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March 27, 2012

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

Re: EB-2011-0210 – Union’s 2013 Rates Application – Updated and Corrected Evidence

Dear Ms. Walli:

In November 2011, Union filed its 2013 rates application and evidence. Given the time elapsed since the filing of the application and new Board directives, Union is filing a limited update to the evidence. Changes to written evidence are noted with a blackline in the right-hand margin and changes to Phase I schedules are noted with a “/u” for an update and “/c” for a correction. All Phase II schedules changed as a result of the update.

Phase I

Union has made the following Phase I changes:

- An update to reflect 2011 year-end results;
- An update to the proposed delivery related revenue deficiency to reflect an adjustment to unaccounted for gas (“UFG”) and pension amounts;
- An update to reflect the 2013 cost impacts resulting from Union’s Board-approved Demand Side Management (“DSM”) 2012-2014 plan (EB-2011-0327);
- A proposal to allocate Short-term Peak Storage revenues between Union’s utility and non-utility businesses;
- An updated list of witnesses;
- Union’s 2011 Annual Report;
- Response to Board directives issued in EB-2011-0038 (Union’s 2010 Deferral Disposition and Earnings Sharing proceeding); and,
- Other minor updates/corrections.

Union’s 2013 rate evidence only reflects changes arising from the updates related to UFG, pensions and DSM. Other impacts as a result of updating 2011 for actuals were immaterial and were not included in the evidence update.

The UFG adjustment noted above is based on the inclusion of 2011 actuals. Since UFG forecasts are derived using a formulaic approach, this 2011 adjustment affects the forecast amounts for 2012 and 2013. The updated 2013 UFG forecast of \$14.2 million is \$9.6 million less than the original total of \$23.8 million. The UFG updates are filed at Exhibits D3, D4 and D5, Tab 2, Schedule 2.

As detailed in the Addendum filed at Exhibit D1, Tab 3, the 2013 pension adjustment is the result of increases in net benefit costs relative to the budget as a result of changes in the discount rate and asset return assumptions. These changes have led to an \$18.5 million increase in Union's overall 2013 forecast pension expense as compared to what was previously filed (\$21.3 million increased to \$39.8 million).

Phase II

Union has made the following Phase II changes:

- Updates related to Phase I adjustments;
- Pursuant to EB-2011-0038 Board Decision, removal of the utility/non-utility split (59:41) for the sharing of short-term storage margin;
- Allocation of property tax costs between distribution North mains grid, joint and sole;
- A correction to the transmission operating expenses in the O&M transmission direct assignments and the general operating and engineering functional allocator; and,
- A correction to the labour O&M costs.

Each of the above noted corrections is consistent with the Board-approved cost allocation methodology. A summary of the revenue requirement impact specific to each update and correction is provided at a new schedule filed at Exhibit G3, Tab 1, Schedule 3.

Impacts

The rates proposed in Union's original evidence were determined based on a forecast of costs and revenues for 2013. Union had proposed to recover a \$66 million revenue deficiency when comparing its 2013 forecast costs and revenues to 2007 Board-approved costs and revenues. The evidence updates noted above result in a revised revenue deficiency of \$71.4 million.

The updated and corrected evidence is available on the Board's RESS and Union's website: (www.uniongas.com). Union will also send CDs containing this evidence to the Board and intervenors.

If you have any questions, please contact me at (519) 436-5476.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

CC: EB-2011-0210 Intervenor
Crawford Smith (Torys)