipment | 41,303,953 | 10,821 | 2,636,178 | -3,650 | -21,507 | 43,925,795 |
| 14 | Other equipment | 0 | 0 | 27,357 | 0 | 0 | 27,357 |
| 15 | Regulatory Overheads | 0 | 0 | 42,797 | 0 | 0 | 42,797 |
| 16 | | 275,339,249 | 10,821 | 21,189,984 | -12,847,680 | -34,748 | 283,657,625 |
| | Transmission plant: | | | | | | |
| 17 | Land rights | 8,166,151 | 0 | 753,464 | 0 | 0 | 8,919,615 |
| 18 | Structures & improvements | 24,673,025 | 0 | 1,420,477 | 0 | -680 | 26,092,822 |
| 19 | Mains | 373,852,441 | 4,911 | 24,618,140 | -446,337 | -139,883 | 397,889,273 |
| 20 | Compressor equipment | 79,825,934 | 0 | 10,504,045 | -61,532 | 92,837 | 90,361,284 |
| 21 | Measuring & regulating equipment | 59,157,047 | 254,814 | 5,109,352 | -596,725 | -151,936 | 63,772,552 |
| 22 | Regulatory Overheads | 0 | 0 | 93,938 | 0 | 0 | 93,938 |
| 23 | | 545,674,598 | 259,725 | 42,499,416 | -1,104,594 | -199,662 | 587,129,483 |

TOTAL UNION GAS

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f) |
| | Distribution plant - Southern Operations | | | | | | |
| 1 | Land rights | 1,075,118 | 0 | 90,409 | 0 | 0 | 1,165,527 |
| 2 | Structures & improvements | 43,323,729 | 0 | 2,955,633 | -17,603 | 0 | 46,261,759 |
| 3 | Services - metallic | 99,148,902 | -438,709 | 4,054,695 | -602,829 | -1,001,387 | 101,160,672 |
| 4 | Services - plastic | 269,478,438 | 432,406 | 23,371,885 | -1,320,436 | -715,850 | 291,246,443 |
| 5 | Regulators | 29,003,481 | 0 | 2,336,151 | -4,706,471 | 0 | 26,633,162 |
| 6 | Regulator & meter installations | 24,339,404 | 91,093 | 2,350,085 | -38,955 | -21,035 | 26,720,592 |
| 7 | Mains - metallic | 205,581,600 | -4,911 | 10,095,696 | -1,806,676 | -1,693,686 | 212,172,022 |
| 8 | Mains - plastic | 145,659,658 | 0 | 11,629,817 | -528,274 | -243,054 | 156,518,147 |
| 9 | Measuring & regulating equipment | 14,631,722 | -411,568 | 1,343,340 | -33,996 | -165,186 | 15,364,312 |
| 10 | Meters | 59,846,478 | 6,303 | 6,827,399 | -6,698,339 | 67,730 | 60,049,572 |
| 11 | Regulatory Overheads | 0 | 0 | 362,433 | 0 | 0 | 362,433 |
| 12 | | 892,088,528 | -325,386 | 65,417,545 | -15,753,577 | -3,772,468 | 937,654,641 |
| | Distribution plant - Northern & Eastern Operations | | | | | | |
| 13 | Land rights | 2,900,322 | 0 | 150,382 | 0 | -4,563 | 3,046,141 |
| 14 | Structures & improvements | 19,814,882 | 0 | 1,917,406 | -28,043 | 3,000 | 21,707,244 |
| 15 | Services - metallic | 59,187,883 | -44,349 | 3,308,306 | -254,021 | -378,185 | 61,819,635 |
| 16 | Services - plastic | 143,405,305 | 27,154 | 11,147,063 | -476,952 | -98,643 | 154,003,927 |
| 17 | Regulators | 10,444,238 | 0 | 878,503 | 0 | 1,100 | 11,323,841 |
| 18 | Regulator & meter installations | 9,112,916 | 28,198 | 1,014,122 | -12,105 | 0 | 10,143,131 |
| 19 | Mains - metallic | 138,847,008 | 0 | 8,777,826 | -100,798 | -624,067 | 146,899,969 |
| 20 | Mains - plastic | 67,068,905 | 0 | 4,669,931 | -39,847 | -10,705 | 71,688,284 |
| 21 | Compressor Equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 | Measuring & regulating equipment | 46,242,271 | 43,836 | 4,760,591 | -38,876 | -63,773 | 50,944,049 |
| 23 | Meters | 16,745,058 | 0 | 1,916,198 | -2,179,173 | 25,934 | 16,508,017 |
| 24 | Other distribution equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 | Regulatory Overheads | 0 | 0 | 165,662 | 0 | 0 | 165,662 |
| 26 | | 513,768,789 | 54,839 | 38,705,988 | -3,129,815 | -1,149,901 | 548,249,900 |

TOTAL UNION GAS

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

| Line No. | Particulars | Balance Dec. 31/09 | Transfers | Provisions | Retirements | Net Salvage /(Costs) | Balance Dec. 31/10 |
|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f) |
| | General plant: | | | | | | |
| 1 | Structures & improvements | 18,387,691 | 0 | 961,098 | 0 | 0 | 19,348,788 |
| 2 | Office furniture & equipment | 9,400,679 | 0 | 884,923 | -4,604,074 | 0 | 5,681,529 |
| 3 | Office equipment - computers | 45,778,815 | 0 | 21,633,541 | -18,221,052 | 0 | 49,191,303 |
| 4 | Transportation equipment | 9,357,870 | 0 | 4,312,495 | -2,299,171 | 210,477 | 11,581,671 |
| 5 | Heavy work equipment | 742,458 | 0 | 670,401 | -395,333 | 0 | 1,017,527 |
| 6 | Tools and other equipment | 17,586,927 | 0 | 2,187,804 | -3,969,628 | 0 | 15,805,104 |
| 7 | Communication structures | 2,025,751 | 0 | 134,855 | 0 | -70,744 | 2,089,862 |
| 8 | Communication equipment | 6,450,142 | 0 | 910,066 | -543,045 | 0 | 6,817,163 |
| 9 | Regulatory Overheads | 0 | 0 | 295,730 | 0 | 0 | 295,730 |
| 10 | | 109,730,332 | 0 | 31,990,913 | -30,032,303 | 139,733 | 111,828,676 |
| 11 | Total Gas Plant carried forward | 2,356,770,571 | 0 | 200,378,943 | -62,867,970 | -5,024,209 | 2,489,257,335 |
| 12 | ARO (Asset Retirement Obligation) | 12,195,641 | 2,598,794 | 0 | 0 | 0 | 14,794,435 |
| 13 | Negative Salvage | -486,058,294 | -26,144,000 | 0 | | 0 | -512,202,294 |
| 14 | Total | 1,882,907,918 | -23,545,206 | 200,378,943 | -62,867,970 | -5,024,209 | 1,991,849,476 |

UNION GAS LIMITED

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

References: Exhibit A, Pages 4 to 6
EB-2010-0039, Exhibit B1.01
EB-2010-0039, Exhibit B1.02
EB-2010-0039, Exhibit B3.38
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

Please update the table Union provided as EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2 to include the actual quantities for the years 2006 through 2010.

---

**Response:**

Please see the Attachment.

# Union Gas Limited

| Line No. | Particular PJ'S | Actual 2000 | Actual 2001 | Actual 2002 | Actual 2003 | Actual 2004 | Actual 2005 | Actual 2006 | Actual 2007 | Actual 2008 | Actual 2009 | Actual 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Space Available | | | | | | | | | | | |
| 1 | Base | 151.8 | 159.9 | 159.9 | 159.6 | 159.6 | 161.7 | 161.0 | 159.9 | 162.4 | 164.7 | 163.7 |
| 2 | (Unavailable) | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 |
| 3 | LNG | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| 4 | 3rd Party | 3.2 | 3.2 | 3.2 | 3.2 | 0 | 1.1 | 1.1 | 2.1 | 6.6 | 11.7 | 14.6 |
| 5 | Total Storage Space | 154.9 | 163.0 | 163.0 | 162.7 | 159.5 | 162.7 | 162.0 | 161.9 | 168.9 | 176.3 | 178.3 |
| | Infranchise | | | | | | | | | | | |
| 6 | Union Requirement | 67.0 | 67.1 | 68.6 | 63.1 | 63.0 | 64.5 | 63.5 | 60.1 | 61.6 | 61.5 | 60.5 |
| 7 | Carriage | 9.9 | 10.1 | 10.3 | 12.0 | 15.5 | 16.2 | 17.3 | 17.2 | 20.0 | 19.3 | 19.7 |
| 8 | Contingency | 11.4 | 11.3 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 |
| 9 | Total Infranchise Space | 88.3 | 88.5 | 88.6 | 84.8 | 88.2 | 90.4 | 90.5 | 87.0 | 91.4 | 90.5 | 89.9 |
| 10 | Infranchise Demand | 563.6 | 524.4 | 563.0 | 550.4 | 549.3 | 543.0 | 543.6 | 547.3 | 545.3 | 568.5 | 531.7 |
| 11 | Storage Space as % of Demand | 16% | 17% | 16% | 15% | 16% | 17% | 17% | 16% | 17% | 16% | 17% |
| | Exfranchise | | | | | | | | | | | |
| 12 | Total Long Term C1 Contracts | 19.3 | 31.7 | 38.8 | 46.1 | 67.9 | 64.3 | 69.4 | 61.9 | 68.9 | 76.3 | 78.3 |
| 13 | Total M12 Contracts | 44.8 | 30.1 | 30.1 | 24.3 | 0 | 0 | | | | | |
| 14 | Total Short Term contracts | 2.6 | 12.7 | 5.5 | 7.5 | 3.4 | 8.1 | 2.1 | 13.0 | 8.7 | 9.5 | 10.1 |
| 15 | Total Exfranchise | 66.7 | 74.5 | 74.4 | 77.9 | 71.3 | 72.4 | 71.5 | 74.9 | 77.6 | 85.8 | 88.4 |
| 16 | Total Utilization | 155.0 | 163.0 | 163.0 | 162.7 | 159.5 | 162.8 | 162.0 | 161.9 | 169.0 | 176.3 | 178.3 |

UNION GAS LIMITED

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

Details of Short-Term and Long-Term Storage Revenue

Reference: Exhibit A, Tab 1, Schedule 6, Page 1

Please provide a table showing the 2010 short-term storage revenue of $20.887 million broken out by service and by month.

---

**Response:**

Please see the Attachment.

Details of Short-Term and Long-Term Storage Revenue
($000s)

2010
Short-term
(179-70)

| Line No. | | January (a) | February (b) | March (c) | April (d) | May (e) | June (f) | July (g) | August (h) | September (i) | October (j) | November (k) | December (l) | Total (m) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | C1 Off-Peak Storage | 732 | 742 | 5 | 46 | 43 | 42 | 43 | 42 | - | 10 | 5 | - | 1,710 |
| 2 | Supplemental Balancing Services | 109 | 266 | 266 | 364 | 357 | 362 | 349 | 443 | 370 | 209 | 480 | (335) | 3,240 |
| 3 | Gas Loans | 193 | 193 | 193 | 260 | (31) | 75 | 105 | 93 | 31 | 3 | 5 | (204) | 916 |
| 4 | Enbridge LBA | 2 | - | - | 30 | 4 | 75 | 2 | 2 | 1 | - | 11 | 8 | 135 |
| 5 | C1 ST Firm Peak Storage | 1,486 | 1,541 | 1,520 | 1,347 | 1,394 | 1,397 | 996 | 1,013 | 1,031 | 899 | 1,102 | 1,160 | 14,886 |
| 6 | Total Short-Term Storage | 2,522 | 2,742 | 1,984 | 2,047 | 1,767 | 1,951 | 1,495 | 1,593 | 1,433 | 1,121 | 1,603 | 629 | 20,887 |

UNION GAS LIMITED

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

Details of Short-Term and Long-Term Storage Revenue

Reference: Exhibit A, Tab 1, Schedule 6, Page 1

Please provide the applicable contract quantities (e.g. space, maximum daily withdrawal, and maximum daily injection, in GJ or GJ/day) for each month of 2010 for each short term-storage service.

---

**Response:**

Please see the Attachment.

UNION GAS LIMITED
Short-Term Storage Services Summary For Year 2010

| Line No. | | Jan-10 | Feb-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
| | **Storage Space** *(GJ)* | | | | | | | | | | | | |
| 1 | Peak Short-Term Storage | 9,515,504 | 10,570,560 | 12,416,908 | 12,133,144 | 12,133,144 | 12,133,144 | 9,002,976 | 9,002,976 | 10,108,032 | 10,108,032 | 10,108,032 | 10,108,032 |
| 2 | Off-Peak Short-Term Storage | 50,000 | 2,160,112 | 3,340,168 | 7,560,392 | 7,405,392 | 7,405,392 | 7,405,392 | 7,385,392 | 3,165,168 | - | - | - |
| 3 | Parking Services | 3,191,544 | 3,191,544 | - | - | - | - | - | 981,202 | 981,202 | 981,202 | 1,055,056 | 1,055,056 |
| 4 | Total | 12,757,048 | 15,922,216 | 15,757,076 | 19,693,536 | 19,538,536 | 19,538,536 | 16,408,368 | 17,369,570 | 14,254,402 | 11,089,234 | 11,163,088 | 11,163,088 |
| | **Maximum Daily Injection** *(GJ/day)* | | | | | | | | | | | | |
| 5 | Peak Short-Term Storage | 6,330 | 17,936 | 17,936 | 22,420 | 22,420 | 22,420 | 16,090 | 16,090 | 17,081 | 40,608 | 4,484 | 16,090 |
| 6 | Off-Peak Short-Term Storage | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Parking Services | - | - | - | - | - | - | - | 31,642 | - | - | - | 34,036 |
| 8 | Loan Services | - | - | - | 105,552 | 63,015 | 26,141 | 46,422 | 67,821 | - | 10,551 | 61,588 | 34,066 |
| 9 | Total | 6,330 | 17,936 | 17,936 | 127,972 | 85,435 | 48,561 | 62,512 | 115,553 | 17,081 | 51,159 | 66,072 | 84,192 |
| | **Maximum Daily Withdrawal** *(GJ/day)* | | | | | | | | | | | | |
| 10 | Peak Short Term Storage | (133,945) | (151,881) | (29,402) | (36,136) | (134,256) | (152,192) | (114,631) | (114,631) | (128,283) | (128,283) | (128,283) | (128,283) |
| 11 | Off-Peak Short Term Storage | (1,740) | (107,246) | (52,753) | - | (240) | (240) | (240) | - | - | - | - | - |
| 12 | Parking Services | - | (114,030) | - | - | - | - | - | - | - | (31,642) | - | - |
| 13 | Loan Services | (527,528) | (527,528) | (527,528) | (232,475) | (99,257) | (285,228) | (496,240) | (111,144) | (101,552) | (82,261) | - | - |
| 14 | Total | (663,213) | (900,685) | (609,683) | (268,611) | (233,753) | (437,660) | (611,111) | (225,775) | (229,835) | (242,186) | (128,283) | (128,283) |

UNION GAS LIMITED

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

Details of Short-Term and Long-Term Storage Revenue

Reference: Exhibit A, Tab 1, Schedule 6, Page 1

Please break out the total 2010 Long-term storage revenue of $111.941 million by service, for each of the storage services listed below.

Long Term Storage
Long Term Peak Storage
High Deliverability Storage
T1 Market-Priced Deliverability
T1 Market-Priced Space
F24-S Service
Upstream Balancing Service
Downstream Balancing Service
Dehydration Service
Storage Compression

---

**Response:**

Please see the response at Exhibit B1.3.

UNION GAS LIMITED

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

Details of Short-Term and Long-Term Storage Revenue

Reference: Exhibit A, Tab 1, Schedule 6, Page 1

Please provide the amounts of long-term storage revenue and short-term storage revenue for 2010 that was derived from each of the following:

a) Storage services sold from Union's non-utility storage asset (i.e. storage space above 100 PJ and associated deliverability);
b) Storage services sold from the 7.9 PJ of "surplus" utility storage;
c) Optimization of the 92.1 PJ of utility storage currently included in rates; and
d) Optimization of transmission line pack (e.g. standard pipeline park and loan services).

---

**Response:**

Union does not track revenue on the basis of the storage asset allocation.

a) Revenues from services sold from Union's non-utility storage assets are included in the long-term peak storage revenue of $87,116 at Exhibit B1.3 line 1.
b) Revenues from services sold from the 7.9 PJ surplus utility storage are included in the short- term peak storage revenue of $14,886 at Exhibit B1.2 line 5
c) Union optimizes the total storage capacity. Union cannot allocate the optimization revenue between utility and non-utility storage.
d) Union does not optimize transmission line pack.

UNION GAS LIMITED

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

Customer-Supplied Fuel

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 5

Please confirm that none of Union's customers for non-utility storage services with terms less than two years supply their own fuel.

---

**Response:**

Short-term storage customers have the option to provide their own fuel. None of Union's customers for non-utility services with terms less than two years supplied their own fuel in 2010.

UNION GAS LIMITED

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

Customer-Supplied Fuel

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 5

Does Union offer short-term storage customers the option to provide their own fuel, or does Union require that fuel costs must be included in the contract price?

---

**Response:**

Please see the response at Exhibit B3.9.

UNION GAS LIMITED

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

Short-Term Storage Service O&M

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 14

Please show in detail how the $2.261 million labelled "Revenue Requirement on 7.9 PJs of excess in-franchise storage capacity" was calculated.

---

**Response:**

Please see the Attachment.

Calculation of Revenue Requirement of the Excess Utility Storage Space

| Line No. | Particulars (000's) | Board-Approved 2007 Cost Study C1-Storage [1] | Adjusted Board-Approved 2007 Cost Study C1-Storage [2] | Difference |
|---|---|---|---|---|
| | | (a) | (b) | (a - b = c) |
| 1 | Depreciation | 4,722 | 4,224 | 498 |
| 2 | Return on Rate Base | 8,433 | 7,528 | 905 |
| 3 | Property, Capital & Income Taxes | 2,143 | 1,915 | 228 |
| 4 | Deferred tax drawdown | (1,065) | (952) | (113) |
| 5 | Operating and Maintenance Expenses [3] | 7,002 | 6,259 | 743 |
| 6 | Totals | 21,235 | 18,974 | |
| 7 | Revenue Requirement of the Excess Utility Storage Space | | | 2,261 |

(1) EB-2005-0520, Exhibit G3, Tab 5, Schedule 1 with updates from EB-2005-0520, Settlement Agreement, Appendix E.
(2) 2007 Board-approved Cost of Service EB-2005-0520 C1-Storage adjusted for the regulated excess in-franchise storage space of 7.9 PJs.
(3) 2007 Board-approved operating and maintenance expense less cost of gas and compressor fuel.

UNION GAS LIMITED

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

Short-Term Storage Service O&M

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 14

What is the relationship between this $2.261 million and the base revenue requirement of $0.599 million that was allocated to short-term C1 storage in the 2007 Cost Study? Is the $0.599 million included in the $2.261 million?

---

**Response:**

The $2.261 million found at Exhibit A, Tab 1, Schedule 6, Page 2, Line 14 replaces the $0.599 million from the 2007 cost study.

The 2007 Board-approved revenue requirement of $0.599 million represents the forecasted demand costs associated with approximately 2 PJ of short-term storage space. Please see Exhibit B1.2 for the derivation of these costs.

The $2.261 million represents the revenue requirement associated with 7.9 PJ of excess utility storage space. The 7.9 PJ is sold on a short-term basis by the unregulated storage operations. This actual cost is allocated to the short-term storage account.

UNION GAS LIMITED

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

Short-Term Storage Service O&M

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 14

If the $2.261 million represents the revenue requirement for a portion of Union's storage plant, please explain why is this labelled as "O&M" on Page 1 of Schedule 6.

---

**Response:**

Please see the response at Exhibit B2.2 d).

UNION GAS LIMITED

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

Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

What assets are included in the 2010 unregulated rate base? Please provide a table showing the calculation of the unregulated rate base for 2010 and each of the three previous years.

---

**Response:**

Please see Exhibit A, Tab 2, Appendix B, Schedule 4 for the 2010 assets included in unregulated rate base.

Please see the Attachment for the unregulated rate base for 2007 – 2010.

Unregulated Rate Base for 2007 - 2010

| Line No. | Particulars (000's) | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| 1 | Gross Plant | 170,456 | 208,977 | 302,389 | 312,093 |
| 2 | Less: Accumulated Depreciation | 47,549 | 60,357 | 66,442 | 72,026 |
| 3 | Net Plant | 122,907 | 148,620 | 235,947 | 240,067 |
| | Working Capital: | | | | |
| 4 | Gas inventory | 2,817 | 2,837 | 2,233 | 1,906 |
| 5 | Inventory | 993 | 986 | 919 | 935 |
| 6 | Prepaids | 103 | 84 | 111 | 139 |
| 7 | Cash working capital | 732 | 708 | 971 | 958 |
| 8 | Total Working Capital | 4,645 | 4,614 | 4,234 | 3,939 |
| 9 | Total Investment | 127,552 | 153,235 | 240,182 | 244,006 |
| 10 | Deferred taxes | 11,002 | 10,373 | 7,625 | 14,740 |
| 11 | Rate Base | 116,550 | 142,862 | 232,557 | 229,266 |

UNION GAS LIMITED

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

Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

Please explain what is meant by "return on purchased assets" and provide a table showing how this return and the underlying "rate base" are calculated.

---

**Response:**

Subsequent to the Board's NGEIR decision Union invested in additional storage capacity as part of the company's unregulated storage operations. This included the development of new storage capacity as well as contracts to purchase storage from others.

The return on purchased assets is an amount calculated to recognize the expected return on equity equivalent to the return necessary to attract capital for an owned asset. The deemed capital cost used to calculate the return on purchased assets was an estimated simple average of the capital cost of development at the time of the purchase decision.

The calculation is as follows:
Space PJ's x Capital Cost \$10.00/GJ x Required Rate of Return x number of months

| Asset Name | Contract Start | Space PJ's | Capital Cost $/GJ | Required Rate of Return | Total Annual Amount | C10 in Service Amount |
|---|---|---|---|---|---|---|
| Washington 10 | Apr-08 | 2.1 | $10.00 | 5.18% | $1,088 | $1,088 |
| Huron Tipperary | Jun-08 | 2.3 | $10.00 | 5.18% | $1,191 | $1,191 |
| MHP/St Clair Pool | Apr-08 | 1.2 | $10.00 | 5.18% | $622 | $622 |
| Sarnia Airport | Jun-09 | 5.8 | $10.00 | 5.18% | $3,004 | $3,004 |
| Michcon/Gateway | May-10 | 2.1 | $10.00 | 5.18% | $1,088 | $725 |
| Total | | | | | | $6,630 |

Required Rate of return is calculated as follows:

| | |
|---|---|
| Equity | 36.00% |
| Post Tax Hurdle Rate | 14.40% |
| Required Rate of Return | 5.18% |

UNION GAS LIMITED

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

Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

Are the 3rd party storage costs used for calculating the long-term storage margin different from the amounts Union actually pays the 3rd party storage providers? If so, please provide a comparison of the return on purchased assets and the actual cost of the services.

---

**Response:**

To calculate the long-term storage margin Union reflects the amount of 3rd party storage cost paid of $10.7 million (as a reduction to revenue) and the return on purchased assets of $6.6 million as shown at Exhibit B3.15.

UNION GAS LIMITED

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

Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

Please explain what is meant by "Incremental Return". Please show how the Incremental Return is calculated, including documentation supporting the return on equity.

---

**Response:**

Incremental return is the return in excess of the Board-approved level of 8.54% necessary to attract new investment and is applied to unregulated storage investments and purchased/leased storage assets post NGEIR.

**Calculation is as follows:**
Incremental Return
= (Current Rate base - 07 BA Rate base) * (Required Rate of Return - Weighted Average Return)
= (229,266-106,300) * (5.18% - 3.07%) = $2,594.09

**Required Rate of return is calculated as follows:**

| | |
|---|---|
| Equity | 36.00% |
| Post Tax Hurdle Rate | 14.40% |
| Required Rate of Return | 5.18% |

**Weighted Average Return:**

| | |
|---|---|
| Equity | 36.00% |
| Board-approved ROE | 8.54% |
| | 3.07% |

**Return on Purchased Assets**

Please see the response at Exhibit B3.15.

UNION GAS LIMITED

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

Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

Since the 179-72 Deferral Account is a component of Union's regulated utility rates, please explain why Union should not use the Board-approved return for purposes of calculating the margin on long-term storage service. Please provide the derivation and bottom line result for Long-term Margin sharing that would have been calculated using the Board-approved return for each of the years 2008, 2009 and 2010.

---

**Response:**

Union uses an incremental rate of return for storage investments made subsequent to the Board's NGEIR decision to reflect the threshold return on investment required by the shareholder for capital projects in unregulated operations. The additional investment in unregulated storage projects would not have been approved by the shareholder at Board approved rate of return.

The allocation of costs, including a required return on rate base investment that is calculated for deferral account disposition purposes, is consistent with the traditional revenue requirement calculation. This approach has always been used for deferral disposition purposes before and is consistent with the methodology used to cost storage services in the 2007 rate case, which was accepted by the Board in the NGEIR decision.

Please see the Attachment.

Long-Term Margin Sharing 2008-2010

| Line No. | Particulars ($000s) | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| 1 | Return Used in Filing | 7,279 | 14,220 | 16,262 |
| 2 | Board-Approved Return | (5,638) | (9,749) | (10,968) |
| 3 | Difference | 1,641 | 4,471 | 5,294 |
| 4 | Rate Payer Portion | 75% | 50% | 25% |
| 5 | Difference | 1,231 | 2,236 | 1,324 |

UNION GAS LIMITED

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

Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

Please identify the cost that is charged to the non-utility storage business for transporting gas between the Heritage storage pool and Dawn. Is the cost of transportation charged to Union's non-utility storage business to move gas to and from the Heritage storage pool the same as the cost that would be paid by a non-affiliated storage operator under the M16 transportation rate schedule? If not, please explain the difference.

---

**Response:**

There are no costs for transportation charged to the non-utility storage business for movement of gas between the Heritage storage pool and Dawn. Gas is transported between the Heritage storage pool and Dawn using storage assets, which have been allocated to the unregulated operations. All volumes are allocated a prorata share of compressor fuel and unaccounted for gas. The M16 transportation rate schedule does not apply.

UNION GAS LIMITED

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

One-Time Separation of Storage Plant

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 5

If the separation of storage plant occurs on 12/31/2006, please explain why Schedule 5 of the Black & Veatch report shows a "one-time separation" of costs at 12/31/2007? Please confirm that the numbers shown in this schedule are correct. If not, what would be the percentage of unregulated storage assets using year-end December 31, 2007 values.

---

**Response:**

The work to complete the separation occurred in 2008 and as a result, the December 31, 2006 asset balances were appropriately allocated between unregulated and regulated, then rolled forward for 2007 transactions. This provided December 31, 2007 balances that were reflected in the accounting system. The numbers shown on the referenced schedule are correct and reflect December 31, 2007 asset values.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 4, Attachment 1, Pages 3-4 to 3-7

Is Union's existing pipeline that extends from the Bickford storage pool and Dawn a storage line, or is it included in transmission plant?

---

**Response:**

The pipeline that extends from the Bickford storage pool and Dawn is a storage line.

UNION GAS LIMITED

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

Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

Please explain in detail how the storage space, storage deliverability and dehydration demand numbers shown on Lines 1 and 2 of EB-2010-0039, Exhibit A, Tab 4, Schedule were calculated. Provide copies of the exhibits from EB-2005-0520 that support the storage space and storage deliverability numbers shown in the table.

---

**Response:**

Storage space, storage deliverability and dehydration demands appearing on Lines 1 and 2 of EB-2010-0039, Exhibit A, Tab 4, Schedule 2 are derived from the 2007 Board-approved STORAGEXCESS, NETFROMSTOR, and DEHYDEMAND allocators.

1) STORAGEXCESS allocates the components of revenue requirement associated with storage space, excluding system integrity. The STORAGEXCESS allocator uses forecast contracted storage levels to allocate storage space to ex-franchise, T1 and T3 rate classes. The remaining South in-franchise space is calculated and allocated to rate classes by aggregate excess, which compares winter volumes to average annual use for the same 151-days. North in-franchise space is calculated by aggregate excess and allocated to rate classes based on excess peak and average.
2) NETFROMSTOR allocates storage deliverability related costs in proportion to design day demand less design deliveries. Ex-franchise, T1 and T3 contracted deliverability are used to allocate storage deliverability costs to these rate classes.
3) DEHYDEMAND allocates dehydration demand related costs in proportion to Dehydration demand (NETFROMSTOR plus Tecumseh Demand).

The ex-franchise quantities from Lines 1 and 2 are the C1 Storage allocations in EB-2005-0520, Exhibit G3, Tab 5, Schedule 26, Pages 1 to 4 (Attachment 1), and the in-franchise are the allocations to all other rate classes. The EB-2005-0520 allocators represent volumes in $10^3m^3$ and need to be converted to PJs to match EB-2010-0039, Exhibit A, Tab 4, Schedule 2. Please see Attachment 2 for the energy conversions.

UNION GAS LIMITED
Blended Allocator Detail Report - Storage
Year Ending December 31, 2007

| Line No. | Particulars | Total | Gen Service Non-Contract Residential M2 | Gen Service Non-Contract Comm/Ind M2 | Firm Contract M4 | Interruptible Contract-Firm M5 | Interruptible Contract-Interruptible M5 | Special Large Volume Contract - Firm M7 | Contract - Interruptible M7 | Large Wholesale Service M9 | Small Wholesale Service M10 | Storage & Transportation Service - Firm T1 | Storage & Transportation Service - Interruptible T1 | Wholesale Storage Transportation Service T3 | Bundled Stor. Space & Interr. Deliverability C1 | Interruptible Trans. Service & Exchanges C1 | UG Northern & Eastern M12 & C1 | Dawn-Trafalgar transport Service M12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Storage Demand Allocator** | | | | | | | | | | | | | | | | | |
| | Design Day Demand | | | | | | | | | | | | | | | | | |
| 1 | (10*3m*3/day) | 225,042 | 21,164 | 16,150 | 3,170 | 224 | 0 | 2,235 | 0 | 225 | 11 | 23,004 | 0 | 2,677 | 24,544 | | 4,724 | 126,914 |
| 2 | Winter Volumes | | 1,582,097 | 1,207,278 | | | | | | | | | | | | | | |
| | Less: Design Day Deliveries | | | | | | | | | | | | | | | | | |
| 3 | (10*3m*3/day) | 162,365 | 8,357 | 6,484 | 1,699 | 216 | 0 | 995 | 0 | 92 | 2 | 16,587 | 0 | 1,019 | 0 | | 0 | 126,914 |
| | NETFROMSTOR - Union | | | | | | | | | | | | | | | | | |
| 4 | (10*3m*3/day) | 62,677 | 12,808 | 9,667 | 1,470 | 8 | 0 | 1,240 | 0 | 133 | 9 | 6,417 | 0 | 1,658 | 24,544 | | 4,724 | 0 |
| 5 | North allocated onXSPK&AVG | | | | | | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | | | | | | | |
| | **NETFROMSTOR** | | | | | | | | | | | | | | | | | |
| 7 | | 62,677 | 12,808 | 9,667 | 1,470 | 8 | 0 | 1,240 | 0 | 133 | 9 | 6,417 | 0 | 1,658 | 24,544 | | 0 | 0 |
| | **Storage Commodity Allocator** | | | | | | | | | | | | | | | | | |
| | Storage Commodity | | | | | | | | | | | | | | | | | |
| 8 | (10*3m*3) | 8,939,390 | | | | | 3,200,922 | | | | | 684,337 | 0 | | 4,215,438 | 0 | 838,694 | 0 |
| | Infranchise Delivery Volume excluding T1 | | | | | | | | | | | | | | | | | |
| 9 | (10*3m*3) | 5,444,137 | 2,230,642 | 1,732,125 | 453,027 | 67,997 | 336,637 | 266,277 | 11,269 | 24,506 | 202 | | | 321,455 | | | | |
| | Union North - NWINSALES-EX16&25 | | | | | | | | | | | | | | | | | |
| | Infranchise Storage Commodity | | | | | | | | | | | | | | | | | |
| 10 | (10*3m*3) | 3,200,922 | 1,311,523 | 1,018,416 | 266,361 | 39,979 | 197,928 | 156,560 | 6,626 | 14,408 | 119 | | | 189,002 | | | | |
| | **STORAGECOM** | | | | | | | | | | | | | | | | | |
| 11 | (10*3m*3) | 8,939,390 | 1,311,523 | 1,018,416 | 266,361 | 39,979 | 197,928 | 156,560 | 6,626 | 14,408 | 119 | 684,337 | 0 | 189,002 | 4,215,438 | 0 | 0 | 0 |
| | **Storage Space Allocator** | | | | | | | | | | | | | | | | | |
| | Storage Space (Excl. System Integrity) | | | | | | | | | | | | | | | | | |
| 12 | (10*3m*3) | 4,100,170 | | | | | 1,393,229 | | | | | 343,465 | 0 | 86,646 | 1,857,483 | | 419,347 | 0 |
| | Winter Volumes (Nov-Mar) | | | | | | | | | | | | | | | | | |
| 13 | (10*3m*3) | 3,402,929 | 1,582,097 | 1,207,278 | 240,840 | 30,919 | 179,844 | 144,238 | 0 | 17,538 | 175 | | | | | | | |
| | 151 days based on Average Annual Volumes | | | | | | | | | | | | | | | | | |
| 14 | (10*3m*3) | 2,114,585 | 922,814 | 716,578 | 187,417 | 28,130 | 139,266 | 110,158 | 0 | 10,138 | 84 | | | | | | | |
| 15 | Aggregate Excess | 1,288,344 | 659,283 | 490,700 | 53,423 | 2,789 | 40,578 | 34,080 | 0 | 7,400 | 91 | | | | | | | |
| | North allocated on XSPK&AVG | | | | | | | | | | | | | | | | | |
| | Infranchise Space Allocated on Aggregate Excess | | | | | | | | | | | | | | | | | |
| 16 | (10*3m*3) | 1,393,229 | 712,956 | 530,649 | 57,773 | 3,016 | 43,881 | 36,854 | 0 | 8,002 | 99 | | | | | | | |
| | STORAGEXCESS | | | | | | | | | | | | | | | | | |
| 17 | (10*3m*3) | 4,100,170 | 712,956 | 530,649 | 57,773 | 3,016 | 43,881 | 36,854 | 0 | 8,002 | 99 | 343,465 | 0 | 86,646 | 1,857,483 | 0 | 0 | 0 |
| | **STORAGEXCESS** (excl. System Integrity) | | | | | | | | | | | | | | | | | |
| 18 | (10*3m*3) | 4,100,170 | 712,956 | 530,649 | 57,773 | 3,016 | 43,881 | 36,854 | 0 | 8,002 | 99 | 343,465 | 0 | 86,646 | 1,857,483 | 0 | 0 | 0 |

UNION GAS LIMITED
Blended Allocator Detail Report - Storage
Year Ending December 31, 2007

| Line No. | Particulars | Total | Small Volume General Firm Service R01 | Large Volume General Firm Service R10 | Medium Volume Firm Service R20 | Large Volume High Load Factor Firm Service R100 | Large Volume Interruptible Service R25 | Wholesale Transportation Service R77 |
|---|---|---|---|---|---|---|---|---|
| | **Storage Demand Allocator** | | | | | | | |
| | Design Day Demand | | | | | | | |
| 1 | (10*3m*3/day) | 225,042 | | | | | | |
| 2 | Winter Volumes | | | | | | | |
| | Less: Design Day Deliveries | | | | | | | |
| 3 | (10*3m*3/day) | 162,365 | | | | | | |
| | NETFROMSTOR - Union | | | | | | | |
| 4 | (10*3m*3/day) | 62,677 | | | | | | |
| 5 | North allocated onXSPK&AVG | | 5,880 | 1,882 | 237 | 308 | | |
| 6 | | | 3,344 | 1,070 | 135 | 175 | | |
| | **NETFROMSTOR** | | | | | | | |
| 7 | | 62,677 | 3,344 | 1,070 | 135 | 175 | 0 | 0 |
| | **Storage Commodity Allocator** | | | | | | | |
| | Storage Commodity | | | | | | | |
| 8 | (10*3m*3) | 8,939,390 | | | | | | |
| | Infranchise Delivery Volume excluding T1 | | | | | | | |
| 9 | (10*3m*3) | 5,444,137 | 246,392 | 48,957 | 9,246 | 124,813 | 0 | 0 |
| | Union North - NWINSALES-EX16&25 | | | | | | | |
| | Infranchise Storage Commodity | | | | | | | |
| 10 | (10*3m*3) | 3,200,922 | 481,238 | 95,620 | 18,059 | 243,777 | 0 | 0 |
| | **STORAGECOM** | | | | | | | |
| 11 | (10*3m*3) | 8,939,390 | 481,238 | 95,620 | 18,059 | 243,777 | 0 | 0 |
| | **Storage Space Allocator** | | | | | | | |
| | Storage Space (Excl. System Integrity) | | | | | | | |
| 12 | (10*3m*3) | 4,100,170 | | | | | | |
| | Winter Volumes (Nov-Mar) | | | | | | | |
| 13 | (10*3m*3) | 3,402,929 | | | | | | |
| | 151 days based on Average Annual Volumes | | | | | | | |
| 14 | (10*3m*3) | 2,114,585 | | | | | | |
| 15 | Aggregate Excess | 1,288,344 | 5,880 | 1,882 | 237 | 308 | 0 | 0 |
| | North allocated on XSPK&AVG | | | | | | | |
| | Infranchise Space Allocated on Aggregate Excess | | | | | | | |
| 16 | (10*3m*3) | 1,393,229 | 296,837 | 95,008 | 11,974 | 15,528 | 0 | 0 |
| | STORAGEXCESS | | | | | | | |
| 17 | (10*3m*3) | 4,100,170 | 296,837 | 95,008 | 11,974 | 15,528 | 0 | 0 |
| | **STORAGEXCESS** (excl. System Integrity) | | | | | | | |
| 18 | (10*3m*3) | 4,100,170 | 296,837 | 95,008 | 11,974 | 15,528 | 0 | 0 |

UNION GAS LIMITED
Blended Allocator Detail Report - Storage
Year Ending December 31, 2007

| Line No. | Particulars | Total | Gen Service Non-Contract Residential M2 | Gen Service Non-Contract Com/Ind M2 | Firm Contract M4 | Interruptible Contract-Firm M5 | Interruptible Contract-Interruptible M5 | SLV Contract - Firm M7 | SLV Contract - Interruptible M7 | Large Wholesale Service M9 | Small Wholesale Service M10 | Unbundled Service - Firm T1 | Unbundled Service - Interruptible T1 | City of Kitchener T3 | Bundled Storage Space C1 | Interruptible Trans. Service & Exchanges C1 | UG Northern & Eastern M12 & C1 | Dawn-Trafalgar Transp. Serv M12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Dehydrator Demand Allocator** | | | | | | | | | | | | | | | | | |
| 1 | Storage Deliverability (10*3m*3/day) | 62,677 | 12,808 | 9,667 | 1,470 | 8 | 0 | 1,240 | 0 | 133 | 9 | 6,417 | 0 | 1,658 | 24,544 | 0 | 0 | 0 |
| 2 | TECUMSEH DEMAND (10*3m*3/day) | 36,458 | | | | | | | | | | | | | | | | 36,458 |
| 3 | DEHYDEMAND (10*3m*3/day) | 99,134 | 12,808 | 9,667 | 1,470 | 8 | 0 | 1,240 | 0 | 133 | 9 | 6,417 | 0 | 1,658 | 24,544 | 0 | 0 | 36,458 |
| | **Dehydrator Commodity Allocator** | | | | | | | | | | | | | | | | | |
| 4 | Storage Commodity (10*3m*3) | 1,922,178 | - - - - | - - - - | - - - - | - - - - | 678,139 | - - - - | - - - - | - - - - | - - - - | 2,834 | | | 771,649 | | 81,514 | 388,041 |
| 5 | Infranchise Delivery Vol excluding T1 (10*3m*3) | 5,444,137 | 2,230,642 | 1,732,125 | 453,027 | 67,997 | 336,637 | 266,277 | 11,269 | 24,506 | 202 | 4,788,182 | 101,807 | 321,455 | | | | |
| 6 | North on NWINSALES-EX16&25 Infranchise on Delivery Volume (10*3m*3) | 678,139 | 277,856 | 215,759 | 56,430 | 8,470 | 41,933 | 33,168 | 1,404 | 3,053 | 25 | 2,775 | 59 | 40,041 | | | | |
| 7 | DEHYCOMMODITY (10*3m*3) | 1,922,178 | 277,856 | 215,759 | 56,430 | 8,470 | 41,933 | 33,168 | 1,404 | 3,053 | 25 | 2,775 | 59 | 40,041 | 771,649 | | 0 | 388,041 |

UNION GAS LIMITED
Blended Allocator Detail Report - Storage
Year Ending December 31, 2007

| Line No. | Particulars | Total | Small Volume General FS R01 | Large Volume General FS R10 | Medium Volume FS R20 | Lg Volume High Load FS R100 | Large Volume IS R25 | Wholesale Trans. Service R77 |
|---|---|---|---|---|---|---|---|---|
| | Dehydrator Demand Allocator | | | | | | | |
| 1 | Storage Deliverability (10*3m*3/day) | 62,677 | 3,344 | 1,070 | 135 | 175 | 0 | 0 |
| 2 | **TECUMSEH DEMAND** (10*3m*3/day) | 36,458 | | | | | | |
| 3 | **DEHYDEMAND** (10*3m*3/day) | 99,134 | 3,344 | 1,070 | 135 | 175 | 0 | 0 |
| | Dehydrator Commodity Allocator | | | | | | | |
| 4 | Storage Commodity (10*3m*3) | 1,922,178 | | | | | | |
| 5 | Infranchise Delivery Vol excluding T1 (10*3m*3) | 5,444,137 | 246,392 | 48,957 | 9,246 | 124,813 | 0 | 0 |
| 6 | North on NWINSALES-EX16&25 Infranchise on Delivery Volume (10*3m*3) | 678,139 | 46,772 | 9,293 | 1,755 | 23,693 | 0 | 0 |
| 7 | **DEHYCOMMODITY** (10*3m*3) | 1,922,178 | 46,772 | 9,293 | 1,755 | 23,693 | 0 | 0 |

2007 Board-approved Cost of Service EB-2005-0520 [1]

| Line | | | Ex-franchise | | In-franchise | | Total | |
|---|---|---|---|---|---|---|---|---|
| No. | Particulars | Allocator | PJs | $10^3m^3$ | PJs | $10^3m^3$ | PJs | $10^3m^3$ |
| | | | (a) | (b) | (c) | (d) | (e = a + c) | (f = b + d) |
| 1 | Storage Space [2] | STORAGEXCESS | 70.0 | 1,857,483 | 84.0 | 2,242,688 | 154.0 | 4,100,171 |
| 2 | Deliverability | NETFROMSTOR | 0.9 | 24,544 | 1.4 | 38,133 | 2.4 | 62,677 |
| 3 | Dehydration Demand | DEHYDEMAND | 0.9 | 24,544 | 2.8 | 74,591 | 3.7 | 99,135 |

[1] EB-2005-0520, Exhibit G3, Tab 5, Schedule 24, Page 5.

[2] Storage space allocators exclude space used for system integrity and include space deemed unavailable.

UNION GAS LIMITED

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

Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

Please explain why the number in line 5, col. (a) is not 90.3 (100 PJ minus 9.7 PJ of system integrity space).

---

**Response:**

The in-franchise storage space shown in EB-2010-0039, Exhibit A, Tab 4, Schedule 2, line 5, column (a) is the regulated storage capacity of 100 PJs less system integrity space of 9.7 PJs plus space deemed unavailable of 1.5 PJs.

UNION GAS LIMITED

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

Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

Please explain why Union has assumed 1.2% deliverability for the 7.9 PJ of reserved utility space. Is it Union's position that if the Board approves its allocation methodology, as Union has requested, the cost-based storage deliverability available to utility customers will be permanently capped at 1.5 PJ per day?

---

**Response:**

Deliverability of 1.2% is consistent with Union's standard short-term storage offering.

Union will allocate cost based deliverability as outlined in the storage allocation proceeding (EB-2007-0725) up to the 100 PJ of storage space reserved for in-franchise customers.

UNION GAS LIMITED

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

Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

Please define "space deemed unavailable". Why is "space deemed unavailable" included in the available storage space when calculating of the non-utility storage space allocator? What amount of space and deliverability is associated with "space deemed unavailable"? Are these fixed numbers or does Union adjust the "space deemed unavailable" from time to time?

---

**Response:**

"Space deemed unavailable" is working capacity which has been determined to be not accessible during a storage withdrawal cycle.

As directed by the Board, Union has used the 2007 cost allocation study, adjusted to reflect the reservation of 100 PJ for in-franchise storage requirements, to separate the costs of its unregulated storage operations from its regulated business. To allocate storage space-related costs in the 2007 cost allocation study, Union's used the 'STORAGEXCESS' allocator, which includes the 1.5 PJ of space deemed unavailable. This allocator, adjusted to reflect the in-franchise reserve amount of 100 PJ, was used to derive the allocation factor to separate existing storage assets.

The unavailable space is changed from time to time as required based on individual pool performance. It may include minor adjustments due to non-permanent operating constraints.

UNION GAS LIMITED

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

Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

Does Union consider allocation factors based on the numbers used in the EB-2005-0520 cost study to be a better measure of the relative use of the existing storage assets for utility and non-utility markets as of 12/31/2006 than allocation factors based on the actual storage assets and actual storage utilization on that date? Please explain your response.

---

**Response:**

Please see the response at Exhibit B1.17.

UNION GAS LIMITED

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

Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

In a scenario where a failure to deliver by a company at Dawn creates an inability for Union to meet all of its delivery commitments for that day:

i) how would system integrity space by used to backstop Union's ability to meet as many commitments as possible?
ii) please describe Union's protocol for interrupting customers.
iii) are the customers to be interrupted more likely to be in-franchise customers or ex-franchise?

---

**Response:**

i) System integrity inventory would be used to support deliverability from storage to replace all, or part of the supply that is not delivered.

ii) Union interrupts in-franchise and ex-franchise customers using its Priority of Service Policy for interruptions to in-franchise and ex-franchise customers. Please see the attached copy of the Priority of Service policy which is available at www.uniongas.com/storagetransportation/infopostings/POS.asp

iii) Ex-franchise customers are more likely to be interrupted because in-franchise services have a higher priority.

**POLICIES & GUIDELINES**

**Policy #: 07-CM-POS-015**

| **Subject:** Priority of Service (POS) Guidelines | **Effective:** December 7, 2007 |
| --- | --- |

**Applies to:**

Applied on a daily basis to services for both in-franchise and ex-franchise customers in Union Gas' Southern, and Northern and Eastern Operations area.

**Purpose:**

To prioritize scheduling reductions and service restrictions for Union's services during periods when Union's ability to flow interruptible gas quantities is less than the requested/forecasted quantities.

**Background:** *(Not to limit the applicability of the policy)*

Union offers firm no-notice (allocated) services, firm nominated services and interruptible services. The priority of service listings provide information regarding the processing of interruptions or scheduling reductions when requested services exceed available capacity under normal operating conditions.

Firm no-notice services are not interruptible. Firm nominated services are only firm if requested on the North American Energy Standard Board (NAESB) Timely Nomination Cycle for the gas day in question. Nominations for increases to daily quantities for Firm Services after the NAESB Timely Nomination Cycle are treated the same as interruptible services. Because Union is a non-bumping pipeline, interruptible services scheduled on the NAESB Timely Nomination Cycle will not be interrupted to make room for additional firm services nominated on later nomination cycles.

In order to place services on the priority of service list, Union considered several business principles. The principles included: appropriate level of access to core services; customer commitment; encouraging appropriate contracting; materiality; price and term; and promoting and enabling in-franchise consumption.

**Policy:**

The priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

**Priority for STORAGE Services**

1. Firm In-franchise Storage and Distribution services and firm Ex-Franchise services(1)
2. In-franchise Interruptible Distribution storage services
3. Peak Storage above firm up to 5% maximum storage balance (MSB) (2)
4. Balancing (Hub Activity) <= 100 GJ/d; Balancing (Direct Purchase) <= 500 GJ/d (3)
5. Off Peak Storage (First Cycle) up to 5%; Long Term Storage up to 5% MSB (2)
6. Peak Storage and Off Peak (First Cycle) above 5% MSB & Loans; In-franchise storage authorized overrun
7. Peak Storage and Off Peak (Second Cycle); Long Term Storage above 5% MSB
8. Balancing (Direct Purchase) > 500 GJ/d
9. Balancing (Hub Activity) > 100 GJ/d
10. Late Nominations

**Priority for TRANSPORT Services**

| Supersedes: | Page 1 of 2 |
| --- | --- |

1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services[1]
2. In-franchise Interruptible Distribution services
3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
4. Balancing (Hub Activity) <= 100 GJ/d; Balancing (Direct Purchase) <= 500 GJ/d; In-franchise distribution authorized overrun [3]
5. C1/M12 IT Transport and IT Exchanges at premium rates
6. C1/M12 Overrun <= 20% of CD [4]
7. Balancing (Direct Purchase) > 500 GJ/d
8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
9. C1/M12 Overrun > 20% of CD
10. C1/M12 IT Transport and IT Exchanges at a discount
11. Late Nominations

**Notes**:
(1) Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be a late nomination and are therefore interruptible.
(2) Higher value or more reliable IT is contemplated in the service and contract, when purchased at market competitive prices.
(3) Captures the majority of customers that use Direct Purchase balancing transactions.
(4) Captures the majority of customers that use overrun.

**Procedures**

1. Union Gas will use its daily gas scheduling process to forecast the impact of firm and interruptible and/or discretionary customer activities on its storage, transmission and distribution operations.

2. Customer requested and/or forecasted quantities are compared to Union Gas' operational limitations to determine if scheduling reductions and/or service restrictions are required. Any constraints are identified in advance of the effective flow time.

3. The Priority of Service list applicable to the operational constraint is used to make reductions to the customer's requested and/or forecasted quantities to a level sufficient to alleviate the constraint. Pro-rata reductions are performed within each priority ranking when necessary.

4. Customers are notified of an operational constraint and the corresponding impact on their requested and/or forecasted activities. All notifications occur in advance of the effective flow time.

5. Customer must re-nominate, as necessary, to balance any scheduling reductions and/or service restrictions.

6. As interruptions of specific services have ended the processing of authorized transactions will resume. The customer will be notified by phone and/or Unionline that their authorization will resume.

UNION GAS LIMITED

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

Storage Availability and Utilization as of 12/31/2006

References: EB-2010-0039, Exhibit A, Tab 4, Schedule 2
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

For the questions below, please refer the following table, which shows the 2007 Forecast numbers from EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2.

| | |
|---|---|
| Space Available | |
| Base | 162.5 |
| (Unavailable) | (0.7) |
| LNG | 0.6 |
| 3rd Party | 1.1 |
| Total Storage Space | 163.5 |
| | |
| In-Franchise | |
| Union Requirement | 63.8 |
| Carriage | 18.7 |
| Contingency | 9.7 |
| Total In-Franchise Space | 92.1 |
| | |
| Ex-Franchise | |
| Total Long-Term C1 Contracts | 67.9 |
| Total Short-Term Contracts | 3.5 |
| Total Ex-Franchise | 71.4 |
| | |
| Total Utilization | 163.5 |

a) Are the numbers Union used to derive the storage space numbers in EB-2010-0039, Exhibit A, Tab 4, Schedule 2 the same as the 2007 forecast numbers shown above? If not, please provide a full explanation of the differences.

b) Does the "Base" storage space of 162.5 PJ include Union's share of the Enbridge Black Creek storage pool?

c) Please identify the storage operator supplying the 1.1 PJ of 3rd Party storage space, and provide a full description of the contract (i.e. term, MSQ, MDWQ, MDIQ, injection and withdrawal location(s)).

**Response:**

a) Yes, the derivation of the storage space numbers in EB-2010-0039, Exhibit A, Tab 4, Schedule 2 (Lines 1 and 2) are consistent with the 2007 forecast numbers shown in Exhibit J5.02 (EB-2005-0520).

As noted in footnote 1 on Exhibit A, Tab 4, Schedule 2, the storage space allocators presented on this schedule exclude space used for system integrity and include space deemed unavailable. These allocators are the 2007 Board-approved demands used to allocate storage space-related costs for ratemaking purposes.

b) No.

c) Union purchased 1.1 PJ's of storage from Enbridge Gas Distribution Inc. The parameters are 1% firm injections, 1% firm withdrawals, and all injections and withdrawals occur at Dawn.

UNION GAS LIMITED

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

Storage Availability and Utilization as of 12/31/2006

References: EB-2010-0039, Exhibit A, Tab 4, Schedule 2
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

For each of the storage pools owned and operated by Union, please provide the total storage capacity as of 12/31/2006 (in GJ), the working storage capacity as of 12/31/2006 (in GJ), the design maximum deliverability for the 2006-2007 winter season (in GJ/day), and the highest actual daily withdrawal for 2006-2007 winter season (in GJ). Please also provide the coincident peak daily withdrawal for all pools during the 2006-2007 winter season (in GJ).

---

**Response:**

Please see the Attachment.

| Pool | Total Storage Capacity as of 12/31/2006 (GJ) | Working Storage Capacity as of 12/31/2006 (GJ) | Design Maximum Deliverability for W06/07 (GJ/d) | Highest Actual Daily Withdrawal for W06/07 (GJ) |
|---|---|---|---|---|
| Bentpath | 7,894,000 | 5,382,000 | 405,600 | 484,934 |
| Bentpath East | 6,394,000 | 4,711,000 | - | 135,606 |
| Bickford | 28,807,000 | 22,325,000 | 164,400 | 604,769 |
| Bluewater | 2,495,000 | 2,007,000 | 13,300 | 65,963 |
| Booth Creek | 2,595,000 | 1,962,000 | - | 64,226 |
| Dawn 156 | 38,676,000 | 28,121,000 | 467,300 | 801,487 |
| Dawn 167 | 8,436,000 | 4,990,000 | 19,200 | 100,812 |
| Dawn 47-49 | 6,933,000 | 4,937,000 | 55,200 | 120,478 |
| Dawn 59-85 | 10,633,000 | 5,977,000 | 492,100 | 567,684 |
| Dow A | 7,836,000 | 6,462,000 | 74,700 | 88,292 |
| Edys Mills | 3,472,000 | 2,587,000 | 40,100 | 120,697 |
| Enniskillen | 4,794,000 | 3,581,000 | 51,000 | 117,238 |
| Mandaumin | 4,844,000 | 3,909,000 | 29,400 | 107,486 |
| Oil City | 2,259,000 | 1,725,000 | 27,900 | 87,594 |
| Oil Springs East | 4,934,000 | 3,736,000 | 27,900 | 171,418 |
| Payne | 31,483,000 | 24,946,000 | 161,500 | 427,435 |
| Rosedale | 4,913,000 | 3,356,000 | 234,100 | 273,606 |
| Sombra | 3,424,000 | 2,203,000 | 10,700 | 22,535 |
| Terminus | 15,873,000 | 11,788,000 | 135,600 | 349,611 |
| Waubuno | 12,949,000 | 10,179,000 | 46,400 | 142,170 |
| | | | | |
| Dow Moore | 8,840,000 | 6,114,000 | 106,800 | - |

The coincident peak daily withdrawal for all pools during the 2006-2007 winter season was 2,555,940 GJs.

UNION GAS LIMITED

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

Storage Availability and Utilization as of 12/31/2006

References: EB-2010-0039, Exhibit A, Tab 4, Schedule 2
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

Please provide the maximum storage quantity and maximum daily withdrawal quantity for each third-party storage service contract that was in effect on 12/31/2006.

---

**Response:**

Please see the response at Exhibit B3.28 c).

UNION GAS LIMITED

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

Storage Availability and Utilization as of 12/31/2006

References: EB-2010-0039, Exhibit A, Tab 4, Schedule 2
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

For each gas year (April-March), how does Union determine how much:
i) space available for sale as non-utility?
ii) deliverability availability for sale as non-utility?
iii) Do those figures change throughout the year?
iv) Is there a specific process that deems whether the space can be sold Short-term or Long-Term? If so, please describe the process and how often it is performed.

---

**Response:**

i) Union calculates the difference between the regulated storage capacity of 100 PJs and the amount determined to meet the in-franchise storage requirements for the gas year. This difference is then available for sale short-term as non-utility.

ii) The deliverability remaining after Union has allocated cost based deliverability to in-franchise customers is available for sale as part of unregulated storage services.

iii) No.

iv) All storage that is deemed excess Utility storage is sold short-term. Storage capacity in excess of the 100 PJ reserved for in-franchise customers is sold long-term.

UNION GAS LIMITED

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

Storage Availability and Utilization as of 12/31/2006

References: EB-2010-0039, Exhibit A, Tab 4, Schedule 2
EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

Please provide a detailed breakdown of the in-franchise storage requirement for 2006-2007, 2007-2008, 2009-2010 and 2010-2011 by operating area and class of customer. Please explain how these requirements were calculated.

---

**Response:**

Please see the Attachment.

Union In-franchise Storage Requirement

| Particulars (PJs) | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 | Basis of calculation |
|---|---|---|---|---|---|---|
| South Sales Service & Bundled T | 47.3 | 44.1 | 46.3 | 46.1 | 45.4 | Aggregate excess |
| North Sales Service & Bundled T | 14.6 | 14.8 | 14.3 | 14.4 | 14.2 | Aggregate excess |
| North T-service | 1.1 | 1.1 | 1.1 | 1.0 | 0.8 | Contracted |
| T-1 entitlement | 12.7 | 9.9 | 12.4 | 11.6 | 12.9 | Contracted |
| T-3 entitlement | 3.2 | 3.4 | 3.3 | 3.4 | 3.4 | Contracted |
| Unbundled | 1.9 | 3.9 | 4.4 | 4.3 | 3.4 | Contracted |
| Contingency | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | RP-1999-0017 Settlement Agreement |
| | 90.5 | 87.0 | 91.4 | 90.5 | 89.9 | |

UNION GAS LIMITED

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

Storage Availability and Utilization Since 12/31/2006

Please provide Union's storage Index of Customers postings for each month of 2010. For each month, please show the total quantities for the long-term storage services and short-term storage services.

---

**Response:**

The Storage and Transportation Access Rule (STAR) came into effect June 16, 2010, which included the provision to provide an Index of Customers. Attached is the index of customers for June through December 2010, with totals for long term and short term contracts. Union does not have an index of customers prior to June of 2010.

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Firm Daily Withdrawal Quantity (GJ) | Maximum Firm Daily Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS004 | 2,110,110 | 01-Nov-08 | 31-Mar-20 | 137,157 | 105,506 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS005 | 500,000 | 01-Nov-08 | 31-Mar-14 | 32,500 | 25,000 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. by its General Partner Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| Sempra Energy Trading LLC | HUB034E82 | 2,226,168 | 01-Dec-09 | 30-Sep-10 | 0 | 52,753 | Parkway | Dawn | N |
| Sempra Energy Trading LLC | HUB034E84 | 1,867,449 | 01-Jan-10 | 31-Aug-10 | 60,249 | 31,652 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E41 | 981,202 | 01-Jan-10 | 31-Aug-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E129 | 2,110,112 | 03-Feb-10 | 30-Sep-10 | 105,506 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| AltaGas Energy Limited Partnership | HUB179E34 | 654,135 | 01-Jan-10 | 31-Aug-10 | 21,105 | 21,105 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E39 | 1,055,056 | 13-Sep-08 | 30-Jun-10 | 12,661 | 35,133 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E53 | 1,308,269 | 01-Dec-09 | 30-Sep-10 | 43,609 | 21,101 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| J.P. Morgan Commodities Canada Corporation | HUB336E28 | 933,725 | 01-Jan-10 | 30-Sep-10 | 31,129 | 15,826 | Parkway | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Cargill Limited | HUB356E16 | 1,867,449 | 01-Jan-10 | 30-Sep-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| Cargill Limited | HUB356E19 | 654,135 | 01-Jan-10 | 31-Aug-10 | 21,105 | 21,105 | Parkway | Dawn | N |
| J. Aron & Company | HUB369E01 | 527,528 | 01-Aug-08 | 30-Jun-10 | 6,330 | 6,330 | Dawn | Dawn | N |
| J. Aron & Company | HUB369E02 | 1,244,966 | 01-Jan-10 | 31-Aug-10 | 40,166 | 21,108 | Parkway | Dawn | N |
| Blackstone Energy Services Inc. | HUB390E02 | 20,000 | 05-Jan-10 | 31-Jul-10 | 240 | 20,000 | Dawn | Dawn | N |
| Powerex Corp | HUB463E07 | 527,528 | 05-Sep-08 | 30-Jun-10 | 6,330 | 52,753 | Dawn | Dawn | N |
| Powerex Corp | HUB463E09 | 527,528 | 27-Sep-08 | 30-Jun-10 | 6,330 | 15,087 | Dawn | Dawn | N |
| Citigroup Energy Canada ULC | HUB503E06 | 527,528 | 04-Sep-08 | 30-Jun-10 | 6,330 | 263,764 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| Nexen Marketing | LST029 | 4,747,752 | 01-Apr-03 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Nexen Marketing | LTP017 | 2,110,112 | 31-Mar-08 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | LTP025 | 527,528 | 09-Oct-08 | 08-Oct-10 | 6,330 | 26,376 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| Mercuria Canada Gas Trading Inc. | LTP036 | 548,629 | 01-May-09 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |
| 3M Canada Company | SA1118-20 | 10,741 | 01-Oct-09 | 30-Sep-10 | 0 | 0 | Dawn | Dawn | N |
| Georgia-Pacific Canada, Inc. | SA1213-20 | 45,671 | 01-Jul-09 | 30-Jun-10 | 0 | 0 | Dawn | Dawn | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | Dawn | Dawn | N |
| TransCanada Energy Ltd. | SA9045-1 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | Dawn | Dawn | N |
| In-Franchise Customers | | 90,500,000 | N/A | N/A | 1,514,000 | 452,500 | Dawn | Dawn | N |
| TOTAL June | | 131,442,152 | | | | | | | |
| Long Term | | 105,384,986 | | | | | | | |
| Short Term | | 26,057,166 | | | | | | | |

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Withdrawal Quantity (GJ) | Maximum Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS004 | 2,110,110 | 01-Nov-08 | 31-Mar-20 | 137,157 | 105,506 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS005 | 500,000 | 01-Nov-08 | 31-Mar-14 | 32,500 | 25,000 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. by its General Partner Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| Sempra Energy Trading LLC | HUB034E82 | 2,226,168 | 01-Dec-09 | 30-Sep-10 | 0 | 52,753 | Parkway | Dawn | N |
| Sempra Energy Trading LLC | HUB034E84 | 1,867,449 | 01-Jan-10 | 31-Aug-10 | 60,249 | 31,652 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E41 | 981,202 | 01-Jan-10 | 31-Aug-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E129 | 2,110,112 | 03-Feb-10 | 30-Sep-10 | 105,506 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| AltaGas Energy Limited Partnership | HUB179E34 | 654,135 | 01-Jan-10 | 31-Aug-10 | 21,105 | 21,105 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E53 | 1,308,269 | 01-Dec-09 | 30-Sep-10 | 43,609 | 21,101 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| J.P. Morgan Commodities Canada Corporation | HUB336E28 | 933,725 | 01-Jan-10 | 30-Sep-10 | 31,129 | 15,826 | Parkway | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Cargill Limited | HUB356E16 | 1,867,449 | 01-Jan-10 | 30-Sep-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| Cargill Limited | HUB356E19 | 654,135 | 01-Jan-10 | 31-Aug-10 | 21,105 | 21,105 | Parkway | Dawn | N |
| J. Aron & Company | HUB369E02 | 1,244,966 | 01-Jan-10 | 31-Aug-10 | 40,166 | 21,108 | Parkway | Dawn | N |
| Blackstone Energy Services Inc. | HUB390E02 | 20,000 | 05-Jan-10 | 31-Jul-10 | 240 | 20,000 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| Nexen Marketing | LST029 | 4,747,752 | 01-Apr-03 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Nexen Marketing | LTP017 | 2,110,112 | 31-Mar-08 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | LTP025 | 527,528 | 09-Oct-08 | 08-Oct-10 | 6,330 | 26,376 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| Mercuria Canada Gas Trading Inc. | LTP036 | 548,629 | 01-May-09 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |
| TD Energy Trading Inc. | LTP051 | 1,055,056 | 04-Jun-10 | 31-Jul-12 | 34,817 | 18,991 | Dawn | Dawn | N |
| 3M Canada Company | SA1118-20 | 10,741 | 01-Oct-09 | 30-Sep-10 | 0 | 0 | Dawn | Dawn | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | Dawn | Dawn | N |
| TransCanada Energy Ltd. | SA9045-1 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | Dawn | Dawn | N |
| In-Franchise Customers | | 90,500,000 | N/A | N/A | 1,514,000 | 452,500 | Dawn | Dawn | N |
| TOTAL July | | 129,286,369 | | | | | | | |
| Long Term | | 106,440,042 | | | | | | | |
| Short Term | | 22,846,327 | | | | | | | |

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Withdrawal Quantity (GJ) | Maximum Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS004 | 2,110,110 | 01-Nov-08 | 31-Mar-20 | 137,157 | 105,506 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS005 | 500,000 | 01-Nov-08 | 31-Mar-14 | 32,500 | 25,000 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. by its General Partner Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| Sempra Energy Trading LLC | HUB034E82 | 2,226,168 | 01-Dec-09 | 30-Sep-10 | 0 | 52,753 | Parkway | Dawn | N |
| Sempra Energy Trading LLC | HUB034E84 | 1,867,449 | 01-Jan-10 | 31-Aug-10 | 60,249 | 31,652 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E41 | 981,202 | 01-Jan-10 | 31-Aug-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E129 | 2,110,112 | 03-Feb-10 | 30-Sep-10 | 105,506 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| AltaGas Energy Limited Partnership | HUB179E34 | 654,135 | 01-Jan-10 | 31-Aug-10 | 21,105 | 21,105 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E53 | 1,308,269 | 01-Dec-09 | 30-Sep-10 | 43,609 | 21,101 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | HUB289E13 | 981,202 | 01-Aug-10 | 31-Oct-10 | 31,652 | 31,652 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | HUB289E14 | 981,202 | 01-Aug-10 | 31-Oct-10 | 31,652 | 31,652 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | HUB317E53 | 327,067 | 01-Aug-10 | 31-Oct-10 | 10,551 | 10,551 | Dawn | Dawn | N |
| J.P. Morgan Commodities Canada Corporation | HUB336E28 | 933,725 | 01-Jan-10 | 30-Sep-10 | 31,129 | 15,826 | Parkway | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Cargill Limited | HUB356E16 | 1,867,449 | 01-Jan-10 | 30-Sep-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| Cargill Limited | HUB356E19 | 654,135 | 01-Jan-10 | 31-Aug-10 | 21,105 | 21,105 | Parkway | Dawn | N |
| J. Aron & Company | HUB369E02 | 1,244,966 | 01-Jan-10 | 31-Aug-10 | 40,166 | 21,108 | Parkway | Dawn | N |
| Platinum Produce Company | HUB417E01 | 35,000 | 15-Jul-10 | 30-Apr-11 | 420 | 0 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| J. Aron & Company | LST062 | 4,747,752 | 01-Aug-10 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | LTP025 | 527,528 | 09-Oct-08 | 08-Oct-10 | 6,330 | 26,376 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |
| TD Energy Trading Inc. | LTP051 | 1,055,056 | 04-Jun-10 | 31-Jul-12 | 34,817 | 18,991 | Dawn | Dawn | N |
| J. Aron & Company | LTP052 | 2,110,112 | 01-Aug-10 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |
| J. Aron & Company | LTP053 | 548,629 | 28-Jul-10 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| 3M Canada Company | SA1118-20 | 10,741 | 01-Oct-09 | 30-Sep-10 | 0 | 0 | Dawn | Dawn | N |
| TransCanada Energy Ltd. | SA9045-2 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | Dawn | Dawn | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | Dawn | Dawn | N |
| In-Franchise Customers | | 90,500,000 | N/A | N/A | 1,514,000 | 452,500 | Dawn | Dawn | N |
| TOTAL August | | 131,590,840 | | | | | | | |
| Long Term | | 106,440,042 | | | | | | | |
| Short Term | | 25,150,798 | | | | | | | |

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Withdrawal Quantity (GJ) | Maximum Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS004 | 2,110,110 | 01-Nov-08 | 31-Mar-20 | 137,157 | 105,506 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS005 | 500,000 | 01-Nov-08 | 31-Mar-14 | 32,500 | 25,000 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. by its General Partner Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| Sempra Energy Trading LLC | HUB034E82 | 2,226,168 | 01-Dec-09 | 30-Sep-10 | 0 | 52,753 | Parkway | Dawn | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E129 | 2,110,112 | 03-Feb-10 | 30-Sep-10 | 105,506 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E53 | 1,308,269 | 01-Dec-09 | 30-Sep-10 | 43,609 | 21,101 | Parkway | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | HUB289E13 | 981,202 | 01-Aug-10 | 31-Oct-10 | 31,652 | 31,652 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | HUB289E14 | 981,202 | 01-Aug-10 | 31-Oct-10 | 31,652 | 31,652 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | HUB317E53 | 327,067 | 01-Aug-10 | 31-Oct-10 | 10,551 | 10,551 | Dawn | Dawn | N |
| J.P. Morgan Commodities Canada Corporation | HUB336E28 | 933,725 | 01-Jan-10 | 30-Sep-10 | 31,129 | 15,826 | Parkway | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Cargill Limited | HUB356E16 | 1,867,449 | 01-Jan-10 | 30-Sep-10 | 31,652 | 31,652 | Parkway | Dawn | N |
| Platinum Produce Company | HUB417E01 | 35,000 | 15-Jul-10 | 30-Apr-11 | 420 | 0 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |
| 1329606 Ontario Limited | HUB597E01B | 15,000 | 01-Sep-10 | 28-Feb-11 | 0 | 246 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| J. Aron & Company | LST062 | 4,747,752 | 01-Aug-10 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | LTP025 | 527,528 | 09-Oct-08 | 08-Oct-10 | 6,330 | 26,376 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TD Energy Trading Inc. | LTP051 | 1,055,056 | 04-Jun-10 | 31-Jul-12 | 34,817 | 18,991 | Dawn | Dawn | N |
| J. Aron & Company | LTP052 | 2,110,112 | 01-Aug-10 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |
| J. Aron & Company | LTP053 | 548,629 | 28-Jul-10 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| 3M Canada Company | SA1118-20 | 10,741 | 01-Oct-09 | 30-Sep-10 | 0 | 0 | DAWN | DAWN | N |
| TransCanada Energy Ltd. | SA9045-2 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | DAWN | DAWN | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | DAWN | DAWN | N |
| In-Franchise Customers | | 90,500,000 | N/A | N/A | 1,514,000 | 452,500 | Dawn | Dawn | N |
| TOTAL September | | 126,203,953 | | | | | | | |
| Long Term | | 101,692,290 | | | | | | | |
| Short Term | | 24,511,663 | | | | | | | |

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Firm Daily Withdrawal Quantity (GJ) | Maximum Firm Daily Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS004 | 2,110,110 | 01-Nov-08 | 31-Mar-20 | 137,157 | 105,506 | Dawn | Dawn | N |
| RiverRidge Energy Corp. | HDS005 | 500,000 | 01-Nov-08 | 31-Mar-14 | 32,500 | 25,000 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. ,by its General Partner, Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E141 | 1,055,056 | 14-Sep-10 | 29-Feb-12 | 35,133 | 35,133 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E71 | 7,832,179 | 24-Sep-10 | 30-Apr-11 | 167,566 | 95,641 | Dawn/ Parkway | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | HUB289E13 | 981,202 | 01-Aug-10 | 31-Oct-10 | 31,652 | 31,652 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | HUB289E14 | 981,202 | 01-Aug-10 | 31-Oct-10 | 31,652 | 31,652 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | HUB317E53 | 327,067 | 01-Aug-10 | 31-Oct-10 | 10,551 | 10,551 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E138 | 2,300,022 | 01-Oct-10 | 31-Aug-11 | 0 | 21,101 | Dawn/ Parkway | Dawn/ Parkway | N |
| Amco Farms Inc. | HUB359E01B | 35,000 | 15-Sep-10 | 31-May-11 | 0 | 745 | Dawn | Dawn | N |
| Platinum Produce Company | HUB417E01 | 35,000 | 15-Jul-10 | 30-Apr-11 | 420 | 0 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |
| 1329606 Ontario Limited | HUB597E01B | 15,000 | 01-Sep-10 | 28-Feb-11 | 0 | 246 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| J. Aron & Company | LST062 | 4,747,752 | 01-Aug-10 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | LTP025 | 527,528 | 09-Oct-08 | 08-Oct-10 | 6,330 | 26,376 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |
| TD Energy Trading Inc. | LTP051 | 1,055,056 | 04-Jun-10 | 31-Jul-12 | 34,817 | 18,991 | Dawn | Dawn | N |
| J. Aron & Company | LTP052 | 2,110,112 | 01-Aug-10 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |
| J. Aron & Company | LTP053 | 548,629 | 28-Jul-10 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| Citigroup Energy Canada ULC | LTP054 | 1,055,056 | 01-Oct-10 | 01-Oct-12 | 12,661 | 35,133 | Dawn | Dawn | N |
| Powerex Corp | LTP055 | 1,055,056 | 11-Sep-10 | 30-Sep-12 | 12,661 | 0 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TransCanada Energy Ltd. | SA9045-2 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | Dawn | Dawn | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | Dawn | Dawn | N |
| In-Franchise Customers | | 89,800,000 | N/A | N/A | 1,514,000 | 449,000 | Dawn | Dawn | N |
| TOTAL October | | 131,079,858 | | | | | | | |
| Long Term | | 108,550,154 | | | | | | | |
| Short Term | | 22,529,704 | | | | | | | |

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Firm Daily Withdrawal Quantity (GJ) | Maximum Firm Daily Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. ,by its General Partner, Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| Direct Energy Marketing Limited | HUB030E35 | 2,416,078 | 01-Nov-10 | 31-Aug-11 | 0 | 39,039 | Dawn | Parkway | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E141 | 1,055,056 | 14-Sep-10 | 29-Feb-12 | 35,133 | 35,133 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E71 | 2,637,640 | 24-Sep-10 | 30-Apr-11 | 167,566 | 95,641 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E138 | 2,300,022 | 01-Oct-10 | 31-Aug-11 | 0 | 21,101 | Dawn | Parkway | N |
| Amco Farms Inc. | HUB359E01B | 35,000 | 15-Sep-10 | 31-May-11 | 0 | 745 | Dawn | Dawn | N |
| Platinum Produce Company | HUB417E01 | 35,000 | 15-Jul-10 | 30-Apr-11 | 420 | 0 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |
| 1329606 Ontario Limited | HUB597E01B | 15,000 | 01-Sep-10 | 28-Feb-11 | 0 | 246 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| J. Aron & Company | LST062 | 4,747,752 | 01-Aug-10 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |
| TD Energy Trading Inc. | LTP051 | 1,055,056 | 04-Jun-10 | 31-Jul-12 | 34,817 | 18,991 | Dawn | Dawn | N |
| J. Aron & Company | LTP052 | 2,110,112 | 01-Aug-10 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |
| J. Aron & Company | LTP053 | 548,629 | 28-Jul-10 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| Citigroup Energy Canada ULC | LTP054 | 1,055,056 | 01-Oct-10 | 01-Oct-12 | 12,661 | 35,133 | Dawn | Dawn | N |
| Powerex Corp | LTP055 | 1,055,056 | 11-Sep-10 | 30-Sep-12 | 12,661 | 0 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP056 | 1,055,056 | 01-Oct-10 | 30-Sep-12 | 12,661 | 34,817 | Dawn | Dawn | N |
| Cargill Limited | LTP057 | 527,528 | 01-Oct-10 | 30-Sep-12 | 6,330 | 17,408 | Dawn | Dawn | N |
| DiCiocco Farms Eastside Inc. | SA8726-4 | 30,000 | 29-Sep-10 | 30-Apr-11 | 0 | 0 | DAWN | DAWN | N |
| TransCanada Energy Ltd. | SA9045-2 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | DAWN | DAWN | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | DAWN | DAWN | N |
| Effort Property Corporation | SA6863 | 40,000 | 31-Oct-10 | 30-Jun-11 | 0 | 0 | DAWN | DAWN | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Effort Property Corporation | SA5435 | 15,000 | 31-Oct-10 | 30-Jun-11 | 0 | 0 | DAWN | DAWN | N |
| In-Franchise Customers | | 89,800,000 | N/A | N/A | 1,514,000 | 449,000 | Dawn | Dawn | N |
| TOTAL November | | 124,541,872 | | | | | | | |
| Long Term | | 106,995,100 | | | | | | | |
| Short Term | | 17,546,772 | | | | | | | |

| Customer Name | Contract Identifier | Maximum Storage Quantity (GJ) | Effective Date | Expiration Date | Maximum Firm Daily Withdrawal Quantity (GJ) | Maximum Firm Daily Injection Quantity (GJ) | Receipt Point | Delivery Point | Affiliate |
|---|---|---|---|---|---|---|---|---|---|
| Thorold CoGen L.P. by its General Partner Northland Power Thorold Cogen GP Inc. | BHDS001 | 170,000 | 01-Nov-08 | 31-Mar-19 | 44,000 | 44,000 | Dawn | Dawn | N |
| Goreway Station Partnership by its managing partner, Sithe Global Power Goreway ULC | BHDS002 | 600,000 | 01-Jul-08 | 31-Oct-28 | 128,000 | 128,000 | Dawn | Dawn | N |
| Greenfield Energy Centre LP | BHDS003 | 211,011 | 01-May-08 | 31-Oct-18 | 42,202 | 42,202 | Dawn | Dawn | N |
| BP Canada Energy Company | HDS003 | 1,055,056 | 01-Apr-08 | 31-Mar-19 | 52,753 | 26,376 | Dawn | Dawn | N |
| Portlands Energy Centre L.P. ,by its General Partner, Portlands Energy Centre Inc. | HDS007 | 500,000 | 01-Jan-09 | 31-Mar-19 | 40,000 | 40,000 | Dawn | Dawn | N |
| Direct Energy Marketing Limited | HUB030E35 | 2,416,078 | 01-Nov-10 | 31-Aug-11 | 0 | 39,039 | Dawn | Parkway | N |
| BP Canada Energy Company | HUB040E45 | 1,055,056 | 26-Mar-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | HUB078E83 | 1,055,056 | 01-Nov-10 | 31-Aug-11 | 36,036 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E132 | 2,110,112 | 01-Apr-10 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | HUB164E141 | 1,055,056 | 14-Sep-10 | 29-Feb-12 | 35,133 | 35,133 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E67 | 527,528 | 25-Mar-10 | 30-Jun-11 | 6,330 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | HUB241E71 | 2,637,640 | 24-Sep-10 | 30-Apr-11 | 167,566 | 95,641 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E18 | 1,055,056 | 01-Apr-10 | 31-May-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tidal Energy Marketing Inc. | HUB305E21 | 775,000 | 01-Dec-10 | 31-Jul-11 | 0 | 25,000 | Parkway | Parkway | N |
| Suncor Energy Marketing Inc. | HUB345E121 | 791,292 | 01-Apr-10 | 30-Jun-11 | 9,496 | 0 | Dawn | Dawn | N |
| Suncor Energy Marketing Inc. | HUB345E138 | 2,300,022 | 01-Oct-10 | 31-Aug-11 | 0 | 21,101 | Dawn | Parkway | N |
| Amco Farms Inc. | HUB359E01B | 35,000 | 15-Sep-10 | 31-May-11 | 0 | 745 | Dawn | Dawn | N |
| Platinum Produce Company | HUB417E01 | 35,000 | 15-Jul-10 | 30-Apr-11 | 420 | 0 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E01 | 1,055,056 | 03-Sep-09 | 31-Jul-11 | 12,661 | 17,936 | Dawn | Dawn | N |
| NextEra Energy Power Marketing, LLC | HUB526E02 | 1,055,056 | 01-Apr-10 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Total Gas & Power North America, Inc. | HUB542E09 | 263,764 | 20-Mar-10 | 30-Jun-11 | 4,484 | 4,484 | Dawn | Dawn | N |
| Canadian Enterprise Gas Products, Ltd. | HUB550E01 | 1,055,056 | 03-Feb-10 | 31-Mar-11 | 17,936 | 11,606 | Dawn | Dawn | N |
| 1329606 Ontario Limited | HUB597E01B | 15,000 | 01-Sep-10 | 28-Feb-11 | 0 | 246 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST014 | 14,718,600 | 01-Apr-01 | 31-Mar-11 | 176,623 | 110,390 | Dawn | Dawn | N |
| 1425445 Ontario Limited o/a Utilities Kingston | LST037 | 943,500 | 01-Apr-04 | 31-Mar-14 | 11,322 | 7,076 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST049 | 4,415,580 | 01-Apr-06 | 31-Mar-11 | 52,987 | 33,117 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST053 | 5,000,000 | 01-Apr-08 | 31-Mar-13 | 80,000 | 52,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST054 | 3,000,000 | 01-Apr-08 | 31-Mar-11 | 36,000 | 22,500 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST055 | 5,055,056 | 01-Apr-09 | 31-Mar-12 | 60,661 | 37,913 | Dawn | Dawn | N |
| Gaz Metro Limited Partnership | LST057 | 5,849,700 | 01-Apr-09 | 31-Mar-15 | 70,196 | 43,873 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Williams Gas Marketing, Inc. | LST058 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 15,826 | Dawn | Dawn | N |
| Enbridge Gas Distribution Inc. | LST059 | 5,260,000 | 01-Apr-10 | 31-Mar-15 | 63,120 | 39,450 | Dawn | Dawn | N |
| St. Lawrence Gas Company, Inc. | LST060 | 950,000 | 01-Apr-10 | 31-Mar-13 | 10,450 | 9,500 | Dawn | Dawn | N |
| J. Aron & Company | LST062 | 4,747,752 | 01-Aug-10 | 31-Mar-12 | 158,575 | 158,575 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP015 | 2,110,112 | 28-Aug-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP016 | 2,110,112 | 01-Sep-07 | 31-Aug-12 | 25,321 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP018 | 2,110,112 | 01-Apr-08 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| BNP Paribas Energy Trading Canada Corp. | LTP019 | 2,110,112 | 01-Apr-08 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP022 | 2,110,112 | 01-Apr-09 | 31-Mar-13 | 25,321 | 0 | Dawn | Dawn | N |
| Merrill Lynch Commodities Canada, ULC | LTP024 | 1,582,584 | 01-Jul-09 | 30-Jun-14 | 18,991 | 18,991 | Dawn | Dawn | N |
| Powerex Corp | LTP027 | 1,582,584 | 01-Apr-09 | 31-Mar-12 | 18,991 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP028 | 1,055,056 | 31-Mar-09 | 30-Apr-11 | 12,661 | 0 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP029 | 527,528 | 01-Apr-09 | 31-Mar-11 | 6,330 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP030 | 2,110,112 | 01-Apr-09 | 30-Apr-11 | 25,321 | 0 | Dawn | Dawn | N |
| Vitol Inc. | LTP031 | 1,055,056 | 16-Feb-09 | 31-Mar-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP033 | 2,110,112 | 01-Apr-09 | 31-Mar-11 | 25,321 | 0 | Dawn | Dawn | N |
| Virginia Power Energy Marketing, Inc. | LTP034 | 1,055,056 | 01-Apr-09 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| AltaGas Operating Partnership | LTP035 | 2,800,000 | 01-Apr-09 | 31-Mar-29 | 33,600 | 21,000 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP037 | 1,582,584 | 01-Jun-09 | 31-Aug-11 | 18,991 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP038 | 1,055,056 | 16-Jul-09 | 31-Jul-12 | 12,661 | 0 | Dawn | Dawn | N |
| Powerex Corp | LTP039 | 1,055,056 | 01-Aug-09 | 31-Jul-11 | 12,661 | 0 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP040 | 2,110,112 | 01-Aug-09 | 31-Jul-12 | 25,321 | 25,321 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP041 | 1,055,056 | 22-Oct-09 | 31-Mar-12 | 12,661 | 105,506 | Dawn | Dawn | N |
| Enserco Energy Inc. | LTP042 | 1,055,056 | 23-Oct-09 | 31-Mar-12 | 12,661 | 131,882 | Dawn | Dawn | N |
| Cargill Limited | LTP043 | 3,165,168 | 01-Dec-09 | 31-Mar-13 | 37,982 | 0 | Dawn | Dawn | N |
| National Fuel Marketing Company, LLC | LTP044 | 1,055,056 | 01-Mar-10 | 31-Mar-12 | 12,661 | 0 | Dawn | Dawn | N |
| NJR Energy Services Company | LTP045 | 1,055,056 | 31-Mar-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP046 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Tenaska Marketing Canada - a division of TMV Corp. | LTP047 | 1,055,056 | 01-Apr-10 | 31-Mar-13 | 12,661 | 34,817 | Dawn | Dawn | N |
| Barclays Canadian Commodities Limited | LTP048 | 2,110,112 | 01-Apr-10 | 31-Mar-13 | 25,321 | 21,101 | Dawn | Dawn | N |
| Shell Energy North America (Canada) Inc. | LTP049 | 1,055,056 | 20-Mar-10 | 30-Jun-13 | 12,661 | 105,506 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP050 | 2,110,112 | 15-Apr-10 | 30-Apr-13 | 25,321 | 0 | Dawn | Dawn | N |
| TD Energy Trading Inc. | LTP051 | 1,055,056 | 04-Jun-10 | 31-Jul-12 | 34,817 | 18,991 | Dawn | Dawn | N |
| J. Aron & Company | LTP052 | 2,110,112 | 01-Aug-10 | 31-Mar-11 | 25,321 | 25,321 | Dawn | Dawn | N |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| J. Aron & Company | LTP053 | 548,629 | 28-Jul-10 | 30-Apr-11 | 18,269 | 18,269 | Dawn | Dawn | N |
| Citigroup Energy Canada ULC | LTP054 | 1,055,056 | 01-Oct-10 | 01-Oct-12 | 12,661 | 35,133 | Dawn | Dawn | N |
| Powerex Corp | LTP055 | 1,055,056 | 11-Sep-10 | 30-Sep-12 | 12,661 | 0 | Dawn | Dawn | N |
| Macquarie Energy Canada Ltd. | LTP056 | 1,055,056 | 01-Oct-10 | 30-Sep-12 | 12,661 | 34,817 | Dawn | Dawn | N |
| Cargill Limited | LTP057 | 527,528 | 01-Oct-10 | 30-Sep-12 | 6,330 | 17,408 | Dawn | Dawn | N |
| EDF Trading North America, LLC | LTP058 | 2,610,110 | 04-Nov-10 | 31-Mar-13 | 86,917 | 86,917 | Dawn | Dawn | N |
| DiCiocco Farms Eastside Inc. | SA8726-4 | 30,000 | 29-Sep-10 | 30-Apr-11 | 0 | 0 | Dawn | Dawn | N |
| Mastron Enterprises Ltd. | SA8372-8 | 25,000 | 18-Nov-10 | 28-Feb-11 | 0 | 0 | Dawn | Dawn | N |
| St. Clair Power, L.P. | SA8349-0 | 0 | 01-Jun-08 | 31-Oct-27 | 28,380 | 28,380 | Dawn | Dawn | N |
| TransCanada Power | SA9045-3 | 0 | 15-Jan-10 | 14-Jan-20 | 35,200 | 35,200 | Dawn | Dawn | N |
| Effort Property Corporation | SA6863 | 40,000 | 31-Oct-10 | 30-Jun-11 | 0 | 0 | Dawn | Dawn | N |
| Effort Property Corporation | SA5435 | 15,000 | 31-Oct-10 | 30-Jun-11 | 0 | 0 | Dawn | Dawn | N |
| In-Franchise Customers | | 89,800,000 | N/A | N/A | 1,514,000 | 449,000 | Dawn | Dawn | N |
| TOTAL December | | 129,007,038 | | | | | | | |
| Long Term | | 109,605,210 | | | | | | | |
| Short Term | | 19,401,828 | | | | | | | |

UNION GAS LIMITED

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

Storage Availability and Utilization Since 12/31/2006

Please provide the same information as is currently shown in Union’s Index of Customers posting for all long-term and short-term storage services in effect on 12/31/2006, 12/31/2007, 12/31/2008, 12/31/2009, and 12/31/2010. If necessary, use generic contract identifiers to avoid disclosing customer names.

---

**Response:**

The information requested prior to the start of the STAR reporting is not readily available.

UNION GAS LIMITED

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

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

Please define "Total Official Working Capacity". How does this compare to the amounts that Union has labeled "Base" storage?

---

**Response:**

"Total Official Working Capacity" is the theoretical volume of gas calculated between the minimum and maximum operating pressures for all of Union's storage pools. "Base" storage is the total available working capacity used for supply planning purposes to determine storage utilization. It may include minor adjustments to account for unavailable space due to non-permanent operating constraints.

UNION GAS LIMITED

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

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

Please define "Additional Union Capacity". Why is this additional amount not included in "Total Official Working Capacity"?

---

**Response:**

Additional Union capacity includes Union's share of the Huron Tipperary Partnership Limited storage space and new storage additions from a pool enhancement project and from the Heritage Pool. In 2010, the new storage additions were included in the Total Working Capacity.

UNION GAS LIMITED

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

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

Please define "Resource Optimization", "resource gas loans", and "space encroachment". Please explain the source of the 14.8 PJ of "Resource Optimization" space that was available on 10/31/2009.

---

**Response:**

Resource Optimization or Optimization is the sum of storage space created using gas loans and space encroachment.

Resource gas loans are loans from one period to another that create empty storage space during the term of the loan.

Space encroachment is the planned utilization of space that is otherwise not being used for that period.

The 14.8 PJ's of optimization space that was available on October 31, 2009 was created by resource gas loans and space encroachment.

UNION GAS LIMITED

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

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

Is Resource Optimization space derived from optimizing Union's integrated storage portfolio, or is it only associated with the non-utility ("unregulated") storage assets?

---

**Response:**

Union manages its storage system on an integrated basis. Union plans for in-franchise customers to fill and empty storage to their full entitlement. All firm contract entitlements for in-franchise and ex-franchise customers are honoured by Union. Union supports its optimization of storage through a combination of empty space and commercial products. All optimization activities are at the risk and expense of Union's non-utility operations.

UNION GAS LIMITED

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

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

What amount of Resource Optimization space was available to Union on 12/31/2006, 12/31/2007, 12/31/2008, 12/31/2009 and 12/31/2010?

---

**Response:**

Union's historic optimization has been as follows:

W06/07 - 14.5 PJs
W07/08 – 14.3 PJs
W08/09 – 15.7 PJs
W09/10 – 14.8 PJs
W10/11 – 24.0 PJs

UNION GAS LIMITED

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

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

Please amend this table by adding a new column next to the column labelled "Space" showing the corresponding deliverability amounts.

---

**Response:**

Please see the Attachment.

UNION GAS LIMITED
Southern Operations Area
Summary of Long Term Storage
(October 31, 2009)

| Line No. | | Space (PJs) | Activity ($10^3m^3$) | Activity (PJs) | Storage Turn-Over Rate | Deliverability (PJs) |
|---|---|---|---|---|---|---|
| | Capacity | | | | | |
| 1 | Total Official Working Capacity (1) | 163.7 | | | | |
| 2 | Less: Reserved for In-Franchise Customers | (100.0) | | | | |
| 3 | Available for Ex-Franchise Customers | 63.7 | | | | |
| 4 | Add: Additional Union Capacity | 2.8 | | | | |
| 5 | Add: 3rd Party Storage Capacity | 9.8 | | | | |
| 6 | Available Capacity for Long Term Storage | 76.3 | | | | |
| 7 | Add: Resource Optimization (2) | 14.8 | | | | |
| 8 | Total Available Storage Capacity | 91.1 | | | | |
| | Sales | | | | | |
| 9 | Long Term Peak Storage | 86.0 | 4,378,235 | 165.1 | 1.9 | 1.3 |
| 10 | High Deliverability Storage | 5.1 | 1,051,450 | 39.7 | 7.8 | 0.3 |
| 11 | Total Long-Term Sales | 91.1 | 5,429,685 | 204.8 | 2.2 | 1.6 |

Notes:
(1) As per Union's Integrated Supply Plan (ISP).
(2) Combination of resource gas loans and space encroachment.

UNION GAS LIMITED

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

Continuity of Storage Additions

Reference: Exhibit A, Tab 2, Appendix B, Schedule 4

Please provide an explanation of the costs shown on the first four lines of the table (Maintenance Capital, Major Maintenance – Dawn J, Storage Support, and Other).

---

**Response:**

Maintenance Capital – Capital spent on existing facilities that does not provide incremental revenue or increased capacity.

Major Maintenance – Dawn J – Dawn Plant J is a project to replace the capacity of Dawn Plant A, which is to be decommissioned as a result of Union's Comprehensive Certificate of Approval program.

Storage Support – Capital spent on assets related to the storage operation (e.g., storage administration building improvements) or storage related projects initiated by groups other than the Storage & Transmission Operations department.

Other – Base Pressure Gas for Sombra pool transferred from Inventory.

UNION GAS LIMITED

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

Continuity of Storage Additions

Reference: Exhibit A, Tab 2, Appendix B, Schedule 4

Please explain what costs are included in "Overheads" and why these costs are assigned 100% to the Regulated storage operation.

---

**Response:**

Overheads are costs that are not directly related to the construction of the assets. These include engineering planning and design before a project is approved, and other administrative and general expenses. These amounts are approved capitalized for regulated assets. For unregulated assets, these costs are expensed as part of O&M.

Filed: 2011-06-08
EB-2011-0038
Exhibit B3.45

UNION GAS LIMITED

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

REF: EX A, TAB 4 PG. 3-12 (B&V)
EB-2010-0039 JT1.6

Union has stated that the allocations of the Unregulated portion of the Storage O&M Business Development costs are derived through discussions with the respective departments involved. Please provide any time studies or comparable evidence that these allocations are more accurate than the allocations made between utility and non-utility using the assets or activity approaches for other cost separations.

---

**Response:**

An estimate of time spent on unregulated activities was provided by each department's representative based on their knowledge of the work done in their group. No time studies were completed.

Filed: 2011-06-08
EB-2011-0038
Exhibit B3.46

UNION GAS LIMITED

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

REF: EX A, TAB 4 PG. 3-12 (B&V)
EB-2010-0039 B4.12

What would the utility and non-utility storage percentages be if Construction Work in Process for 2007 were included?

---

**Response:**

Using the same methodology in the references above, total unregulated O&M as a percentage of total net O&M, the 2007 allocator would be 3.05%.

UNION GAS LIMITED

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

REF: APPLICATION PAGE 3, para 12 e)

Please confirm that Union communicated at the May 11, 2011 stakeholder meeting on re-basing issues that its intent was to deal with the storage study and allocations in the ESM and Deferral Account proceeding and not re-address these issues at the time of re-basing later this year and next. Is that still Union's intent? If not, please clarify Union's intent specifically.

---

**Response:**

Confirmed. Please see the response at Exhibit B1.17.

UNION GAS LIMITED

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

REF: EX A. TAB 5

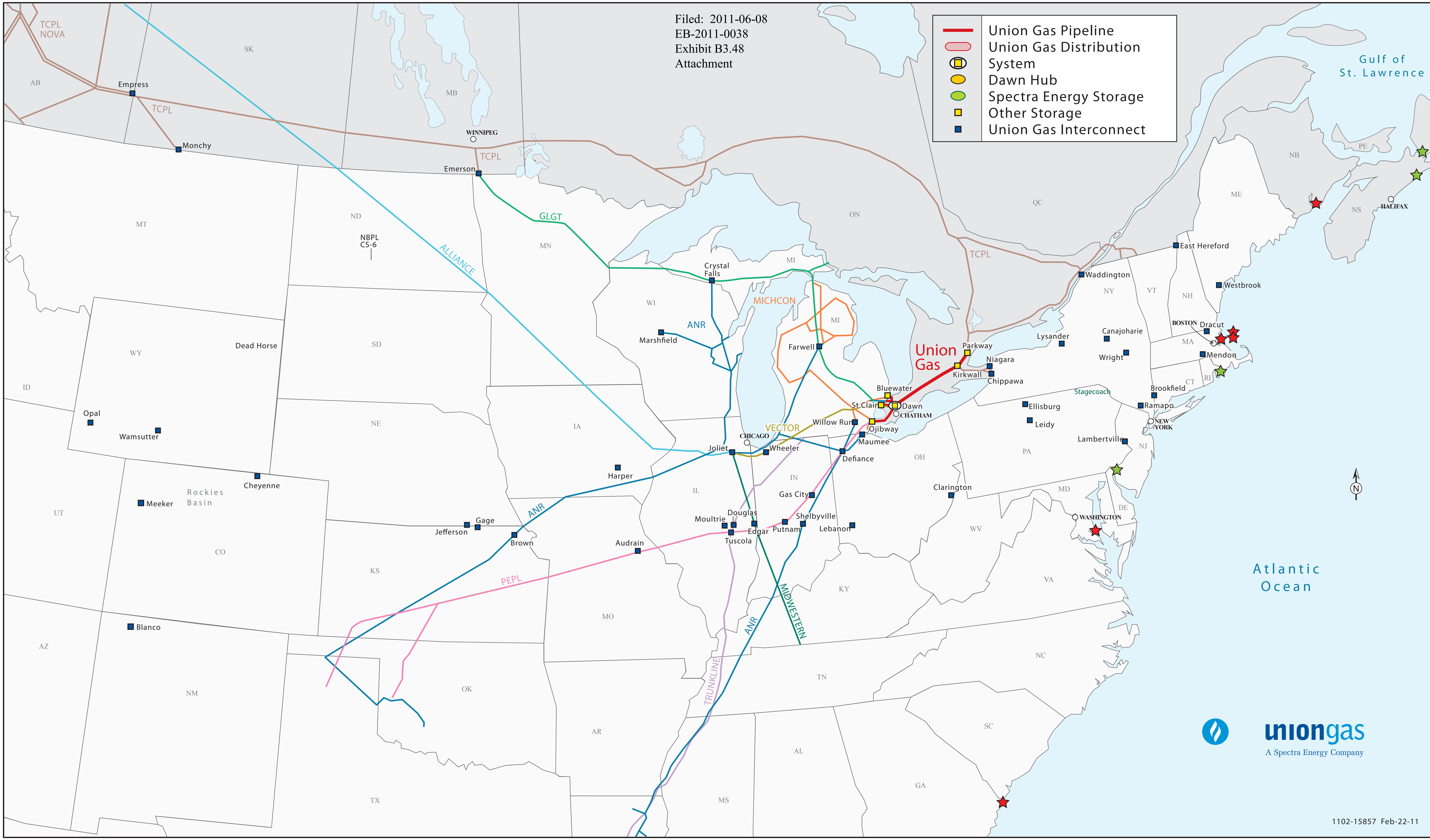
Please provide a map(s) that show the location of the respective pipelines and delivery points for the respective contracts Union considered in its Transportation Contracting analysis.

---

**Response:**

Please see the Attachment.

Filed: 2011-06-08
EB-2011-0038
Exhibit B3.48
Attachment



UNION GAS LIMITED

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

REF: EX A. TAB 5

Schedule 1 shows Trunkline and Midwestern supply points having a lower landed cost of gas than either of the ANR alternatives. Please provide your reasoning on choosing ANR paths.

---

**Response:**

Landed cost is not the only criteria used to determine whether or not to choose a particular path. Union's annual gas supply planning process is guided by a set of principles that is intended to ensure that customers receive secure, diverse gas supply at prudently incurred costs. One of those principles is to minimize risk by diversifying contract terms, supply basins and upstream pipelines.

The Midwestern/Vector transportation path does not offer transportation diversity. While both this transportation path and the ANR paths offer access to Rockies Express sourced gas, the two ANR paths create additional transportation portfolio diversity while the Vector transportation path does not.

The Trunkline/Panhandle path was not available at the time of contracting due to the Panhandle segment being fully contracted.

UNION GAS LIMITED

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

REF: EX A. TAB 5

With gas being transported through Michigan with the ANR alternatives, what impact, if any, do these contracts have on the opportunities for Dawn Gateway pipeline to proceed?

---

**Response:**

These contracts have no impact on the Dawn Gateway pipeline. The ANR transportation alternatives terminate on October 31, 2011 which is prior to the Dawn Gateway pipeline proceeding.

If Dawn Gateway proceeds in the future and if Union were to acquire capacity on Dawn Gateway on behalf of sales service customers, the ANR paths would be amongst those transportation paths considered for inclusion in Union's upstream portfolio to fill the Dawn Gateway capacity.

UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener ("Kitchener")

Ref: Exhibit A, Tab 4, Attachment A, page 1-4

To what extent, if any, did Black & Veatch incorporate any of the concerns or comments of external stakeholders, such as Kitchener, on the subject matter of its storage accounting and cost allocation review in its draft or Final Reports and recommendations to Union? Please be as specific as possible.

---

**Response:**

At the start of its project with Union, Black & Veatch met with representatives from the Federation of Rental-Housing Providers of Ontario, the Canadian Manufacturers and Exporters, and the City of Kitchener, on December 1, 2010 in Chatham, to receive input from these parties concerning the subject matter of the Storage Review Study.

During this meeting, a number of subjects were discussed related to Union's accounting and cost allocation for its unregulated and regulated storage operations, including:

- The need to provide a greater level of conceptual, analytical, and computational transparency (i.e., create an audit trail) for Union's storage cost allocation and accounting processes.
- The guiding principles and process that Black & Veatch expected to adopt and follow to conduct its Storage Review Study.
- The reconciliation of Union's storage space, with an emphasis on understanding the interplay between: (1) the level of Union's storage space set aside for its in-franchise customers; (2) the available storage space above that level to support the long-term storage services offered by its unregulated storage operations; and (3) the level of Union's storage space not utilized by its in-franchise customers (up to the 100 PJ level) to support the short-term storage services offered by its unregulated storage operations.
- Cost allocation issues with a focus on how storage-related asset costs were removed from the regulated operations and how costs were assigned between Union's short-term and long-term storage deferral accounts.
- Changes in storage allocations over time.
- Long-term storage issues related to the accounting separation of storage assets and associated expenses, with focus on the derivation and allocation treatment of UFG and return on investment.

As part of its review, Black & Veatch also reviewed a number of data requests of Union's external stakeholders submitted in previous regulatory proceedings to better understand the nature of their inquiries related to the subject matter of the review. These issues were considered by Black & Veatch as appropriate within the broader context of the specific scope of the review established by the parties to the Settlement in EB-2010-0039 which served as the basis for the specific scope of work reflected in Union's Request for Proposal (RFP).

With that as a backdrop, Black & Veatch believes that its review addressed many of the comments and concerns expressed by external stakeholders. In particular, Black & Veatch's report provided additional explanatory information and computational tables and schedules which were prepared as a direct outcome of the detailed review and tracing of Union's storage cost allocation and accounting methodologies by Black & Veatch. This additional information addressed the need to provide a greater level of conceptual, analytical, and computational transparency for Union's storage cost allocation and accounting processes. Section 3.7, Table 1, and Schedule 16 of Black & Veatch's report addressed the reconciliation of Union's storage utilization and available capacity. Section 3.5 and Schedules 5-11 of Black & Veatch's report addressed the treatment of Union's existing storage and general plant assets at December 31, 2006, new asset additions, and asset retirements within its cost allocation process for storage operations. Section 3.6 and Schedules 12-15 of Black & Veatch's report addressed the process followed by Union to derive its storage-related expenses for its unregulated storage operations on an annual basis.

UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener ("Kitchener")

Ref: Exhibit A, Tab 4, Attachment A, page 1-4
EB-2010-0039, Exhibit B6.08

Preamble: In EB-2010-0039 at Exhibit B6.08, Kitchener provided a summarized accounting template (attached for ease of reference) that would display and reconcile Union's regulated and unregulated storage revenues, costs and capacity to integrated storage operations. In its response to this interrogatory, Union indicated that the information needed to complete the template was not available.

a) Please confirm that Black & Veatch was provided a copy of Exhibit B6.08 from EB-2010-0039 at the project kickoff meeting attended by Union, Black & Veatch and external stakeholders, including Kitchener, in December 2010.

b) Based upon Black & Veatch's review, can the accounting template of Exhibit B6.08 be partially or fully populated with actual and / or forecast storage revenues, costs and capacity? If not, then why not?

---

**Response:**

a) Black & Veatch was provided a copy of the referenced document at the project kickoff meeting in December 2010.

b) Black & Veatch considered the accounting template of Exhibit B6.08 during the course of its review to determine if the template could be partially, or fully, populated with actual and/or forecast storage revenues, costs, and capacity from Union's storage accounting and operating records. Based on its detailed review of Union's cost allocation and accounting methodologies for its unregulated storage operations, Black & Veatch was not able to identify any additional cost data that could be used to populate the referenced accounting template compared to the unavailable cost data Union had previously identified. Specifically, Black & Veatch concluded that the processes utilized by Union to track revenues and costs related to its unregulated storage operations were created to remove these revenue requirement elements to establish the revenues and costs attributable to its regulated utility operations. These regulated revenues and costs are related to utility services that are provided by Union to its customers, in large part, on a bundled basis. Black & Veatch also understands that costs associated with Union's storage function are only determined through its cost allocation process and are not tracked and recorded in an accounting sense on an ongoing basis. In other words, Union's reporting system cannot separate its regulated expenses between the storage, transmission, and distribution functions.

UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener ("Kitchener")

Ref: Exhibit A, Tab 4, Attachment 1

What were the total fees and expenses charged by Black & Veatch to Union for its review?

---

**Response:**

The total fees and expenses charged to Union for preparation of the Black & Veatch report are $64,548.27.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 1, page 17

a) Please identify the OM&A purchases that were previously exempt and for which tax credits are now restricted that resulted in the 2010 tax cost of $0.234 million.

b) Please explain how Union has determined the portion of compressor fuel costs used in its own operations. Please confirm that this portion of the compressor fuel costs does not include any fuel used for non-regulated activities.

---

**Response:**

a) O&M purchases that were previously exempt and for which tax credits are now restricted:

| Restricted PST ($ millions) | Total |
|---|---|
| Transportation Fuel | 0.111 |
| Hydro | 0.095 |
| Own Use Gas (Heating) | 0.026 |
| Other | 0.003 |
| | |
| Total | 0.234 |

b) The portion of compressor fuel costs used in Union's own operations is calculated by first taking Total Compressor Fuel and removing the portion applicable to Customer Supplied Fuel, resulting in Union's Own Use portion of Compressor Fuel. This amount is used to calculate the Restricted Input Tax Credit ("ITC") which Union remits to the government. For the purpose of calculating the cost to be shared with ratepayers, the Restricted ITC amount is then reduced by all non-regulated amounts applicable to Compressor Fuel.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association (“LPMA”)

Ref: Exhibit A, Tab 1, page 5-6

With respect to the long-term peak storage services (account 179-72) please indicate if there has been any change in the methodology used to allocate operating costs to Union's unregulated storage activity from that used in EB-2010-0039. If yes, what is the impact on the ratepayer portion of the deferred margin if the methodology used and approved in EB-2010-0039 were to be maintained?

---

**Response:**

There has been no change in the methodology used to allocate costs to Union’s unregulated storage activity from that used in EB-2010-0039.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 2

Is the calculation of utility earnings and earnings sharing consistent with the methodology used to calculated to the 2009 earnings sharing in EB-2009-0039? If not, please explain any differences.

---

**Response:**

Yes.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 2, page 3

Please show the calculation of the benchmark return on equity of 8.54%.

---

**Response:**

Please see the response at Exhibit B1.12 e).

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 2, pages 8-9

a) What is Union's normalized actual return on equity for 2010?

b) At what level would the X factor have had to been in 2010 to result in a normalized return on equity equal to the benchmark ROE of 8.54%?

---

**Response:**

a) Union's utility return on equity adjusted for weather normalization is 11.59%.

b) The X factor would have had to be 8.34%.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 2, page 6

Please provide a more detailed explanation of the $0.912 million account adjustment.

---

**Response:**

Please see the response at Exhibit B1.20.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 3

a) Are all of Union's allocation proposals, with the exception of the HST deferral account (179-124) consistent with the most recent approved allocation methodology for each account? If not, or if some accounts have not been approved for disposal until now, please provide details.

b) Did Union consider other alternatives than those shown on page 6 for the allocation of the HST account? If yes, please provide the alternatives considered and the reasons they were rejected in favour of the proposals.

---

**Response:**

a) Yes, for Union's deferral accounts where the allocations have most recently been approved by the Board in EB-2010-0039 (Union's 2009 Deferral Disposition), the 2010 allocation proposals are consistent with the allocations approved by the Board in that proceeding.

   The HST deferral account (179-124) was approved by the Board in its November 16, 2010 decision in EB-2010-0148. The allocation methodology to dispose of the balances in this account has not yet been approved by the Board and is requested as part of this proceeding.

b) Union did not consider any other allocators for the balance in the HST deferral account (179-124). Union has allocated the components that make up the balance in the HST deferral consistent with how these types of costs are included in Board-approved rates.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 3, pages 7-8

Has Union taken into account Canada Revenue Agency requirements related to the replacement of the GST with the HST on July 1 2010 so that the appropriate tax rates (GST or HST) are applied to the bill adjustments to customers stemming from the clearance of the 2010 deferral and variance account balances? If not, why not?

---

**Response:**

Yes, for Union's contract and S&T markets, Union has taken into account the replacement of the GST with the HST on July 1, 2010. Union will allocate the disposition balances to the contract and S&T markets on 2010 volumes as a one-time adjustment. Union will apply GST to the disposition balance associated with the volumes for January to June 2010 and will apply HST to the disposition balance associated with the volumes for July to December 2010.

The disposition of the deferral and earnings sharing balances for the General Service market are done prospectively therefore the only applicable tax rate is HST.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 4, Black & Veatch Final Report

a) On page 4-2 there are references to Tables 3 and 4 but the tables that follow are labelled Tables 4 and 5. Please reconcile.

b) Are the figures provided in Table 4 on page 4-3 based on the allocation done by Union in the EB-2010-0039 proceeding or is it based on the recommendations of Black & Veatch?

c) Please provide a table in a similar format to Table 4 that shows the difference between the Union and Black & Veatch allocations.

---

**Response:**

a) All references to "Tables" in Section 4 of the Black & Veatch Final Report are correct except for the following sentence which appears on page 4-2:

"Presented below in Table 3 are Union's total actual 2009 unregulated storage revenue and costs as in its application in EB-2010-0039 which was approved by the Board."

This sentence should be corrected to read as follows:

"Presented in Schedule 17 are Union's total actual 2009 unregulated storage revenue and costs as in its application in EB-2010-0039 which was approved by the Board."

b) The figures provided in Table 4 on page 4-3 were those prepared by Union in EB-2010-0039 and approved by the Board.

c) The Attachment summarizes the change to depreciation expense for both 2009 & 2010 as a result of the implementation of B&V recommendations 3 & 4, assuming implementation is retroactive.

Change to Depreciation Expense

| | 2009 | 2010 |
|---|---|---|
| Depreciation Expense | 7,312,207 | 8,644,938 |
| B&V Recommendation # 3 | (107,384) | (104,649) |
| B&V Recommendation # 4 | (768) | (1,882) |
| Revised Depreciation Expense | 7,204,055 | 8,538,407 |

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 1, pages 14-17

a) Please confirm that the $0.450 million in increased compressor fuel cost to Union is based on the provincial (8%) component of the HST. If this cannot be confirmed, please show the calculations used to arrive at the $0.450 million figure.

b) Why has Union not included any analysis on the impact of the change in the GST/HST component of the working cash allowance included in rate base?

c) If Union were to undertake an analysis similar to that undertaken by Enbridge Gas Distribution (see paragraph 17 on pages 6 and 7 of Exhibit B Tab 1, Schedule 5 of EB- 2011-0008), what would be the impact on 50% of net savings shown in Table 4?

d) Please identify the expenditures that were previously exempt and tax credits are now restricted that result in the additional cost of $0.234 million. Does this amount represent the provincial component only of the HST as not available for the tax credit?

---

**Response:**

a) Confirmed.

b) Lead/lag days have not been adjusted under Union's incentive regulation structure for any changes to Union's cash working capital requirements that may have occurred during the incentive regulation period. Union has continued to use the results of the Lead/Lag Study that was filed in EB-2005-0520.

c) Union will file a Lead/Lag Study in its 2013 rebasing proceeding.

d) Please see the response at Exhibit B5.1 a) for the expenditures that comprise the additional cost of $0.234 million. Yes, the additional cost of $0.234 million represents only the provincial component of the HST that is not available for a tax credit.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition

Reference: Ex A/Tab 1/Page 20

Please provide a specific reference in the Board's EB-2010-0148 Decision approving the retroactive adjustment of the 2009 year-end tax provision, the calculation of its impact, and the recovery of the difference in this proceeding. If the Board has not approved any of those components, please specify the exact approval being requested of the Board in this proceeding.

---

**Response:**

In its 2011 Rates application (EB-2010-0148) filed on September 15, 2010, Union's prefiled evidence (Exhibit A, Tab 1, Pg 3-6) described Z-factor calculations related to the sharing of cumulative tax savings with ratepayers. Specifically, Union's evidence addressed two tax savings adjustments of relevance to the 2010 deferral disposition proceeding.

The first tax adjustment related to a change in Union's taxable capital base that required an update to the calculation of cumulative tax savings and the ratepayer portion of the savings for 2009 and 2010. The second tax adjustment related to Union's income tax rate decreasing from 32% to 31% in 2010, which also required an update to the calculation to cumulative tax savings and the ratepayer portion of the savings for 2010. The calculation of the tax savings adjustments can be found in EB-2010-0148, Rate Order Working Papers, Schedule 15.

On November 8, 2010, the Board convened a Settlement Conference to discuss Union's application and evidence. All issues were settled and the Board approved the Settlement Agreement on November 16, 2010. Please see Page 4, Paragraph 2 of the EB-2010-0148 Settlement Agreement for all parties' acceptance of the proposed Z-factor calculations.

In this proceeding, Union is requesting Board approval for the disposition and allocation of the combined 2009 and 2010 ratepayer portion of the updated cumulative tax savings related to the taxable capital base and income tax changes described above.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition

Reference: A/1/ Sched. 3

With respect to the DSMVA:

a) Please describe the primary reasons for underspending on DSM in 2010.

b) Please confirm that the intended allocation of the clearance by class as described in A/3, p. 4, would result in a series of credit and debits equal to the variances between forecast and actual by class, e.g. recovery of $3,108 from M1, repayment of $1,585 to M2, etc. If this is not the result, please explain why this is not the appropriate allocation.

---

**Response:**

a) While Union planned to spend 100% of the 2010 budget, the final outcome was 95%. Actual program costs were lower than projected costs because of lower participation in some of Union's programs. Union was not aware of the variance between the actual and expected cost in time to implement any additional programming to use the remaining budget.

b) Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition

Reference: A/2/App. A/Sched. 13

Please explain the increase in Benefits of 27.4% from the amount embedded in rates, and 33.9% from 2009 actual. Please describe in detail any accounting judgments (for example, pension plan assumptions) that had a material impact on that increase.

---

**Response:**

The increase in benefits expense was primarily driven by an increase in pension costs. The market decline experienced in 2008, combined with a decrease in the discount rate has resulted in higher pension costs in 2010.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition

Reference: A/4

With respect to the Storage Allocation study General exhibit:

a) Please advise whether the conversion to IFRS will have any material impact on the amounts, calculation methods or cost drivers of the allocations proposed, for example due to granularity of records, periodic requirements to revalue or retire assets, accounting for asset retirement obligations, capitalization policies, or other such reasons. If any material impact is anticipated, please provide Union's best estimate of that impact.

b) P. 4. Please advise why it would not be preferable to have the Board's approval limited to the current IRM period, with a more complete review of this cost allocation carried out in the context of Union's next cost of service proceeding when a full current cost allocation study is available.

---

**Response:**

a) The conversion to IFRS will have no impact on the amounts, calculation methods or cost drivers.

b) Please see the response at Exhibit B1.17.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition

Reference: A/$/Attach. A

With respect to the Black & Veatch Study:

a) P. 3-4. Please advise the extent, if any, to which the step "determine the level of storage assets required to support Union's unregulated storage operations" results in the allocation treating unregulated storage as incremental to regulated storage. If there is any such impact, please advise how the allocation would be different if not incremental. Please advise if any of the other allocators flow from the premise that unregulated storage is incremental to regulated operations.

b) P. 3-11. Please advise why General Plant, and/or Storage Support O&M, are not allocated based on revenues from regulated vs. unregulated storage operations. Please advise whether a revenue-based allocator was considered and, if not, why not.

c) Schedule 13. Please provide a table for 2010 showing, by category, all O&M costs charged to rates related to regulated storage, and all O&M costs for the same categories allocated to unregulated storage. For O&M costs charged to rates related to regulated storage, please base the figures on O&M allocated to storage in the most recent (2007) full cost allocation study, with such adjustments as may be required to bring it up to 2010.

d) On the same basis, please provide a table for 2010 showing, by category, all other revenue requirement amounts (e.g. depreciation, interest, ROE, taxes) charged to rates related to regulated storage, and all such costs for the same categories allocated to unregulated storage.

---

**Response:**

a) The step "determine the level of storage assets required to support Union's unregulated storage operations" relates to Union's storage assets existing at the time of the change in regulation. None of these assets were treated as incremental to regulated storage.

b) A cost allocation methodology was approved by the Board in the 2007 cost allocation study and the NGEIR Decision concluded that the cost allocation study was adequate for the purposes of separating the regulated and unregulated storage operations. Alternatives to applying the cost allocation methodology were not considered.

A revenue based allocator was not considered.

c) and d)

Union only functionalizes utility costs for ratemaking purposes in a cost of service application actual costs by function are not available.

2010 utility O&M costs by cost type are shown at Exhibit A Tab 2 Appendix A Schedule 13. Other revenue requirement amounts (depreciation, interest, ROE, taxes) for the utility are shown at Exhibit A Tab 2 Appendix B Schedule 1. Information for regulated storage only is not available.

| | 2010 | | 2007 (Approved) | |
|---|---|---|---|---|
| ($000's) | Utility | Non-utility Storage | Utility | Non-utility Storage |
| O&M | 349,373 | 13,339* | 325,623 | 8,520* |
| Depreciation | 190,176 | 8,645 | 173,780 | 4,224 |
| Interest | 148,409 | | 153,932 | 4,466 |
| ROE | 128,751 | | 100,560 | 2,918 |
| Income taxes | 25,036 | | 20,849 | 103 |

* Includes the $2,261 cross charge for storage from utility.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

**References:** Exhibit A, Tab 2, page 3
Exhibit A, Tab 2, Appendix B, Schedule 1

**Preamble:** The first reference states that "The calculation of earnings sharing for 2010 is found at Tab 2, Appendix B, Schedule1. To calculate actual utility earnings Union starts in column (a) with Union's total corporate revenues and operating expenses as reported in the annual financial statements … ."

a) Please file a copy of Union's 2010 Annual Report.
b) Please show how the figures that appear in column (a) of Exhibit A, Tab 2, Appendix B, Schedule 1, can be reconciled with the figures shown on page 26 of the 2010 Annual Report ("Consolidated Statements of Income and Comprehensive Income, Union Gas Limited").

---

**Response:**

a) Please see the response at Exhibit B1.12a).

b) Please see the response at Exhibit B1.12c).

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

**References:** Exhibit A, Tab 4, page 4 and
Black & Veatch Final Report, Recommendations 3 and 4, page 1-6

**Preamble:** At page 1-6 of the Black and Veatch Final Report, with respect to Recommendations 3 and 4, the report authors state "Black & Veatch recommends that these changes be made at a convenient point in time during 2011."

On page 4 of Exhibit A, Tab 4, Union states that "Union made the adjustments noted in recommendations 3 and 4."

a) Are the adjustments that Union made as per Recommendations 3 and 4 reflected in this filing?
b) Does Union interpret that implementing the referenced Black & Veatch recommendation implies that it would apply to pre-2011 results?

---

**Response:**

a) No, recommendations 3 and 4 will be reflected in the 2011 deferral and ESM disposition proceeding.

b) No.