

Filed: 2011-04-18  
EB-2011-0038  
Exhibit A  
Tab 1  
Schedule 2  
Page 1 of 3

UNION GAS LIMITED  
Lost Revenue Adjustment Mechanism  
Breakdown of 2010 LRAM Deferral Account Balance

| Line No. | Particulars (\$)  | <u>Amounts by DSM Plan Year</u> |                            | <u>Total Amount in LRAM Deferral Account</u> |
|----------|-------------------|---------------------------------|----------------------------|--|
|          |                   | <u>2009 <sup>(1)</sup></u>      | <u>2010 <sup>(2)</sup></u> |  |
|          |                   | (a)                             | (b)                        | (c)  |
|          | <u>South</u>      |                                 |                            |  |
| 1        | M1 Residential    | 217,259                         | 98,962                     | 316,221                                      |
| 2        | M1 Commercial     | 267,665                         | 126,176                    | 393,841                                      |
| 3        | M1 Industrial     | 22,354                          | 810                        | 23,164                                       |
| 4        | M2 Commercial     | 350,470                         | 95,916                     | 446,387                                      |
| 5        | M2 Industrial     | 75,368                          | 71,209                     | 146,577                                      |
|          | <u>Industrial</u> |                                 |                            |  |
| 6        | M4                | 26,847                          | 31,208                     | 58,055                                       |
| 7        | M5                | 88,740                          | 60,650                     | 149,390                                      |
| 8        | M7                | 2,921                           | 13,853                     | 16,774                                       |
| 9        | T1                | 20,622                          | 14,527                     | 35,149                                       |
| 10       |                   | <u>1,072,246</u>                | <u>513,312</u>             | <u>1,585,558</u>                             |
|          | <u>North</u>      |                                 |                            |  |
| 11       | Residential 01    | 92,195                          | 44,634                     | 136,829                                      |
| 12       | Commercial 01     | 126,963                         | 38,036                     | 164,999                                      |
| 13       | Commercial 10     | 68,549                          | 24,850                     | 93,399                                       |
| 14       | Industrial 10     | 299,976                         | 8,846                      | 308,822                                      |
|          | <u>Industrial</u> |                                 |                            |  |
| 15       | Rate 20           | 16,541                          | 11,517                     | 28,058                                       |
| 16       | Rate 100          | 30,790                          | 35,537                     | 66,327                                       |
| 17       |                   | <u>635,014</u>                  | <u>163,420</u>             | <u>798,434</u>                               |
| 18       | Total             | <u>1,707,260</u>                | <u>676,732</u>             | <u>2,383,992</u>                             |

Notes:

- (1) EB-2011-0038, Exhibit A, Tab 1, Schedule 2, page 2 of 3, column (g).
- (2) EB-2011-0038, Exhibit A, Tab 1, Schedule 2, page 3 of 3, column (c).

UNION GAS LIMITED  
Shared Savings Mechanism  
Based on 2009 Audited and 2010 unaudited Results

| Line No. | Particulars (\$) | 2009 Amount   |   |                               | 2010 Amount Based on Unaudited Results <sup>(1)</sup> | Total for 2009 and 2010<br>(e) = (c) + (d) |
|----------|------------------|---|---|-------------------------------|---|--|
|          |                  | Amount Based on 2009 Audited Results <sup>(1)</sup> | Amount Disposed of in EB-2010-0039 <sup>(2)</sup> | Net Amount<br>(c) = (a) - (b) |   |  |
|          |                  | (a)   | (b)   | (c) = (a) - (b)               | (d)   | (e) = (c) + (d)                            |
|          | <u>South</u>     |   |   |                               |   |  |
| 1        | M1               | 1,635,470   | 1,552,215   | 83,255                        | 859,686   | 942,941                                    |
| 2        | M2               | 1,066,315   | 1,127,895   | (61,580)                      | 544,266   | 482,686                                    |
| 3        | M4               | 340,348   | 332,091   | 8,257                         | 467,085   | 475,342                                    |
| 4        | M5               | 426,894   | 435,042   | (8,148)                       | 362,449   | 354,301                                    |
| 5        | M7               | 126,158   | 115,644   | 10,514                        | 516,139   | 526,653                                    |
| 6        | T1               | 2,240,804   | 2,247,755   | (6,951)                       | 1,264,262   | 1,257,311                                  |
| 7        |                  | <u>5,835,989</u>                                    | <u>5,810,642</u>                                  | <u>25,347</u>                 | <u>4,013,887</u>                                      | <u>4,039,234</u>                           |
|          | <u>North</u>     |   |   |                               |   |  |
| 8        | Rate 01          | 341,284   | 321,291   | 19,993                        | 173,973   | 193,966                                    |
| 9        | Rate 10          | 537,875   | 510,481   | 27,394                        | 60,295  | 87,689                                     |
| 10       | Rate 20          | 322,488   | 273,168   | 49,320                        | 318,613   | 367,933                                    |
| 11       | Rate 100         | 1,713,596   | 2,006,002   | (292,406)                     | 1,588,823   | 1,296,417                                  |
| 12       |                  | <u>2,915,243</u>                                    | <u>3,110,941</u>                                  | <u>(195,698)</u>              | <u>2,141,704</u>                                      | <u>1,946,006</u>                           |
| 13       | Total            | <u>8,751,232</u>                                    | <u>8,921,583</u>                                  | <u>(170,351)</u>              | <u>6,155,591</u>                                      | <u>5,985,240</u>                           |

Notes:

- (1) The SSM incentives for 2009 and 2010 are calculated and allocated among rate classes using the mechanism approved by the Board in EB-2006-0021.
- (2) EB-2010-0039 Exhibit A, Tab 1 Schedule 4, Column (f).

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.

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**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<sup>3</sup>m<sup>3</sup> and 2010 unaudited LRAM volumes of 122,888 10<sup>3</sup>m<sup>3</sup>. The reason for the volume variance of 30,284 10<sup>3</sup>m<sup>3</sup> 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.

## 2009 Audit Outcomes

The Final Audited Annual Report, Auditor's Report Summary of Results and Responses Document were filed on August 20, 2010

| Account               | Pre-audit     | Post-Audit    |
|-----------------------|---------------|---------------|
| TRC                   | \$345,110,572 | \$308,255,602 |
| LRAM                  | \$1,148,868   | \$988,695     |
| SSM                   | \$8,921,583*  | \$8,751,232   |
| Market Transformation | \$500,000     | \$500,000     |

| 2009 Budget Results |           |
|---------------------|-----------|
| Total Budget        | \$20.570M |
| DSMVA               | \$1.652M  |
| Total Actual        | \$22.222M |

\*SSM max payout at TRC of \$312,006,349



**uniongas**  
A Spectra Energy Company

July 29, 2011

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

Dear Ms. Walli:

**Re: Union Gas Limited – 2010 Demand Side Management Audit and Results**

In accordance with the EB-2006-0021 Decision with Reasons, please find attached Union's 2010 DSM Annual Report, the 2010 Audit Report, and Union's Audit Summary Report. The filing of these reports fulfills the requirements outlined in Section 2.1.12 of the Board's Reporting and Record Keeping Requirement Rule.

Throughout the audit process, Union consulted with and received input from the Evaluation and Audit Committee ("EAC"). In Union's view, the 2010 Auditor, Cadmus, fulfilled all audit scope requirements. Members of the EAC expressed concerns related to the audit process. These concerns, in Union's view, are related to the current DSM framework and are best addressed as part of the process to develop terms of reference contemplated in the Board's EB-2008-0346, Demand Side Management Guidelines for Natural Gas Utilities.

Yours truly,

*[Original signed by]*

Marian Redford  
Manager, Regulatory Initiatives

Attach.

MR/la