UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit C1, Tab 7 and Exhibit H1, Tab 4, Appendix C

Union noted that following the NGEIR Decision (EB-2005-0551) Union's practice has been to sell its non-utility storage space on a long-term basis and to sell the excess utility space on a short-term basis. Despite this practice, Union is authorized by the Board to sell non-utility storage space under short-term contracts and retain 100% of the revenues.

Union proposed that when it sells short-term peak storage services using non-utility storage space, the total margins received from the sale of all peak short-term storage be allocated to ratepayers and shareholders based on the utility and non-utility share of the total quantity of peak short-term storage (less than 2 years) sold each calendar year.

Union noted that it is able to give effect to its proposal due to its ability to track what storage assets are being used for each type of storage transaction. At p. 5 of the Board's Decision on Rate Order in EB-2011-0038, the Board indicated that:

"… the Board's findings are informed by Union's ability to track what storage assets are being used for each type of storage transaction and state that the entire amount of utility storage above in-franchise requirements is available for sale as short-term storage services (and all costs of this space is to be paid for by in-franchise customers)."

Union noted that the proposed change does not impact ratepayers. Going forward, Union will continue to sell all excess annual utility storage as short-term peak storage, and likewise 90% of all margins from C1 Off-Peak Storage, Gas Loans, Enbridge LBA, Supplemental Balancing Services, and C1 Firm Short-Term Deliverability will accrue to ratepayers. Union proposed to modify the Short-term Storage and Other Balancing Services accounting order to specify that the revenues are associated with the excess utility space. (Para 1)

Union's proposed revised description for the Short-term Storage and Other Balancing Services Deferral Account is as follows:

To record, as a debit (credit) in Deferral Account No. 179-70 the difference between actual net revenues for Short term Storage and Other Balancing Services including; Peak Short-Term Storage underpinned by excess utility storage assets, Off-Peak Short-Term Storage, Gas Loans and Supplemental Balancing Services and the net revenue forecast for these services as approved by the Board for ratemaking purposes. (Para 2)

a) Please discuss whether Union is planning on selling non-utility storage space as short-term peak storage services in the future. Please highlight whether this is a change from Union's past practices.

b) Please explain why Union can not track only the short-term storage transactions which rely on excess utility storage space and include the entirety of those transactions in the Short Term Storage Deferral Account for margin sharing with ratepayers. Please explain why Union is proposing to use a proportional approach for allocating margins to shareholders and ratepayers.

c) Please explain if and how Union's proportional approach operates to record amounts for sharing in the Short Term Storage Deferral Account. Please provide an example using the 10PJ / 13PJ scenario provided in Union's evidence at Exhibit C1, Tab 7.

d) Please explain the differences in language between stating that 90% of all margins from C1 Off-Peak Storage, Gas Loans, Enbridge LBA, Supplemental Balancing Services, and C1 Firm Short-Term Deliverability will be accrue to ratepayers (Paragraph 1 cited in the preamble) and what is stated in Paragraph 2 (also cited in the preamble).

e) Does Union agree that the following description for the Accounting Order is more transparent:

To record, as a debit (credit) in Deferral Account No. 179-70 the difference between actual net revenues for Short term Storage and Other Balancing Services including; Peak Short-Term Storage underpinned by the excess utility storage assets (above utility requirements and below the 100 PJ fixed utility asset), Off-Peak Short-Term Storage, Gas Loans and Supplemental Balancing Services and the net revenue forecast for these services as approved by the Board for ratemaking purposes.

Response:

a) Subject to the Board's approval of Union's proposed approach to sharing revenue from the sale of short-term peak storage services and the appropriate market conditions, Union will sell short-term peak storage service using non-utility space. This is a change from Union's past practices.

b) Union is able to trace the individual short-term peak storage transactions and could assign the individual storage transactions as utility transactions or non-utility transactions. Rather than assigning individual transactions as utility or non-utility, Union has proposed to proportion total short-term peak storage revenue based on the utility/non-utility share of the total quantity of short-term peak storage sold to avoid any opportunity for Union or ratepayers to be advantaged relative to the other due to timing of the transactions.

c) Union's proportional approach will allocate the net revenues, related to short-term peak storage services between utility and non-utility sales. The portion allocated as utility sales will be the amount recorded in the deferral account.

Each year the excess utility storage will be compared to the total sales of short term peak storage. That ratio will then be applied to the total net revenues from short-term peak storage and that amount will be included for deferral in account 179-70. The remainder of the net revenue from short-term peak storage would accrue to the shareholder as it was generated using non-utility storage assets.

Please see Attachment 1 for a numerical example.

d) 90% of all margins from C1 Off-Peak Storage, Gas Loans, Enbridge LBA, Supplemental Balancing Services, and C1 Firm Short-Term Deliverability arising from the sale of excess utility space will accrue to the ratepayer. Excess utility space is the difference between 100 PJ and the in-franchise storage requirement (EB-2005-0551 Decision, pp. 101-103).

Non-utility space is all space in excess of the 100 PJ and all revenues, whether short-term or long-term, accrue to the Company (EB-2005-0551 NGEIR Decision, pp. 103-104).

e) Union confirms the description provided for the Accounting Order is more transparent.

UNION GAS LIMITED
Southern Operations Area
Example of Allocation of Short Term Peak Storage Sales between Utility and Non-Utility

Line No.	Particulars		Utility Storage Space (PJs)	Short Term Peak Storage Sold (PJs)	Revenue from Short Term Peak Storage ($ millions)
1	Net Revenues from Short Term Peak Storage	(1)			8.00
2	Total Short Term Peak Storage Sales			13.0	
3	Storage Space reserved for Utility		100.0		
4	Utility Storage Space Requirement	(2)	90.0		
5	Excess Utility Storage Space (Line 3 - Line 4)		10.0		
6	Total Utility Short Term Peak Storage Sales (Line 5)			10.0	
7	Total Non-Utility Short Term Peak Storage Sales (Line 2 - Line 6)			3.0	
8	Short Term Peak Storage Net Revenues - Utility (Line 1 * (Line 6 / Line 2))	(4)			6.15
9	Short Term Peak Storage Net Revenue - Non Utility (Line 1 * (Line 7 / Line 2))	(5)			1.85

Notes: (1) Total net revenues from sales of short term peak storage services for the calendar year.
(2) Total in-franchise storage space requirement for October 31 of calendar year.
(3) All values, with the exception of "Storage Space Reserved for Utility", are for illustrative purposes and are neither actual or forecast.
(4) Short Term Peak Storage net revenues available for deferral.
(5) Short Term Peak Storage related to non-utility storage excluded from deferral calculations.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exh H1/Tab 4/Apdx B

The Deferral Account Summary Table at Exhibit H1, Tab 4, Appendix B notes that the following accounts will be continued:

- Long-Term Peak Storage Deferral Account
- Cumulative Under-Recovery – St. Clair Transmission Line Deferral Account
- Impact of Removing St. Clair Transmission Line from Rates

a) Please confirm that Union intends to close the above noted accounts in accordance with recent Board orders. If not, please explain why.

Response:

a) Union confirms it has closed the following deferral accounts:

- 179-72 Long-Term Peak Storage services effective January 1, 2012.
- 179-121 Cumulative Under-Recovery – St. Clair Transmission Line effective April 1, 2012.
- 179-122 Impact of Removing St. Clair Transmission Line from Rates effective April 1, 2012.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 4, Appendix B, Updated & Exhibit A1, Tab 6, Updated

a) Please explain why Deferral Account Nos. 179-126 and 179-127 appear in Tab 6 of Exhibit A1, Updated but do not appear in the deferral account summary shown in Appendix B to Exhibit H1, Tab 4, Updated. Have these accounts been closed? If yes, please provide a reference to the Board decisions. If no, what is Union's plan for these accounts?

b) Please explain why Deferral Account No. 179-72 appears in H1, Tab 4, Appendix B, Updated, but not in Exhibit A, Tab 6, Updated.

Response:

a) and b)

179-72: Long-Term Peak Storage Services
179-126: Demand Side Management Incentive
179-127: Pension Charge on Transition to US GAAP

Union received approval to create Deferral Account Nos. 179-126 and 179-127 and to close Deferral account No. 179-72 as part of Union's 2012 application (EB-2011-0025) effective January 1, 2012. At the time Union filed its 2013 Rates application (EB-2011-0210) the Board had not issued its decision for Union's 2012 rates application. Since Union did not have approval to create or close the above deferral accounts they were not included in Union's 2013 Rates application. The Board issued Partial Decisions and Orders for Union's 2012 Rates application on November 14, 2011 and February 23, 2012 (corrected March 1, 2012). Union updated the accounting orders at Exhibit A, Tab 6 only for the Board's decision.

Accounts 179-126 and 179-127 were opened effective January 1, 2012 and have not been closed. Account No. 179-126 will be used to record the shareholder incentive earned by the Company in relation to its Demand Side Management (DSM) Programs. Account No. 179-127 will be used to record the amount recognized in retained earnings associated with transitioning accounting standards and reporting to US Generally Accepted Accounting Principles (GAAP) for previously unrecorded pension expenses.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit H, Tab 4, Appendix B &
Exhibit A1, Tab 6, Deferral Account # 179-126 and #179-127

Please provide the status of these Accounts and whether they will be used in 2013.

Response:

The Demand Side Management Incentive deferral account (No. 179-126) was opened effective January 1, 2012 and is expected to have a balance in 2013. The Pension charge on Transition to USGAAP deferral account (No. 179-127) was opened effective January 1, 2012. Its use in 2013 is contingent upon the disposition of the 2012 balance through the 2012 Deferral Disposition proceeding.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit H1, Tab 4-Technology and Innovation Canada ("ETIC")

a) Confirm that Union proposes that this account will operate to refund ETIC costs under $5 million.

b) What is Unions current (April 1, 2012) base commitment (contractual) to ETIC for 2013?

c) What is the expected incremental cost forecast for new projects?

d) Breakdown how the $5 million is calculated in terms of existing (April 1, 2012) and proposed new 2012 and 2013 commitments.

Response:

a) Confirmed. Please see the response at Exhibit J.DV-1-4-2.

b) Please see the response at Exhibit J.D-7-5-1.

c) Please see the response at Exhibit J.D-7-5-1.

d) The breakdown has not yet been established. Please see the response at Exhibit J.D-7-5-1.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit H1, Tab4- GDAR Costs (Deferral Account No.179-112)

a) Why is this account still needed for 2013?

b) What activities will require DA Account protection in 2013?

c) Please provide balances recorded in 2011 and 2012 YTD.

Response:

a) As indicated in EB-2012-0087, the Gas Distribution Access Rule (“GDAR”) Costs deferral account will capture the costs associated with implementing the Board’s changes to the GDAR related to amendments to residential customer service standards (EB-2010-0280) in 2012. The GDAR Costs deferral account will also track costs associated with the implementation of low-income natural gas customer service measures. Union expects that these costs will also be incurred during 2012.

   Although, Union does not anticipate any specific costs will be deferred to the GDAR deferral account in 2013, Union is not proposing to close the account at this time.

b) Please see the response at a) above.

c) No balance was recorded in 2011. The balance recorded in 2012 is $0.736 million.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition ("VECC")

Ref: H1 T4 page 1

Union plans to file an application for final disposition of the 2011 year-end deferral account balances early in 2012 as soon as the year-end balances are known. This approach is consistent with the approach taken to dispose of the 2010 year-end deferral account balances (EB-2011-0038) and the requirements of Section 36 (4.2) of the OEB Act.

Please confirm that Union is not proposing the clear any existing deferral or variance accounts in relation to any year as part of this (the EB-2011-0210) proceeding. If Union is proposing to clear any existing deferral or variance accounts in this proceeding please provide details as to which accounts and the amounts proposed for clearance.

Response:

Union confirms it is not proposing to clear any deferral account balances as part of this (EB-2011-0210) proceeding.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition ("VECC")

Ref: H1, T4, page 4

Technology and Innovation Canada ("ETIC")

This account will track the difference between actual spending for ETIC and the amount approved for recovery in rates.

a) Please explain how Union proposes the Board distinguish between costs recorded in the proposed ETIC account that would be legitimately recoverable as "actual spending for ETIC" and costs which should not be recoverable. For example, if for 2013 Union claims to have spent $4.5 million in ETIC spending with a corresponding proposed credit to ratepayers of $.5 million (assuming $5M of ETIC spending is embedded in rates) how is the Board to evaluate the appropriateness of the claimed $4.5M in spending?

b) Please explain any concerns Union has with, instead of a proposal to track the variance between $5M (or some other approved maximum ETIC budget) embedded in rates and any under spending of that amount, a proposal to allow Union to track up to $5M (or some other approved maximum ETIC budget) in ETIC related spending in an ETIC deferral account with a Board review of the appropriateness of the tracked spending.

Response:

a) Union will bring forward evidence in its deferral disposition proceeding comparing actual ETIC spending to the level of ETIC spending included in rates. The Board and intervenors will have the opportunity to review the prudence of the spending in that proceeding.

b) Although it is Union's preference to include the ETIC funding of $5 million in rates and true-up the spending through a deferral account if the Board found that a deferral account that would track up to $5 million in ETIC related spending was appropriate, Union would have no objections.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition ("SEC")

Ref: Exhibit H1, Tab 4, Schedule 3

Please explain the new purpose of the Average Use per Customer deferral account in a year in which the Applicant is not under an incentive regulation formula. Please confirm that the Applicant is proposing to remove the risk in a cost of service year that its forecasts for general service volumes are accurate. If this is not the case, please provide an analysis of the change in risk associated with the proposed use of this deferral account in a cost of service year.

Response:

Please see the response at Exhibit J.DV-4-2-2.

UNION GAS LIMITED

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

Ref: Exhibit C1, Tab 3, Updated & Exhibits C3, C4, C5 & C6, Tab 4, Schedule 1, as Updated.

a) Please provide a table that shows the revenue, costs and margins in the same format as the table shown as Attachment 1 to Exhibit C3/C16/C33.2 in EB-2007-0606 for each of the deferral accounts for transmission-related transactional services that were eliminated in EB-2007-0606 for the period 2010 through 2013, including actual data for 2011.

b) Please provide a reconciliation of the revenues used in the response to part (a) above with the revenues shown in Schedule 1 of Tab 4 in Exhibits C3 through C6, along with those discussed in Exhibit C1, Tab 3, Updated.

Response:

a) Please see Attachment 1. Union notes that had the transmission-related deferral accounts been in place over the IR term, the revenues and costs associated with these transactions would be excluded from the earnings sharing calculation.

b) Please see Attachment 2.

Summary of C1 Short-Term Transporation Service Block
For the Years Ending December 31
($000's)

Line No.	Particulars	Actual 2010 (a)	Actual 2011 (b)	Forecast 2012 (c)	Forecast 2013 (d)
	Total C1 Short-Term Transporation Service Block Previously Account #179-69				
1	Revenue	33,100	44,245	32,186	20,186
2	Less: Costs	12,557	9,965	9,040	6,448
3	Gross Margin	20,543	34,280	23,146	13,738
4	Less: Board Approved Margin in Rates	6,883	6,883	6,883	13,738
5	Hypothetical Deferred Margin	13,660	27,397	16,263	-

Reconciliation of C1 Short-Term Transporation Service Block Revenues
For the Years Ending December 31
($000's)

Line No.	Particulars		Actual 2010	Actual 2011	Forecast 2012	Forecast 2013
			(a)	(b)	(c)	(d)
1	C1 Short-Term Transportation and Exchanges Revenue	(1)	32,554	44,228	32,186	20,186
2	M12 Transportation Overrun/Limited Firm	(2)	546	17	-	-
3	Total C1 Transportation Service Block Revenue		33,100	44,245	32,186	20,186

Note:
(1) As reported Exhibit C1, Summary Schedule 5, Line 4.
(2) Included as part of Exhibit C1, Summary Schedule 5, Line 1.

UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 1, Schedule 1, page 8

Union states that "the change in flow patterns has created significant uncertainty for gas flows on Union's Dawn-Parkway transmission system. This uncertainty is expected to continue well beyond the 2013 test year."

a) How does this uncertainty affect Union's ability to accurately forecast short-term transportation revenues for 2013?

Response:

a) The factors that impact the Dawn-Parkway system may also have an impact on the 2013 Short-term Transportation Forecast. The Short-term Transportation Forecast for 2013 has taken into account market conditions, available downstream capacities, and recent experience resulting from the changes in flow patterns. This includes turnback on the Dawn-Parkway system, the Parkway-Maple constraint, and market prices. However, the diversity of transportation paths included in this segment of the forecast, including St. Clair/Bluewater to Dawn, Ojibway to Dawn, and Dawn to Parkway, moderates the impacts of the uncertainty.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 4, page 3, Updated

a) Please explain why Union Gas wants to maintain the average use per customer deferral account for a cost of service rebasing year.

b) If the Board approves the continuation of the average use per customer deferral account for the general service customer classes, does this eliminate the forecast risk associated with the margin impact of the average use for these general service customer classes? If not, please explain.

Response:

a) There is no need for the Average Use Per Customer (AU) deferral account in 2013. However, Union wishes to keep it available as a possible component of its next multi-year incentive regulation proposal.

b) Board approval of the continuation of the AU deferral account would allow it to be a possible component of Union's next multi-year incentive regulation proposal.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 4, page 3, Updated

Union is proposing to continue the average use per customer deferral account for the general service classes.

a) Please explain why Union is not proposing an average use deferral account for contract rate classes.

b) Does the average use per customer deferral account applied to the general service rate classes have impact on the weather risk? If the answer is yes, please explain.

c) Does the use of an average use per customer deferral account for some rate classes and not for others reduce the business (forecast) risk for some rate classes relative to other rate classes? If the response is no, please explain and confirm that removal of the average use per customer deferral account for the general service rate classes does not increase the business (forecast) risk for those rate classes relative to the other rate classes that do not have a similar deferral account.

Response:

a) The average use ("AU") deferral account for the general service rate classes was established to address declining revenues attributable primarily to non-DSM related efficiency gains over the incentive regulation term. Union's general service rate classes are homogenous in that gas is primarily used for space and water heating (i.e. common load profile and technology). Also, factors that influence consumption are generally applicable across the class.

   Contract customers are not homogenous varying dramatically in consumption and load factor. Over the current incentive regulation, Union has been required to manage consumption variances for contract rate classes Union will consider as part of its proposals related to the next generation incentive regulation framework whether or not to propose a variance account to capture volume changes in the contract market.

b) No. The average use deferral account does not impact weather risk as the average use is calculated based on weather normalized data.

c) Please see the response at Exhibit J.DV-4-2-1 b).

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 4, pages 2-3, Updated

Union is proposing to change the working in Account No. 179-70 for Short-term Storage and Other Balancing Services to reflect an updated list of revenues included in the account.

a) Are there any sources of revenue that Union is aware of that may materialize in the future that would be based on the use of utility storage space in excess of in-franchise requirements up to the 100 PJ of space that is not included in the proposed list of revenues? If yes, please provide details and explain why Union has not included these revenues in the proposed list.
b) Does Union agree that any source of revenue that is received based on the use of the regulated utility storage space that is not included in the proposed list should be included in the deferral account? If not, please explain why not.

Response:

a) No.

b) Union expects to sell the space in excess of in-franchise requirements up to 100 PJ on a short term basis. The net revenue from these transactions would be deferred and shared with rate payers.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit H1, Tab4- Average Use Per Customer (Deferral Account No. 179-118)

a) Clarify exactly Union is proposing for 2013.

b) Will the AU account record differences from forecast as in the past or is 2013 considered a Cost of Service Year where such mechanisms are not usually approved?

c) What is the sensitivity of the 2013 Revenue Requirement to a 1% change in AU forecast for the General Service classes?

d) Does continuing the AU deferral account decrease Unions Weather related Business and Financial risk relative to a Cost of Service year without DA protection?

Response:

a) Union is proposing to eliminate the wording that limits the account's applicability to 2008 through 2012.

b) The AU account will not record differences from forecast for 2013 because 2013 is a cost of service year. The earliest that the AU deferral account would be used is in relation to 2014, assuming that there is an incentive regulation framework in place at that time and that the AU true-up is a feature of that framework.

c) Please see the response to b) above.

d) Please see the response at Exhibit J.DV-4-2-2.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 4, Appendix C

The proposed wording for Deferral Account No. 179-70 refers to Peak Short-Term Storage services that are provided from "excess utility storage assets".

a) How does Union define "excess utility storage assets" in this context?

b) Why does Union propose to exclude revenue from Peak Short-Term Storage services provided from utility storage assets that are not included in the definition of "excess utility storage assets"?

c) Would Union agree to change the proposed wording from "excess utility storage assets" to "utility storage assets"? If Union would not agree to this change, please provide an explanation.

Response:

a) Excess utility storage assets is the difference between the storage space required by the utility for the upcoming storage year and the 100 PJ of storage space reserved for utility use.

b) Union's current practice is to sell Short-term Peak Storage Services from excess utility assets. Please see the response at J.DV-1-1-1 for Union's proposal.

c) No, it is not appropriate to change the proposed wording. It is only the net revenue earned on the "excess" utility storage assets that are subject to deferral and sharing.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 4, Appendix C

Please explain why Deferral Account No. 179-70 should not be modified to include long-term storage services provided from utility assets.

Response:

Please see the response at Exhibit J.C-4-10-9 a).