

August 02, 2011

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

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

Dear Ms. Walli:

Please find enclosed two copies of Union Gas Limited's ("Union") responses to the undertakings from the July 26, 2011 technical conference for the above noted proceeding.

If 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

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

Please answer Question 6 from Additional Questions for Union Gas.

6. In responding to B3.32, Union presented a table that provided the allocation of space. In IR B3.57, Union was asked to provide the corresponding deliverability associated with the space and Union responded that it does not allocate the actual deliverability requirement by service type. Union, however, must be able to determine how much in-franchise deliverability is required to meet in-franchise needs and thus determine how much excess deliverability is available for ex-franchise sale.

- a) Please explain how the numbers in the table were derived and show a sample calculation.
- b) Please provide a description of how Union goes through the annual exercise of determining deliverability for in-franchise needs and resulting excess available for ex-franchise sale.
- c) For each of the years in B3.32, provide the determined in-franchise deliverability requirement and resulting ex-franchise deliverability available.
- d) Please include the total the deliverability available for the integrated pool for each of those years to demonstrate the proportionality.

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- a) The sales service and bundled T storage requirements are derived using the “aggregate excess” method.

$$\text{Aggregate excess} = \text{Total Winter Consumption} / [(151/365) * (\text{Annual Consumption})]$$

- b) Union determines the in-franchise deliverability through a multi-step process:
 - 1) Determine peak day demand for South Sales Service and Bundled T, and North Sales Service and Bundled T.
 - 2) Determine the available supply to meet that group of customers demand on a peak day, which includes system supply and direct purchase quantities.
 - 3) The difference between (1) and (2) becomes bundled customer deliverability requirement, which represents Sales Service customers and Bundled T.
 - 4) Add the deliverability for unbundled services and contracted under T1, T3 and Northern T services. The deliverability that is the result of item 4 is set aside for in-franchise customers.
 - 5) To determine the overall deliverability requirement, the ex-franchise contract deliverability is added to item 4.

- c/d) Please see the Attachment.

UNION GAS LIMITED
Southern Operations Area
Summary of Historical Forecast Firm Storage Demands

<u>Line No.</u>	<u>Particulars (GJs)</u>	<u>W06/07</u>	<u>W07/08</u>	<u>W08/09</u>	<u>W09/10</u>	<u>W10/11</u>
1	In-franchise Demand	1,435,784	1,506,698	1,601,526	1,511,587	1,514,105
2	Ex-franchise Demand	924,131	1,130,730	1,386,294	1,445,227	1,616,357
3	Total Demands	<u>2,359,915</u>	<u>2,637,428</u>	<u>2,987,819</u>	<u>2,956,815</u>	<u>3,130,462</u>

UNION GAS LIMITED

Undertaking of Union Gas

To Mr. P. Thompson (CME) and Mr. D. Quinn (FRPO)

Please break out attachment at B3.18 for 2010 into existing incremental storage additions and purchased storage.

Please see the Attachment.

Long-Term Margin Sharing 2010

Line No.	Particulars (\$000's)	Return used in filing	Board-Approved Return	Difference
1	Existing Assets	3,263	3,263	-
2	Incremental Assets	6,369	3,775	2,594
3	Purchased Assets	6,630	3,930	2,700
4	Total	16,262	10,968	5,294

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EB-2011-0038

Exhibit JTC1.3

UNION GAS LIMITED

Undertaking of Union Gas
To Board Staff

Please provide update to Exhibit B1.23, Attachment 2, the deferral account reconciliation of spot gas variance 179-107.

Please see the Attachment.

Deferral Account Reconciliation
NPGVA - 179-105

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

Deferral Account Reconciliation
SPGVA - 179-106

Cumulative balance - GL - March 31, 2011	\$ (546,533,690)
less: pre-2008 cumulative balance	<u>\$ (265,508,601)</u>
	\$ (281,025,089)
South Portfolio Cost Differential	\$ 3,807,786
Timing differences - estimate vs actual	<u>\$ (14,675,674)</u>
Adjusted cumulative balance - GL March 31, 2011	\$ (291,892,977)
Cumulative balance - EB-2011-0135 - March 31, 2011	<u>\$ (291,892,977)</u>
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	<u>\$ 7,868,788</u>
	\$ 4,571,789
Timing differences - estimate vs actual	<u>\$ 964,604</u>
Adjusted cumulative balance - GL March 31, 2011	\$ 5,536,393
Cumulative balance - EB-2011-0135 - March 31, 2011	<u>\$ 5,536,393</u>
Unreconciled difference	\$ -

Deferral Account Reconciliation
Spot Gas Variance - 179-107

Cumulative balance - GL - March 31, 2011	\$ (16,959,560)
less: pre-2008 cumulative balance	<u>\$ (10,865,581)</u>
	\$ (6,093,979)
Timing differences - estimate vs actual	<u>\$ (1,174,251)</u>
Adjusted cumulative balance - GL March 31, 2011	\$ (7,268,230)
Cumulative balance - EB-2011-0135 - March 31, 2011	<u>\$ (7,268,230)</u>
Unreconciled difference	\$ -

UNION GAS LIMITED

Undertaking of Union Gas
To Board Staff

Please advise on status of reconciliation policy or procedure.

Union is developing a QRAM reconciliation procedure document. Union will complete the procedure document by September 30, 2011.

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Exhibit JTC1.5

UNION GAS LIMITED

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

Please break out storage operations into whatever components are contained in Exhibit B2.7.

Please see the Attachment.

Union Gas Limited
Unregulated Net O&M
by Responsibility Area

Particulars (\$ millions)	2010		
	Total O&M	Unregulated O&M	Composite Allocation %
Business development	17.20	1.82	11%
Distribution Operations	89.07	0.41	0%
Engineering Construction Storage & Transmission Operations	38.43	3.23	8%
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		2.26	
Total		13.34	

UNION GAS LIMITED

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

Please verify if any loans were to Michcon or DTE.

There were no gas loan transactions between Michcon or DTE and Union.

UNION GAS LIMITED

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

Please explain the difference between the 3.4918 GJS per month and the 2.334 GJS per month referred to in B1.26, and the reason for the acquisition of the gas at the 3.4918 GJS per month.

Response:

The \$3.4918 GJ/month unit value referenced in Union's Exhibit 1.26 represents Union's approved rate for Dawn to Parkway capacity (M12 rate) of \$2.334 GJ/month plus fuel of \$1.158. The contracted transportation service costs are at Union's M12 tolls and are not at a premium.

The \$3.4918 is calculated based on the approved costs for Dawn-Parkway capacity from Union's 2007 cost of service proceeding (EB-2007-0520).

Approved cost - \$3,981,000

Dawn-Parkway capacity – 95,000 GJs

Unit value (Approved cost/Dawn-Parkway capacity/ 12 months) - \$3.492 GJ/month

The approved costs were calculated based on the following components:

1. Demand – Demand charge of \$2,544,000 based on Union's 2004 M12 demand charge (\$2.334 GJ/month).
2. Fuel – Fuel charge of \$1,437,000 which represents the winterized (November – March) fuel cost based on Union's 2004 M12 average winter fuel ratio (1.110%) and the July 1, 2005 Ontario Landed WACOG (\$9.439 GJ).

To serve Union North sales service and bundled direct purchase customers, Union uses Dawn to Parkway transportation services in conjunction with TransCanada Pipelines ("TCPL") Storage Transportation Service ("STS"). These services allow Union to inject excess volumes into storage at Dawn from the North in the summer months and withdraw volumes to redeliver to the North in the winter months. Utilizing these services allows Union to hold a reduced amount of TCPL FT capacity from Empress to each of its northern delivery areas.

Union purchased the necessary Dawn-Parkway service for the north bundled customers as Union did not have sufficient capacity to provide this incremental service using its own assets. Union subsequently expanded its system such that upon contract expiry of the third party contracts, Union began to serve this demand directly.