January 25, 2012

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

Re: EB-2011-0210 - Union Gas Limited – Responses to US GAAP interrogatories

Dear Ms. Walli:

Please find attached Union's responses to the EB-2011-0210 interrogatories for the Preliminary Issue – Conversion to US GAAP.

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-2011-0210 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Preliminary Issue

Board Staff Interrogatory No.1

Ref: Ex. A2 / Tab 4 / Pages 1-3
Adopted Evidence

Ex. B1.5 (a) Preamble:

Union filed its 2013 cost of service rate application with the Board under the basis of US GAAP.

In its application and in parts of the Adopted Evidence, Union provide an explanation of the potential benefits and potential disadvantages to the utility and to its ratepayers of using USGAAP as opposed to MIFRS for ratemaking purposes. Union explained that the only ratepayer impact is regarding employee future benefit costs. Union noted that the transition to MIFRS would result in a significantly larger adjustment for employee future benefits costs as well as other additional adjustments.

Questions / Requests:

a) Please explain how the ratepayers' interests are better served under USGAAP as opposed to MIFRS.

b) Please provide any potential disadvantages to Union and its ratepayers of using USGAAP as opposed to MIFRS for ratemaking purposes.

c) Please provide an estimate of the "significantly larger adjustment" resulting from the transition to MIFRS had Union chose to transit to MIFRS. Please also compare the adjustments to those that will be incurred by Union in transitioning to USGAAP. Please provide a detailed explanation of the adjustments.

d) Please provide a quantitative comparison of the ratepayer impact under a transition to USGAAP versus a transition to MIFRS. Please provide a detailed analysis of the proposed revenue requirement under USGAAP for the test year versus the revenue requirement that would have been requested had the application been filed on the basis of MIFRS. Please provide a detailed explanation of all noted differences.

Response:

a) The primary benefits to ratepayers to Union adopting US GAAP for ratemaking over MIFRS are: administrative simplicity, transparency and a reduced revenue requirement.

Using US GAAP for ratemaking purposes has the following benefits:

- US GAAP is substantially the same as CGAAP currently used for rates.
- It requires only one short-term modification to rates proposed under US GAAP for employee future benefits to address a difference in timing of the recognition of costs between US GAAP and CGAAP.
- US GAAP is consistent with the basis of accounting Union is using for external financial reporting.
- No new adjustments between audited financial statements and the information provided in support of rate applications and regulatory reporting are required.
- No additional record keeping for regulatory reporting is required eliminating additional ledgers, reconciliations, and administrative expenses.
- US GAAP reduces risk of error associated with multiple ledgers and accounting methodologies.
- US GAAP will provide consistency and comparability with other distribution utilities in North America.

Using MIFRS for ratemaking purposes has the following disadvantages:

- IFRS has a number of standards that result in changes in Union's earnings from CGAAP.
- The impact of IFRS on Union's retain earnings is significant. Estimated to be a $280 million reduction to opening retained earnings in 2010 and a reduction in earnings of $149 million in 2010. Attachment 1 and Attachment 2 provide a summary of the reconciliation of opening retained earnings and income between CGAAP and IFRS for 2010.
- Several modifications are required to mitigate potential impacts on rates and regulatory reporting. Please see the response at c) below.
- Modifications designed to neutralize the impact of IFRS on rates will produce the same results as US GAAP with more process and administration.

- MIFRS requires a change in the capitalization of indirect overhead costs that would increase Union's 2013 test year revenue requirement by $63.6 million.
- MIFRS is not consistent with the basis of accounting used for external financial reporting.
- Reconciliation is required between audited financial statements and the information provided in support of rate applications and regulatory reporting.
- Additional record keeping is required for regulatory reporting.
- Increases the risk of error associated with multiple ledgers and accounting methodologies for modifications developed to mitigate rate impact.

b) Union is not aware of any disadvantages of using US GAAP as opposed to MIFRS.

c) Union is not able to estimate the 2013 adjustments resulting from the transition to MIFRS in the interrogatory process time frame. However, based on the IFRS transition work completed for 2010, Union is able to provide the transition impacts between CGAAP and MIFRS for 2010. Union does not expect the transition impacts to be materially different for 2013. The adjustments and associated rate payer impacts are described below:

Transition to US GAAP

As previously discussed in detail in the Adopted Evidence from EB-2011-0025, the only ratepayer issue to be addressed in the conversion from Canadian GAAP to US GAAP is for employee future benefit costs.

Employee Future Benefits

Difference in Accounting Standards: There are two differences in the accounting standards a change in measurement date from September 30th to December 31st and the timing of the amortization of the transitional obligation that result upon the adoption of US GAAP.

Earnings Impact: With regulatory asset recognition this adjustment can be reversed, set up as a regulatory asset under US GAAP to reflect the recovery in rates, and amortized into income so that there is no earnings impact.

Without regulatory asset recognition the impact to earnings reported under US GAAP will be a lower expense for employee future benefits of $3 million and higher income taxes of $1 million.

Proposed Modification: A deferral account has been applied for as part of the EB-2011-0025 proceeding which will be used to capture the difference between Canadian and US GAAP to be disposed of through the annual deferral disposition hearing. This modification has a finite life.

Rate Impact after Modification: None, other than a change in timing of recovery.

Transition to IFRS

The following is a summary of the IFRS accounting changes that require modification for ratemaking, a number of these will require utility specific modifications to be addressed if Union is required to set rates under IFRS. The specific modification has not been proposed here, however, Union has assumed that the modification would in all cases eliminate any rate impact. To avoid a rate impact the IFRS modification would replicate the current accounting, which is consistent with US GAAP.

The following attachments include all issues upon transition. The discussion below will only address those that affect the earnings.

Attachment 1 – January 1, 2010 opening balance adjustment
Attachment 2 – 2010 income statement impact
Attachment 3 – Details of all adjustments

Effects of Rate Regulation

1. ***Customer deferrals***

Difference in Accounting Standards: As prescribed by regulatory order, Union has various amounts included in customer rates that are intended to recover specifically-identified costs. Under CGAAP, 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.

Earnings Impact: On transition to IFRS net $162 million of assets have been derecognized. The impact to comprehensive income for the year ended December 31, 2010 was a reduction to gas sales and distribution revenue of $10 million, an increase to other revenue of $4 million, a decrease to operating and maintenance costs of $12 million, and an increase to property and capital taxes of $2 million.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 2.1. "The Board will continue to use deferral and variance accounts for rate making in appropriate circumstances, whether or not these accounts are recognized under IFRS."

This modification is consistent with the US GAAP.

Rate Impact after Modification: None.

2. Gas Cost deferrals

Difference in Accounting Standards: Union has 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, under CGAAP, for future recovery from or repayment to customers. The regulatory asset or liability represents the difference between actual gas commodity costs incurred and the amount included in approved rates.

Earnings Impact: On transition to IFRS $186 million of liabilities have been derecognized. The impact to comprehensive income for the year ended December 31, 2010 was a reduction to gas sales and distribution revenue of $207 million and increase to cost of gas of $61 million.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 2.1. "The Board will continue to use deferral and variance accounts for ratemaking in appropriate circumstances, whether or not these accounts are recognized under IFRS."

This modification is consistent with the USGAAP.

Rate Impact after Modification: None

3. Storage deferrals

Difference in Accounting Standards: The forecast of storage revenue is one component used to establish Union's rates for services. Storage deferral accounts accumulate any difference between the actual revenue earned in providing these storage services and the forecast revenue approved by the Board for ratemaking purposes.

Earnings Impact: On transition to IFRS $20 million of liabilities have been derecognized. The impact to comprehensive income for the year ended December 31, 2010 was a decrease in storage and transportation revenue of $11 million.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 2.1. "The Board will continue to use deferral and variance accounts for ratemaking in appropriate circumstances, whether or not these accounts are recognized under IFRS."

This modification is consistent with the US GAAP.

Rate Impact after Modification: None

4. Asset removal costs

Difference in Accounting Standards: Under CGAAP, Union has recorded a regulatory liability as a result of collections from customers under approved rates for asset removal costs.

Earnings Impact: On transition to IFRS $398 million of liabilities have been derecognized.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 3.4 sub 4. "A general consensus emerged among participants that asset retirement obligations should be addressed by the Board on a utility-specific basis". To set rates under IFRS a modification would need to be determined.

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting which is the same under US GAAP there would be no impact on the ratepayer.

5. Gas in Storage

Difference in Accounting Standards: Gas in storage under CGAAP is valued at the Board-approved weighted average cost of gas. IFRS requires inventory to be valued at the lower of cost or net realizable value.

Earnings Impact: Inventory has been revalued to the lower of cost and net realizable value as allowed under IFRS, resulting in a $35 million reduction to inventory and retained earnings on transition to IFRS. The impact to comprehensive income for the year ended December 31, 2010 was an increase to cost of gas of $9 million.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 5.1. "The Board will expect the gas utilities to bring forward proposals for inventory valuation in their rate cases, and provide sufficient evidence to justify their proposals." To set rates under IFRS a modification would need to be determined.

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting, which is the same under US GAAP, there would be no impact on the ratepayer.

6. Property, plant and equipment

Difference in Accounting Standards: Under CGAAP Union includes certain overhead costs in the cost of property, plant and equipment (PPE). Under IFRS these overhead costs are expensed as incurred.

Earnings Impact: The impact to comprehensive income for the year ended December 31, 2010 was an increase to operating and maintenance costs of $53 million.

Proposed Modification: No Modification. As outlined by the Board's IFRS Report in EB-2008-0408 Issue 3.3. "The Board will require utilities to adhere to IFRS capitalization accounting requirements for rate making and regulatory reporting purposes after the date of adoption of IFRS."

Rate Impact after Modification: Please see the response to d) below for the 2013 rate impact of IFRS resulting from change in capitalization.

7. Loss on sale of assets

Difference in Accounting Standards: Under CGAAP retirements of PPE resulted in the original cost plus costs of retirement less salvage value being charged to accumulated depreciation with no impact to net income. Under IFRS any gain/loss on retirement or sale of assets will be charged to income.

Earnings Impact: The impact to comprehensive income for the year ended December 31, 2010 was an increase to other expenses of $16 million.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 3.4 Sub 5. "The Board notes that complexities will likely arise on a number of issues related to the co-ordination of IRM and the transition to and continuation of IFRS accounting requirements." To set rates under IFRS a modification would need to be determined.

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting, which is the same under US GAAP, there would be no impact on the ratepayer.

8. Accretion of asset retirement obligation

Difference in Accounting Standards: Under CGAAP Union charges accretion of asset retirement obligations to the accumulated depreciation of the related assets. Under IFRS Union charges accretion to finance costs on the comprehensive statements of income.

Earnings Impact: The impact to comprehensive income for the year ended December 31, 2010 was an increase to depreciation and amortization of $8 million.

Proposed Modification: This issue was not specifically addressed in EB-2008-0408.

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting which is the same under US GAAP there would be no impact on the ratepayer.

Deemed Cost of Regulated Assets

Difference in Accounting Standards: Union has elected to measure its regulated assets equal to its fair value at the date of transition. The fair value of Union's regulated property, plant and equipment has been determined to equal the value of those assets' rate base for ratemaking purposes at the transition date.

Earnings Impact: This election resulted in a $512 million reduction to retained earnings.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 3.1 and 3.2. "The Board will require regulated net book value to be used as the basis for setting opening rate base values and reporting to the Board . . ."

"The Board will require the use of historical acquisition cost as the basis for reporting PP&E for regulatory purposes."

This modification is consistent with the USGAAP.

Rate Impact after Modification: None

Depreciation and Amortization

Difference in Accounting Standards: Under CGAAP Union has provided for depreciation of PP&E and amortization of intangible assets at rates based on the average service life of each class of property. Under IFRS Union has provided for depreciation and amortization based on the estimated useful lives of each class of PPE and intangible asset.

Earnings Impact: The impact to comprehensive income for the year ended December 31, 2010 was a decrease to depreciation and amortization of $45 million.

Proposed Modification: This issue was not specifically addressed by the Board in EB-2008-0408 Issue 4.1. The change in depreciation rates to reflect the estimated useful life is supported by a depreciation study as filed in this proceeding. This is consistent with the existing methodology as well as US GAAP.

A deferral account would be required to capture any changes in depreciation expense under IFRS during years between rate rebasing.

Rate Impact after Modification: None

Employee Future Benefits

Difference in Accounting Standards: On transition to IFRS Union is required to recognize all cumulative actuarial gains and losses on pensions and other post-retirement benefits as at January 1, 2010, directly in equity.

Earnings Impact: The recognition of all cumulative actuarial gains and losses has resulted in a $276 million reduction to equity. The impact to comprehensive income for the year ended December 31, 2010 was a reduction to operating and maintenance expense of $19 million and a net other comprehensive loss of $13 million as a result of actuarial losses recognized.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 5.1. "For gas utilities, the Board will continue to review pensions and employee future benefit costs in utilities' rate applications."

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting which is the same in US GAAP there would be no impact on the ratepayer.

Constructive Obligations

Difference in Accounting Standards: On transition to IFRS, Union is required to recognize a constructive obligation reflecting the expected obligations to bring assets in compliance with environmental codes.

Earnings Impact: On transition to IFRS, Union recognized an increase of $63 million constructive obligation reflecting the expected obligations to bring assets in compliance with environmental codes.

Proposed Modification: This issue was not specifically addressed by the Board in EB-2008-0408. To set rates under IFRS a modification would need to be determined.

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting which is the same under US GAAP there would be no impact on the ratepayer.

Asset Retirement Obligations

Difference in Accounting Standards: On transition to IFRS Union has revised its estimated asset retirement obligations, as measured under IFRS.

Earnings Impact: The required re-measurement has resulted in a $2 million decrease to retained earnings.

Proposed Modification: As outlined by the Board's IFRS Report in EB-2008-0408 Issue 3.4 sub 4. "A general consensus emerged among participants that asset retirement obligations should be addressed by the Board on a utility-specific basis." To set rates under IFRS a modification would need to be determined.

Rate Impact after Modification: Assuming the modification proposed under IFRS produced results consistent with current accounting which is the same under US GAAP there would be no impact on the ratepayer.

d) Union's test year (2013) revenue requirement of $955.3 million was prepared under US GAAP. The employee future benefits costs included in the calculation of this revenue requirement are $2.8 million lower than they would have been under CGAAP. Union has proposed a deferral account in EB-2011-0025 to capture the difference between employee future benefits costs on transition to US GAAP.

If the revenue requirement for the 2013 test year had been prepared under IFRS Union would have needed to propose a number of utility specific modifications described in the response to part c). Assuming the proposed modifications were able to address the impact of IFRS on rates the remaining impact would be the capitalization of overhead costs. For 2013, overheads capitalized under US GAAP are $48.7 million found at Exhibit D3, Tab 3, Schedule 2, p.1 would increase expenses under IFRS. There would also be a reduction in rate base and the related investment carrying costs [depreciation, interest, return and income taxes] and an increase in income taxes, for a net increase in the revenue requirement under MIFRS of $63.6 million for a total revenue requirement of $1,018.9 million.

Please see Attachment 4 for a comparison of the 2013 revenue requirement.

Reconciliation of Equity as of January 1, 2010
(in millions)

	Reported under CGAAP	Effects of Rate Regulation	Line Pack	Revaluation of non-regulated assets	Deemed Cost of Regulated Assets	Intangible Assets	Employee Future Benefits	Constructive Obligations	Asset Retirement Obligation	Income Taxes	Other	Total Adjustments	Restated under IFRS
ASSETS													
Current Assets													
Cash and cash equivalents	$ 34	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 34
Trade and other receivables	269	–	–	–	–	–	–	–	–	–	–	–	269
Inventory	224	(35)	(8)	–	–	–	–	–	–	–	–	(43)	181
Income taxes receivable	–	–	–	–	–	–	–	–	–	–	–	–	–
Other	189	(22)	–	–	–	–	–	–	–	(57)	–	(79)	110
Total current assets	716	(57)	(8)	–	–	–	–	–	–	(57)	–	(122)	594
Non-Current Assets													
Property, plant and equipment	4,303	–	8	(1)	(512)	(41)	–	63	50	–	–	(433)	3,870
Intangible assets	–	–	–	–	–	41	–	–	–	–	–	41	41
Other	427	(166)	–	–	–	–	(137)	–	–	–	–	(303)	124
Total non-current assets	4,730	(166)	8	(1)	(512)	–	(137)	63	50	–	–	(695)	4,035
Total Assets	$ 5,446	$ (223)	$ –	$ (1)	$ (512)	$ –	$ (137)	$ 63	$ 50	$ (57)	$ –	$ (817)	$ 4,629

Reconciliation of Equity as of January 1, 2010
(in millions)

	Reported under CGAAP	Effects of Rate Regulation	Line Pack	Revaluation of non-regulated assets	Deemed Cost of Regulated Assets	Intangible Assets	Employee Future Benefits	Constructive Obligations	Asset Retirement Obligation	Income Taxes	Other	Total Adjustments	Restated under IFRS
LIABILITIES AND EQUITY													
Current Liabilities													
Short-term borrowings	$ 261	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 261
Trade and other payables	633	(234)	–	–	–	–	–	–	–	–	–	(234)	399
Income taxes payable	79	–	–	–	–	–	–	–	–	(24)	–	(24)	55
Provisions	1	–	–	–	–	–	–	15	–	–	–	15	16
Other	160	–	–	–	–	–	–	–	–	–	–	–	160
Total current liabilities	1,134	(234)	–	–	–	–	–	15	–	(24)	–	(243)	891
Non-Current Liabilities													
Long-term debt	1,984	–	–	–	–	–	–	–	–	–	–	–	1,984
Provisions	108	–	–	–	–	–	–	48	52	–	–	100	208
Deferred income taxes	327	–	–	–	–	–	–	–	–	(135)	–	(135)	192
Other	455	(398)	–	–	–	–	139	–	–	–	–	(259)	196
Total non-current liabilities	2,874	(398)	–	–	–	–	139	48	52	(135)	–	(294)	2,580
Equity													
Equity attributable to Union Gas Shareholders													
Share capital	732	–	–	–	–	–	–	–	–	–	–	–	732
Retained earnings	696	409	–	(1)	(512)	–	(276)	–	(2)	102	–	(280)	416
Accumulated other comprehensive loss	–	–	–	–	–	–	–	–	–	–	–	–	–
Total equity attributable to Union Gas Shareholders	1,428	409	–	(1)	(512)	–	(276)	–	(2)	102	–	(280)	1,148
Noncontrolling interests	10	–	–	–	–	–	–	–	–	–	–	–	10
Total equity	1,438	409	–	(1)	(512)	–	(276)	–	(2)	102	–	(280)	1,158
Total Liabilities and Equity	$ 5,446	$ (223)	$ –	$ (1)	$ (512)	$ –	$ (137)	$ 63	$ 50	$ (57)	$ –	$ (817)	$ 4,629

Reconciliation of the Consolidated Statements of Income and Comprehensive Income
for the year ended December 31, 2010
(in millions)

	Reported under CGAAP	Effects of Rate Regulation	Depreciation	Employee Future Benefits	Total Adjustments	Restated under IFRS
Gas sales and distribution revenue	$ 1,493	$ (217)	$ –	$ –	$ (217)	$ 1,276
Cost of gas	794	70	–	–	70	724
Gas distribution margin	$ 699	$ (147)		$ –	$ (147)	$ 552
Storage and transportation revenue	308	(11)	–	–	(11)	297
Other revenue	29	4	–	–	4	33
	$ 1,036	$ (154)	$ –	$ –	$ (154)	$ 882
Expenses						
Operating and maintenance	364	41	–	(19)	22	386
Depreciation and amortization	200	8	(45)	–	(37)	163
Property and capital taxes	67	2	–	–	2	69
	$ 631	$ 51	(45)	$ (19)	$ (13)	$ 618
Income before other items	$ 405	$ (205)	$ 45	$ 19	$ (141)	$ 264
Other and expenses, net	–	(16)	–	–	(16)	(16)
Income before interest and income taxes	$ 405	$ (221)	$ 45	$ 19	$ (157)	$ 248
Interest expense	158	–	–	–	–	158
Income before income taxes	$ 247	$ (221)	$ 45	$ 19	$ (157)	$ 90
Income taxes	41	(37)	11	5	(21)	20
Net income	$ 206	(184)	$ 34	$ 14	$ (136)	$ 70
Other comprehensive income (loss)						
Actuarial gains (losses) on defined benefit pension plans (net)	–	–	–	(13)	(13)	(13)
Total other comprehensive income (loss)	$ 206	$ (184)	$ 34	$ 1	$ (149)	$ 57

Restatement of equity from CGAAP to IFRS

Notes to the reconciliations of equity as at January 1, 2010 and the reconciliation of income and comprehensive income for the year ended December 31, 2010:

Effects of Rate Regulation. Unlike CGAAP, IFRS does not include specific provisions for accounting for the effects of rate regulation and therefore certain balances have been derecognized on transition to IFRS.

Customer deferrals. As prescribed by regulatory order, the Company has various amounts included in customer rates that are intended to recover specifically-identified costs. Under CGAAP, 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. On transition to IFRS net $162 million of assets have been derecognized. The impact to comprehensive income for the year ended December 31, 2010 was a reduction to gas sales and distribution revenue of $10 million, an increase to other revenue of $4 million, a decrease to operating and maintenance costs of $12 million, and an increase to property and capital taxes of $2 million.

Gas cost deferrals. The Company has 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, under CGAAP, for future recovery from or repayment to customers. The regulatory asset or liability represents the difference between actual gas commodity costs incurred and the amount included in approved rates. On transition to IFRS $186 million of liabilities have been derecognized. The impact to comprehensive income for the year ended December 31, 2010 was a reduction to gas sales and distribution revenue of $207 million and an increase to cost of gas of $61 million.

Storage and transportation deferrals. The forecast of storage and transportation 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. On transition to IFRS $20 million of liabilities have been derecognized. The impact to comprehensive income for the year ended December 31, 2010 was a decrease in storage and transportation revenue of $11 million.

Asset removal costs. Under CGAAP, the Company has recorded a regulatory liability as a result of collections from customers under approved rates for future removal activities for property that does not have an associated legal retirement obligation. On transition to IFRS $398 million of liabilities have been derecognized.

Gas in Storage. Gas in storage under CGAAP is valued at the Ontario Energy Board approved weighted average cost of gas. This is not an acceptable valuation method under IFRS and as such, inventory has been revalued to the lower of cost and net realizable value as allowed under IFRS, resulting in a $35 million reduction to inventory and retained earnings on transition to IFRS. The impact to comprehensive income for the year ended December 31, 2010 was an increase to cost of gas of $9 million.

Property, plant and equipment. Under CGAAP, the Company includes certain overhead costs in the cost of property, plant and equipment (PPE). Under IFRS these overhead costs are expensed as incurred. The impact to comprehensive income for the year ended December 31, 2010 was an increase to operating and maintenance costs of $53 million.

Loss on sale of assets. Under CGAAP, retirements of PPE resulted in the original cost plus costs of retirement less salvage value being charged to accumulated depreciation with no impact to net income. Under IFRS any gain/loss on retirement or sale of assets will be charged to income. The impact to comprehensive income for the year ended December 31, 2010 was an increase to other expenses of $16 million.

Accretion of asset retirement obligations. Under CGAAP, the Company charges accretion of asset retirement obligations to the accumulated depreciation of the related assets. Under IFRS the Company charges accretion on the comprehensive statements of income. The impact to comprehensive income for the year ended December 31, 2010 was an increase to depreciation and amortization of $8 million.

Line Pack Inventory. Under CGAAP, line pack inventory is included with gas in storage inventory. Under IFRS line pack is viewed as a non-current asset, separate from gas in storage inventory and valued at historical cost. $8 million, the value of line pack inventory on transition to IFRS, has been transferred to property, plant & equipment.

Non-regulated storage assets. In November 2006, the Ontario Energy Board issued a decision finding that the market for storage services is competitive and they will not regulate the rates for certain storage services. The Company has elected to measure its non-regulated storage assets at fair value, equal to its rate base at that date, with measurement adjustments to reflect IFRS after that date. Those measurement adjustments resulted in $1 million being derecognized on transition to IFRS.

Regulated assets. The Company has elected to measure its regulated assets equal to its fair value at the date of transition. The fair value of the Company's regulated property, plant and equipment has been determined to equal the value of those assets' rate base for rate making purposes at the transition date. This election resulted in a $512 million reduction to retained earnings.

Intangible assets. Under CGAAP, the Company included intangible assets as part of PPE. On transition to IFRS the Company has reclassified $41 million to Intangible assets.

Depreciation and amortization. Under CGAAP, the Company has provided for depreciation of PPE and amortization of intangible assets at rates based on the average service life of each class of property. Under IFRS the Company has provided for depreciation and amortization based on the estimated useful lives of each class of PPE and intangible asset. The impact to comprehensive income for the year ended December 31, 2010 was a decrease to depreciation and amortization of $45 million.

Employee future benefits. The Company has recognized all cumulative actuarial gains and losses on pensions and other post-retirement benefits as at January 1, 2010, directly in equity. This resulted in a $276 million reduction to retained earnings. The impact to comprehensive income for the year ended December 31, 2010 was a reduction to operating and maintenance expense of $19 million and a net other comprehensive loss of $13 million as a result of actuarial losses recognized.

Constructive obligations. On transition to IFRS, the Company has recognized a $63 million constructive obligation reflecting the expected obligations to bring assets in compliance with environmental codes.

Asset retirement obligations. On transition to IFRS, the Company has revised its estimated asset retirement obligations, as measured under IFRS, resulting in a $2 million decrease to retained earnings.

Income taxes. The change in deferred taxes represents the tax impact of the IFRS transition adjustments discussed above, resulting in a $102 increase to retained earnings. The impact to comprehensive income for the year ended December 31, 2010 was a decrease to income tax expense of $21 million.

Presentation adjustments. Certain balances have been reclassified from an asset to a liability position to reflect the change in the account's position resulting from the above transition adjustments.

UNION GAS LIMITED
Comparison of 2013 Revenue Requirement
US GAAP vs. MIFRS

Line No.	Particulars ($millions)	US GAAP	MIFRS	Variance
	Operating Expenses			
1	Operating and Maintenance	377.2	425.8	48.7
2	Depreciation	196.5	195.8	(0.7)
3	Other financing charges	1.2	1.2	(0.0)
4	Property Tax	64.0	64.0	0.0
5	Total Operating Expenses	638.9	686.9	48.0
	Financial Expenses			
6	Long-Term Debt	146.9	146.8	(0.0)
7	Other Interest Expense	(1.5)	(1.6)	(0.1)
8	Total Financing Expenses	145.4	145.2	(0.1)
9	Preferred Dividend Requirements	3.1	3.1	0.0
10	Required return	143.4	142.8	(0.5)
	Provision for Income Tax			
11	Current Income Tax	39.8	56.0	16.2
12	Deferred Income Tax	(15.2)	(15.2)	0.0
13	Total Provision	24.6	40.8	16.2
14	Revenue requirement	955.3	1,018.9	63.6
15	Rate Base	3,741.5	3,727.7	(13.8)
16	Utility equity	1,496.6	1,491.1	(5.5)
17	Benchmark ROE	9.58%	9.58%	
18	Revenue forecast	891.8	891.8	
19	Revenue deficiency	63.5	127.1	63.6

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: EB-2008-0408 Addendum to Report of the Board, June 13, 2011

Preamble:
On page 20 of the Addendum to the Report of the Board, the Board states that: Utilities that file and report under USGAAP (or another accounting standard) should, in general, read references to IFRS and MIFRS in the Board Report, amendments to it and this Addendum to include USGAAP (or alternate accounting standard).

Questions / Requests:

a) Please confirm that Union has read the references to IFRS and MIFRS in the Board Report, amendments to it, and the Addendum, to include references to US GAAP.

b) Please provide Union's view on the impact that these references have on Union for the transitioning to USGAAP.

Response:

a) Yes, Union has read the references to IFRS and MIFRS in the Board Report, amendments to it, and the Addendum to include US GAAP.

b) Union's transition to US GAAP does not require the modifications that are required to use IFRS for ratemaking. The primary reason is that US GAAP provides the ability to recognize regulatory assets and regulatory liabilities that reflect the ratemaking methodologies.

   The only modification required to adopt US GAAP for ratemaking and regulatory updating relates to employee future benefit costs.

   Please see the response at Exhibit J1.1 c) for details.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: EB-2008-0408 Addendum to Report of the Board, June 13, 2011
Adopted Evidence EX. B1.5 (b) Preamble:

On page 19 of this Report, the Board states:

The Board cautions utilities that the adoption of USGAAP as a short term solution may be counter-productive. If a utility is required to transition to IFRS for financial reporting purposes a few years after adopting USGAAP, certain transitional issues may not have been avoided, but delayed…

Union indicated that it will continue to seek recovery of the IFRS transition costs approved by the Board in EB-2010-0039. Union also indicated that Union will seek the recovery of any material conversion costs resulting from the convergence of USGAAP with IFRS over time through a Z-factor adjustment to rates.

Union stated that there are and will be costs incurred in terms of transitioning to USGAAP. Union also noted that these costs are not material and were either expensed in the past or will be expensed in 2011 and 2012 as they are incurred. Union noted that it is not seeking a deferral account for USGAAP transitioning costs.

Questions / Requests:

a) Please provide the amount of the IFRS transition costs approved by the Board in EB-2010-0039 and state if and how any of these costs have been reflected in rates approved by the Board.

b) Please provide the balance of the incremental one-time administrative IFRS transition costs incurred as at December 31, 2011. Please provide the amount which has been approved by the Board to be recovered through rates and discuss how it has been recovered.

c) Please explain how Union proposes to address the Board's concern in regards to the potential incremental costs associated with a possible future transition to IFRS after the transition to USGAAP is completed or if USGAAP converges with IFRS over time.

d) Please confirm that Union is not seeking recovery of the USGAAP transition costs incurred to date in this application. Please advise whether Union will seek recovery of these costs in the future.

Response:

a) Per the EB-2009-0039 settlement agreement, the 2009 IFRS conversion costs are recovered through a deferral account. Union did not adjust delivery rates to include IFRS conversion costs. Please see the Attachment for the IFRS conversion costs per the EB 2009-0039 settlement agreement.

b) Please see the response at Exhibit J1.3 a).

c) Union does not plan to convert to IFRS in the future unless IFRS is converged with US GAAP. The convergence of US GAAP to IFRS will happen over time as standards are changed. Any costs associated with changes in accounting standards are not expected to be material. In the circumstances where costs of conversion are material Union would seek recovery through a Z factor adjustment to rates.

d) Union is not seeking recovery of any US GAAP transition costs in this application. Union's costs related to the transition to US GAAP are not material and have been expensed in 2011. Union does not anticipate seeking future recovery of these costs.

UNION GAS LIMITED

Undertaking of Union Gas
To Board Staff

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

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

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

Impact of the Removal of Capital Costs

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

UNION GAS LIMITED

Answer to Interrogatory from
Association of Power Producers of Ontario ("APPRO")

Ref: Exhibit A2, Tab 4

Union Gas' application was filed on the basis of US GAAP as opposed to IFRS. Please explain the effect on rates for R100, T1 and, if possible, T2 under each scenario.

Response:

Please see the response at Exhibit J1.1 c). If rates were set under IFRS rather than under US GAAP, the revenue requirement would increase by $63.6 million or approximately 6.7%. Union does not have sufficient detail to determine the impacts to specific distribution delivery rates.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: A2, T4

Please provide the costs Union has incurred to date, whether in 2011, 2012 or in 2013, and an estimate of future costs, of planning and implementing the change to US GAAP.

Response:

Union incurred costs less than $0.100 million in 2011 for the transition to US GAAP. No additional costs are expected to be incurred.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: A2, T4

In EB-2008-0408, the Board stated:

"A utility, in its first cost of service application following the adoption of the new accounting standard, must demonstrate the eligibility of the utility under the relevant securities legislation to report financial information using that standard, include a copy of the authorization to use the standard from the appropriate Canadian securities regulator (if applicable) showing any conditions or limitations, and set out the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation."

Please explain in detail, (a) the benefits to the utility and its ratepayers; and (b) the disadvantages to the utility and its ratepayers of moving from Canadian GAAP to US GAAP, compared with moving from Canadian GAAP to IFRS. Please explain each benefit and disadvantage to the company and its ratepayers in detail, with particular attention to the impact on ratepayers. Among other things, please show the impact of the change on the revenue requirement. Please address, among other factors:

i. the differences in capitalization policy under US GAAP and IFRS and the impacts of each on utility earnings and the revenue requirement, compared with Canadian GAAP. Please explain fully each link in the chain leading from the increase or decrease in the amounts capitalized that would be expensed or otherwise accounted for, and the resulting change to earnings and the revenue requirement;

ii. the differences in accounting for depreciation (policies, levels, rates, other) that would result in moving from Canadian GAAP to US GAAP versus IFRS; and

iii. the differences in impact on each of the existing Union deferral accounts from moving from Canadian GAAP to US GAAP, compared to moving to IFRS.

Response:

a) Please see the response at Exhibit J1.1 a).
b) Please see the responses at Exhibits J1.1 b) and J1.1 c).

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: EB-2011-0210, A2, T4, p3 of 6
Employee Future Benefits Expense

In Union's evidence dealing with the creation of a deferral account for the amount recognized in retained earnings associated with transitioning accounting standards and reporting to US GAAP for previously unrecorded pension and post-retirement expenses, Union stated that amount that will remain in the deferral account at the end of 2012 would be approximately 7 million dollars (10 million dollars on January 1, 2012). Under Canadian GAAP, that amount would be amortized as a utility expense over the years 2013 to 2017. Under US GAAP, it must be charged to retained earnings in 2012. In order not to disadvantage ratepayers, can you confirm that Union will propose, when seeking clearance of the account, assuming that one is created or otherwise, to collect the 7 million dollars from ratepayers over the same period, 2013 to 2017, as would have been the case under Canadian GAAP?

Response:

If 2013 rates are based on US GAAP, Union will address the disposition of the proposed deferral account in its application for the disposition of Union's 2012 deferral account balances in 2013.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: A2, T4, P2

"The anticipated impact to Union of the adoption of IFRS is a substantial retained earnings loss and ongoing income statement volatility and uncertainty".

a) Please compare the retained earnings loss at the time of adoption of moving to US GAAP, with the retained earnings loss on the adoption of IFRS. Please identify, quantify and explain for each item, the difference in accounting treatment that contributes for the retained earnings loss.

b) Please explain further the relative increase in "ongoing income statement volatility and uncertainty" in moving to US GAAP relative to moving to IFRS.

Response:

a) Please see the response at Exhibit J1.1 c).
b) Please see the response at Exhibit J1.1 c).

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: A2, T4, P2

a) Please provide details on the difference between US GAAP and Canadian GAAP, other than on the timing of the recording and amortization of unrecorded actuarial losses.

b) With respect to Employee Future Benefits Expenses, how are actuarial losses that may occur and be recognized in the future dealt with under Canadian GAAP, US GAAP, and IFRS? Please explain.

Response:

a) Please see the response at Exhibit J1.1 c).
b) Please see the response at Exhibit J1.1 c).

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: A2, T4, P2
Capitalization Policies

At EB-2011-0268, p. 13, the Board notes that "Some commentators have suggested that one of the primary virtues of the IFRS accounting format is a degree of regularization of capitalization practice". What is the difference in capitalization policies under IFRS, US GAAP, and Canadian GAAP? Does IFRS provide for a more uniform capitalization practice than either US GAAP or Canadian GAAP? Please discuss.

Response:

Although there are some differences between Canadian and US GAAP, both accounting standards recognize the effects of rate regulation which eliminates the differences. The table below compares Canadian GAAP / US GAAP to IFRS and outlines the differences that would apply to Union.

Area / Issue	**Canadian GAAP / US GAAP under Rate Regulation**	**IFRS**
Pre-Construction / Engineering Phase	All costs related to the project are capitalized to work in progress (CWIP) as they are incurred once management decides to engage in the project for business reasons. If a project is abandoned, it is written off to expense in the period in which it is determined that the project will not proceed.	Costs cannot be capitalized to the project until management approval has been received and the funds required to fund the project have been identified. Most pre-construction and engineering costs are incurred prior to project approval and are therefore expensed.
Depreciation Method	Group depreciation is used for all asset classes at UGL, with the exception of 4 plant accounts which are amortized. The vintage group, remaining life technique takes into consideration that there are variations in the service lives of the assets constituting the group. Depreciation stops when the asset class becomes fully depreciated.	For all accounts individual asset accounting is maintained such that the accumulated depreciation associated with each asset or component can be specifically identified. Each individual asset is depreciated over its useful life and depreciation stops when the asset becomes fully depreciated.
Depreciation Rates	Periodic depreciation studies are completed in conjunction with a rate application. The depreciation	Depreciation rates are based on useful life of the individual components identified, taking into

	rate includes two components: investment rate and net salvage. Each asset class has a unique rate. Rates are approved by the Board.	consideration the period over which the asset is expected to be used, not just the economic life. Net salvage is not an allowable component of the depreciation rate.
Treatment of depreciable asset sales / disposals	For depreciable plant, gains and losses are not recognized when assets are sold or otherwise disposed. Gross plant is credited by the value of the component retired and accumulated depreciation is debited by the same amount. The proceeds on sale are recorded as a charge to accumulated depreciation.	Gains and losses are recognized in the income statement when assets are sold or otherwise retired. Gross plant is credited by the value of the component retired and accumulated depreciation is debited for the amount related to the specific asset. The net book value is recorded in the income statement. The proceeds on sale offset the net book value in the calculation of the gain or loss.
Asset Removal Costs	Costs incurred to decommission plant retired are debited to accumulated depreciation.	Costs incurred to decommission plant retired are posted to the income statement and are included on the calculation of the gain or loss on a specific asset.
Administration and General Overhead costs (Indirect Overheads)	Capitalized as overheads to CWIP.	These costs are expense as they are specifically identified as costs that are not property, plant and equipment.
Allowance for funds used during construction	Included in the cost to the project, whether or not long-term debt has been incurred. The rate is prescribed by the OEB and published quarterly.	Included in the cost of a qualifying asset at the weighted average borrowing cost, unless an entity borrows funds specifically for the purpose of obtaining an asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.
Asset Retirement Obligations (ARO)	There is no income statement impact when recording ARO's as the future obligation is already being recovered from customers through the net salvage component of the depreciation rate.	The initial set up of the ARO when the asset is placed into service and the annual accretion required are a charge to the income statement.
Constructive Obligation (there is no legal obligation, but based on either past practise or published policies there is an expectation that UGL will accept or discharge certain responsibilities	Recognition criteria not met for recording and reporting a liability.	If a constructive obligation exists, the liability and asset are established on the books and drawn down over time as the asset is constructed.

All accounting standards require interpretation. Each entity applying the same standard, whether it is Canadian GAAP, US GAAP or IFRS, may interpret the standard in a slightly different manner resulting in differing capitalization practices.

UNION GAS LIMITED

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

Reference: Exhibit A2, Tab 4 and Adopted Evidence

In its Application and in parts of the Adopted Evidence, Union describes the justification for its decision to adopt the USGAAP accounting standard rather than either of the alternatives. We seek information on the accounting standard that other gas distributors in Canada are planning to adopt. In this connection, please provide the following information:

a) Please provide a list of Canadian gas distributors in British Columbia, Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia and indicate to what accounting standard each of these distributors plans to transition effective January 1, 2012, i.e. either:

   i. US GAAP;
   ii. IFRS; or
   iii. Some form of MIFRS.

b) Please advise of the extent to which the plans of each of the foregoing utilities to transition to the new accounting standard referenced above have or have not yet been approved by their regulators.

Response:

Union does not have the information requested.

UNION GAS LIMITED

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

References: Adopted Evidence
Transcript in EB-2011-0025 for January 16, 2012
Volume B — Rate Base
Volume F — Revenue Requirement and Revenue Sufficiency/Deficiency
Volume H — Deferral Accounts

The Adopted Evidence was the subject of some cross-examination questions in the EB- 2011-0025 proceeding on January 16, 2012. The evidence in Volume B shows Rate Base values for 2011, 2012 and 2013. The evidence in Volume F shows Revenue Sufficiencies for 2011 and 2012 of $29.924M and $2.623M respectively. For 2013, there is a Revenue Deficiency shown in the amount of $65.611M. Deferral account balances are the subject matter of evidence in Volume H. The oral evidence provided by Union witnesses on January 16, 2012, in the EB-2011-0025 proceedings indicated that, for accounting purposes, Union plans to transition to USGAAP effective January 1, 2012, and that for comparative purposes, it will be restating its accounting information for the twelve (12) months ending December 31, 2011.

Moreover, regardless of the outcome of Union's request in the EB-2011-0025 proceedings that the OEB establish an account in which Union is authorized to record the December 31, 2012 unamortized actuarial losses related to pension expenses, there is likely to be an issue with respect to the amounts to be recorded in and/or cleared from that tracking account for recovery from ratepayers on or after January 1, 2013. Information provided by the Union witness at the January 16, 2012, EB-2011-0025 hearing indicated that the portion of the unamortized losses at December 31, 2012, not already recovered from ratepayers may be materially less than the $7-$7.3M postulated by Union.

In connection with this evidence, please provide the following further information:

a) In order to assist in the identification of the ratemaking differences between the different accounting standards, please provide, for each of the years 2011, 2012, and 2013, schedules that will show the following ratemaking information for Union under each of the CGAAP, USGAAP and MIFRS accounting standards:

    i. Total Rate Base;
    ii. Total Revenue Requirement;
    iii. Revenue Sufficiency or Deficiency;
    iv. Total Year-end Deferral Account Balances at December 31, 2011, and

estimated balances for December 31, 2012, under each of the foregoing accounting standards; and

v. Please show differences in the amounts of expenses to be capitalized under each accounting standard in each of the years 2011, 2012 and 2013, including the consequential differences in capitalization rates in each year and the consequential impacts on Rate Base and Cost of Service in each year.

b) Will the transition from CGAAP to either USGAAP or MIFRS, have any impact on the accounting of costs incurred for Customer Care and CIS, including the benchmarks derived there from that the Board uses to assist in the evaluation of the reasonableness of such costs for ratemaking purposes? If so, then please describe the impact that each accounting standard will have on such costs compared to the CGAAP accounting standard.

c) Please provide the following information with respect to the issue of the amount of unamortized actuarial losses at December 31, 2012, that might reasonably be recovered from ratepayers commencing on and after January 1, 2013:

i. Confirm that the annual amount recoverable from ratepayers on account of such actuarial losses and embedded in Union's 2007 Base Rates is $3.8M;
ii. Provide the amortization amounts actually charged by Union as expenses under CGAAP in its financial statements in each of the years 2008 to 2012 inclusive;
iii. Provide the total 2007 Base Year revenue requirement and express the amount of $3.8M as a percentage of that Base Year revenue requirement;
iv. Confirm that the total overearnings realized during the course of the five (5) year IRM Plan expiring December 31, 2012, is slightly in excess of $210M; and
v. Advise as to the portion of the total of $210M allocated to ratepayers and the portion allocated to Union's shareholder.

Response:

a)
i. Please see the response at Exhibit J1.1 d).
ii. Please see the response at Exhibit J1.1 d).
iii. Please see the response at Exhibit J1.1 d).
iv. Union’s existing deferral accounts and the 2011 balances would remain the same under all three accounting standards. Upon transition to US GAAP one additional deferral account would be required for employee future benefits. Upon transition to MIFRS Union would need to determine the deferral accounts that would be required. Please see the response at Exhibit J1.1 c) for the deferral impacts if Union transitioned to US GAAP or MIFRS.
v. Please see the response at Exhibit J1.1 d).

b) The transition from CGAAP to US GAAP or IFRS does not have any impact on the costs incurred for Customer Care and CIS activities. The costs expensed would be the same under each standard.

c)

i. The amount embedded in Union's 2007 base rates is $3.6 million.
ii. Please see the response at Exhibit J5.2 a).
iii. The 2007 Board-approved delivery-related revenue requirement is $1,012.7 million, as shown in EB-2005-0520, Rate Order, Working Papers, Schedule 5, p.2, Column (d), Line 13. The cost included in delivery rates for the unamortized losses associated with pension and other post-employment benefits is $3.6 million, not $3.8 million. $3.6 million as a percentage of the 2007 Board-approved delivery-related revenue requirement is 0.36%.
iv. Confirmed. Please see the Attachment.
v. Please see the Attachment.

UNION GAS LIMITED

Comparison of Sufficiency/(Deficiency)

Line No.	Particulars ($000's)	2008	2009	2010	2011	2012	Total
1	Common Equity	1,205,196 [1]	1,253,827 [2]	1,285,309 [3]	1,283,391	1,325,819	-
2	Actual / Forecast ROE	13.35%	11.22%	10.91%	9.90%	8.32%	-
3	Benchmark ROE	8.81%	8.47%	8.54%	8.10%	8.10%	-
4	Sufficiency/(Deficiency) - Pre-Tax	82,280	51,463	44,726 [4]	29,924 [5]	2,623 [5]	211,016
5	Rate Payer Portion	34,170 [6]	7,397 [7]	3,433 [8]	-	-	45,000
6	Shareholder Portion	48,110	44,066	41,293	29,924	2,623	166,016

Notes:

(1) EB-2009-0101, Exhibit A, Appendix B, Schedule 1, Page 1, Line 23.
(2) EB-2010-0039, Exhibit A, Tab 2, Appendix B, Schedule 1, Corrected, Line 28.
(3) EB-2011-0038, Exhibit A, Tab 2, Appendix B, Schedule 1, Line 27.
(4) EB-2011-0210, Exhibit F5, Tab 1, Schedule 1, Line 11.
(5) EB-2011-0210, Exhibit F4, Tab 1, Schedule 1, Line 11.
(6) Per EB-2009-0101 Settlement Agreement.
(7) Per EB-2010-0039 Settlement Agreement.
(8) EB-2011-0038, Exhibit A, Tab 2, Appendix B, Schedule 1, Line 35.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A2, Tab 4, page 3 & Exhibit F1, Tab 1, Table 1

The evidence at page 3 of Exhibit A2, Tab 4 indicates that the differences between CGAAP and USGAAP are far less than the differences that would have existed had Union adopted IFRS.

Table 1 of Exhibit F1, Tab 1 shows that the revenue requirement for 2013 test year is $955.3 million.

a) Please confirm that the $955.3 million is based on US GAAP.

b) Please provide an estimate of the 2013 test year revenue requirement under CGAAP.

c) Please provide an estimate of the 2013 test year revenue requirement under IFRS.

Response:

a) Confirmed.

	$ Millions
b) Estimate of 2013 Revenue Requirement under US GAAP $955.3	
Add: Adjustment for difference between US GAAP and CGAAP related to employee future benefits. Assumes measurement date impact of zero.	$2.8
Estimate of 2013 Revenue Requirement under CGAAP	$958.1

c) Please see the response at Exhibit J1.1 d).

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A2, Tab 4, pages 3-4

a) Please provide an estimate of the amount to be recorded in the deferral account requested in EB-2011-0025 for the amount recognized in retained earnings associated with transitioning accounting standards and reporting to US GAAP for previously unrecorded pension and post-retirement expenses.

b) What is the estimated impact on the 2013 test year revenue requirement on the costs associated with employee future benefits expense based on US GAAP as compared to CGAAP?

c) What would be the estimated impact in each of 2010 through 2012 if the employee future benefits expense was based on US GAAP in each of those years instead of CGAAP?

Response:

a) The amount related to the change in measurement date is not available until the 2012 expense is finalized by the actuary. An estimate of the amount to be included in the deferral account related to the write-off of the transitional obligation at January 1, 2013 is $7.9 million.

The following table outlines the amortization.

	Pension			
	Opening balance	Amortization recorded in the year	Adjustments	Closing balance
2000	25.9	1.8	-	24.1
2001	24.1	1.8	(0.3)	22.0
2002	22.0	1.8	-	20.2
2003	20.2	1.8	-	18.4
2004	18.4	1.7	-	16.7
2005	16.7	1.8	-	14.9
2006	14.9	1.8	-	13.1
2007	13.1	1.8	-	11.3
2008	11.3	1.8	-	9.5
2009	9.5	1.7	-	7.8

2010	7.8	1.5	-	6.3
2011	6.3	1.5	-	4.8
2012	4.8	1.0	-	3.8
2013	3.8	1.0	-	2.8
2014	2.8	1.0	-	1.8
2015	1.8	0.9	-	0.9
2016	0.9	0.9	-	-

	OPEB			
	Opening balance	Amortization recorded in the year	Adjustments	Closing balance
2000	40.0	2.4	-	37.6
2001	37.6	2.4	-	35.2
2002	35.2	2.3	-	32.9
2003	32.9	2.3	(10.6)	20.0
2004	20.0	1.8	-	18.2
2005	18.2	1.8	-	16.4
2006	16.4	1.7	-	14.7
2007	14.7	1.8	-	12.9
2008	12.9	1.8	-	11.1
2009	11.1	1.7	-	9.4
2010	9.4	1.8	-	7.6
2011	7.6	1.8	-	5.8
2012	5.8	1.7	-	4.1
2013	4.1	1.8	-	2.3
2014	2.3	1.8	-	0.5
2015	0.5	0.5	-	-

b) Please see the response at Exhibit J5.1 b). This assumes a measurement impact of zero.

c) The actual US GAAP pension expense for 2012 cannot be calculated until after the 2011 year-end is final and completed by the actuary. The forecasted difference in pension expense for 2012 is as follows:

	Canadian GAAP		US GAAP		Difference	
	Pension	Other	Pension	Other	Pension	Other
* 2012	26,487	8,026	23,651	6,427	2,836	1,599
2011	34,935	7,941	32,805	6,197	2,130	1,744
2010	27,543	7,168	27,482	5,372	61	1,796
2009	16,527	5,706	12,445	3,882	4,082	1,824
2008	14,486	5,501	12,821	3,786	1,665	1,715

* forecasted