UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener

Ref: RP-2003-0063 Decision

a) Does Union intend to continue or enhance checkpoint balancing? If so, why and what changes are being considered and when would they be implemented?

b) Are any of the following improvements to Unionline planned? If so, when would they be implemented, and at what cost and which customers would bear the cost for each improvement?

- Include real time meter reads / consumption data
- Vendor Consolidated Billing (has Union received any requests?)
- Other changes to accommodate Gas Vendor program

Response:

a) Union has no plans to change the current checkpoint balancing requirements.

b) There is no plan to enable real time meter reads/consumption data.

Union has not received any requests to pursue Vendor Consolidated Billing.

There are no other planned changes to accommodate Gas Vendor programs.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 1, page 51

Union states "In the EB-2011-0257 Decision with Reasons, the Board approved Union's proposed rate design for the M12 and C1 Kirkwall to Parkway transportation services. On page 6 of its EB-2011-0257 Decision, the Board directed Union to review the cost allocation and rate design methodology of the proposed M12 and C1 Kirkwall to Parkway transportation services as part of its 2013 rebasing application."

a) By way of schematic showing design day flows and detailed worksheets showing all calculations, please provide the complete calculation of Dawn-Parkway rates including all in-franchise allocations, M12 and M12-X rates, and C1 rates including Dawn-Kirkwall, Kirkwall-Parkway and Dawn-Parkway.

b) Please provide all principles and assumptions and any considerations of alternative means of developing these rates.

Response:

a) Please see the response at Exhibit J.G-1-7-4 for schematics of Union's Dawn-Parkway system.

Please see Attachment 1 for Union's M12 rate design. Please also see Exhibit H3, Tab 8, Schedule 2, Updated for Union's M12-X rate design. The C1 Dawn-Parkway transportation rates are equal to M12 transportation rates.

Please see Exhibit G3, Tab 2, Schedule 12, pages 1 to 3 for the allocation of the Dawn Station Demand costs to all rate classes.

Please see Exhibit G3, Tab 2, Schedule 14, pages 1 to 3 for the allocation of the Dawn-Trafalgar Easterly Demand costs to all rate classes.

The in-franchise revenue requirements for Dawn Station Demand and Dawn-Trafalgar Easterly Demand are recovered in Union's distribution rates.

b) Please see the response at Exhibit J.G-1-1-2 b).

Southern Operations Area
M12 Rate Design
Effective January 1, 2013

Line No.	Particulars		Westerly: Parkway to Kirkwall/Dawn (a)	Easterly: Dawn to Parkway (b)	Easterly: Dawn to Kirkwall (c)	Easterly: Kirkwall to Parkway (d)	Total (e)	Dawn Compression (f)
	Revenue Requirements ($ 000's)							
1	Dawn Easterly Demand	(1)					125,884	
2	System Integrity						1,026	
3	Total Transportation excl. Dawn Compression						126,910	
4	Dawn Compression	(2)						15,485
	Allocation Units 103m3							
5	Easterly Demands	(3), (4), (5)		105,397	19,223	3,116	127,736	
6	Distance (km)			228.94	188.67	40.27		
7	Distance weighted $10^6 m^3$ /km (line 5 * line 6)			24,130	3,627	125	27,882	
8	Revenue Requirement ($ 000's) (line 3 allocated using line 7)			109,831	16,508	571	126,910	
	Westerly Demands ($10^3 m^3$)							
9	Demand from C1	(6)	9,562					
10	Demand from Westerly M12-X	(7)	10,358					
11	Total Westerly Demands		19,920					
12	Commoditized (line 11 x 12 / 365)		655					
13	Recovered over 100 days (line 12 * 100)		65,490					
14	Units split between Parkway & Kirkwall (line 13 allocated using line 7)			56,676	8,519	295	65,490	
	Dawn to Parkway Annual Demand Units ($10^3 m^3$)							
15	Dawn to Parkway Demand 12 months	(8)		1,247,384				
16	Dawn to Parkway Demand 10 months	(9)		17,219				
17	Dawn to Parkway Demand 3 months	(10)		159				
18	Westerly Demand Units (line 14, col (b))			56,676				
19	Total Annual Billing Units (lines 15 + line 16 + line 17 + line 18)			1,321,437				
20	Dawn to Parkway Demand Rate ($/$10^3 m^3$) (line 8 / line 19)			83.114				
21	Westerly Demand Rate (line 20 * 100 / 365)		22.771					
	Westerly Revenue Adjustment ($ 000's)							
22	Annual Revenue (col. (a) line 11 * line 21 * 12 / 1000)				5,443	5,443		
23	Portion to Parkway (line 22 allocated using line 7)				4,711	4,711		
24	Net revenue requirement reduction to Kirkwall (total) (line 22 - line 23)				733	733		
25	Dawn to Kirkwall & Kirkwall to Parkway revenue requirement reduction (line 24 allocated using line 7)				708	24		
26	Revenue requirement to be recovered ($000's) (line 8 - line 25)				15,800	547		
27	Annual billing units Dawn to Kirkwall ($10^3 m^3$) (line 5 * 12)				230,680			
28	Annual billing units Kirkwall to Parkway ($10^3 m^3$) (line 5 * 12)					37,390		
29	Dawn to Kirkwall Demand Charge ($/$10^3 m^3$) (line 26 * 1000 / line 27)				68.495			
30	Kirkwall to Parkway Demand Charge ($/$10^3 m^3$) (line 26 * 1000 / line 28)					14.620		
	Dawn Compression Annual Billing Units ($10^3 m^3$)							
31	Dawn to Parkway 12 months (line 15)							1,247,384
32	Dawn to Parkway 10 months (line 16)							17,219
33	Dawn to Parkway 3 months (line 17)							159
34	Dawn to Kirkwall (line 27)							230,680
35	Total Easterly M12 Demand (line 31 + line 32 + line 33 + line 34)							1,495,441
36	Dawn Compression Demand Charge ($/$10^3 m^3$) (line 4 * 1000 / line 35)							10.355
	Demand Charges: $/$10^3 m^3$							
37	Parkway to Kirkwall/Dawn (line 21)		22.771					
38	Dawn to Parkway with compression (line 20 + line 36)			93.469				
39	Dawn to Kirkwall with compression (line 29 + line 36)				78.850			
40	Kirkwall to Parkway without compression (line 30)					14.620		

Notes:
(1) Exhibit G3, Tab 2, Schedule 14, page 2 and Exhibit H3, Tab 8, Schedule 1, line 4.
(2) Exhibit G3, Tab 2, Schedule 12, page 2.
(3) Exhibit H3, Tab 1, Schedule 2, page 9, line 5 col (a), line 6 *10/12, line 7*3/12, line 8, line 9.
(4) Exhibit H3, Tab 1, Schedule 2, page 9, line 1 col (a), line 2 *10/12, line 3*2/12, line 4.
(5) Exhibit H3, Tab 1, Schedule 2, page 9, line 11 col (a), line 12 *2/12.
(6) Exhibit H3, Tab 1, Schedule 2, page 11, line 4 col (a), line 5*3/12.
(7) Exhibit H3, Tab 1, Schedule 2, page 9, line 10 col (a).
(8) Exhibit H3, Tab 1, Schedule 2, page 9, line 5 col (a) * 12, line 8 * 12, line 9 * 12.
(9) Exhibit H3, Tab 1, Schedule 2, page 9, line 6 col (a) * 10.
(10) Exhibit H3, Tab 1, Schedule 2, page 9, line 7 col (a) * 3.

UNION GAS LIMITED

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

Ref: Exhibit A1, Tab 15

Please confirm that the Applicant is not seeking approval from the Board for the definitions contained in the Glossary.

Response:

Confirmed.

UNION GAS LIMITED

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

Please provide a forecast for the test year and the following IRM years of the percentage utilization of Union's St. Clair Line.

Response:

Please see the response at Exhibit J.C-4-14-2 for the percentage utilization of Union's St. Clair Line.

UNION GAS LIMITED

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

Ref: At page 9 of its 2011 Annual Report,

Union states that the need for the St. Clair Line was largely replaced by the construction of the Vector Pipeline and its interconnection with the Sarnia Industrial Line in 2005, such that the St. Clair Line was underutilized (our emphasis).

a) Please prepare an annotated map showing the interconnection of the Vector Pipeline to the Sarnia Industrial Line, in relation to Dawn, the St. Clair Pipeline (NEB regulated), the Bluewater Pipeline, and the Union St. Clair Line, the Great Lakes/TCPL connection, and any other pipelines that connect with Dawn.

b) Please describe the Union Service Industrial Line, including its purpose, when it was constructed, diameter, and pressure, and what loads are served off it. Does it serve the entire Sarnia area load, or just certain large industrial loads? Please explain fully and include a map.

c) (i) When was the Vector Line connected? What is current capacity? Is it at capacity currently? What are its receipt points and delivery points?

(ii) Does the gas coming on the Vector Line displace gas from Dawn, and supply large industrial load at Sarnia, all of the time, part of the time? Union's supply accessed through Vector is integrated into Union's total supply.

d) Is the Sarnia Industrial Line bidirectional?

e) How much capacity does Union hold on the Vector line? What are the terms and conditions? Please provide a copy of or link to, the Vector tariff, its General Terms and Conditions, and any contract templates.

f) Does Union currently own an interest in Vector? What is its interest? If not, has Union ever had an ownership interest? If so, what percentage, and when was it directed?

g) How is the ownership of the Vector pipeline structured in the United States and Canada? Are there separate Vector companies for the US and Canada; is the river crossing pipe held by a separate, NEB regulated company?

Response:

a) Please see Attachment 1.

b) The Sarnia Industrial Line is the main trunk pipeline within the Sarnia Industrial System. Its purpose is to deliver gas to customers connected to it and accept gas from pipelines connected to it. The Sarnia Industrial Line consists of an NPS 12 (1956), NPS 20, (2002 and 2007) and NPS 16 (1992 and 2007) pipeline.

   The Sarnia Industrial Line operates with a Maximum Operating Pressure of 6620 kPag.

   The Sarnia Industrial System services the city of Sarnia and surrounding municipalities, including small industrial/commercial. The Sarnia Industrial System also serves many large industrial customers in the Sarnia area.

c)
   i. The Vector line was placed into service in July of 2000. The rated design capacity is 1.5 Bcf/day. Union cannot comment on whether Vector's line is at capacity as it is not the pipeline operator. Union's delivery point on Vector is Dawn. The Dawn delivery point has two locations (Dawn and Courtright). Dawn-Vector is the receipt point.

   ii. Union uses it Vector supply to feed our in-franchise market. Sarnia is one of Union's in-franchise markets. Sarnia market can be fed from several pipeline interconnects. The utilization of Vector supply depends on activity at the other interconnects.

d) No. The Sarnia Industrial Line acts as a supply header to the Sarnia Market. There are several supply points and market points along its length.

e) Since the preparation of this evidence Union has entered into a 1-year contract for Vector capacity amounting to 10,551 GJ/d effective Nov 1, 2011. Union now holds 180,416 GJ/d of upstream capacity on Vector. The terms and conditions for Union are referenced in Vector's tariff.

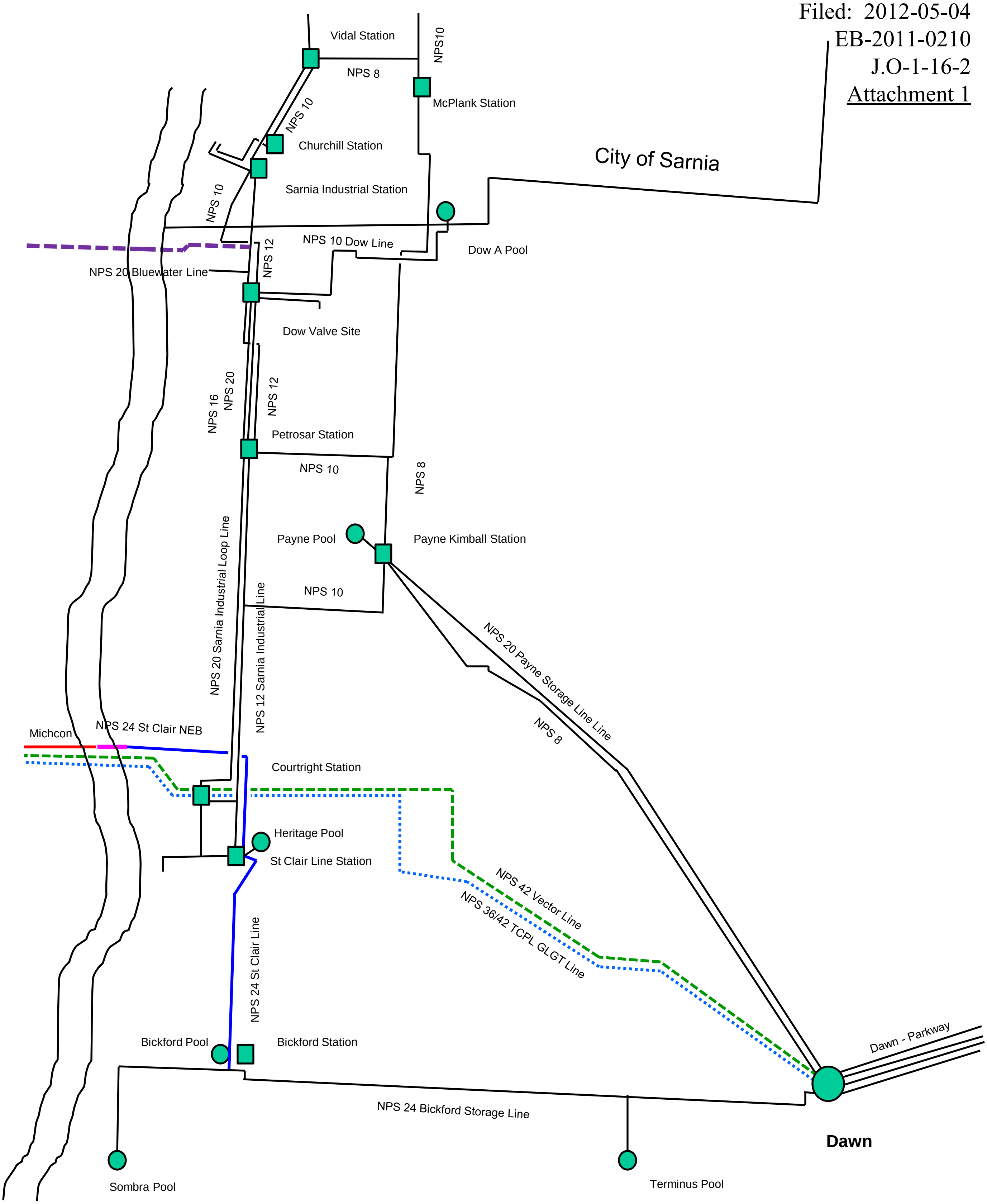
   Link to Vector's General Terms and Conditions
   http://www.vector-pipeline.com/Reports/reportPdf_vector.aspx?pl=0&rptSite=15&rpt=/WorkArea/downloadasset/13485/Vector_Tariff.aspx%23103&tmi=2338&tmt=5

   Link to Vector's contract templates
   http://www.vector-pipeline.com/vector/main.aspx?id=13489&tmi=13489&tmt=1

f) Neither Union nor any of its affiliates have an ownership interest in the Vector Pipeline.

g) Union does not have information on Vector's ownership structure.

Filed: 2012-05-04
EB-2011-0210
J.O-1-16-2
Attachment 1



Sarnia Industrial System Schematic

UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 1, Schedule 2, Updated

a) Please show the sensitivity of the deficiency/sufficiency of an increase in the NAC of 1% for the rates M2 and 10.

b) Please add the sensitivity of the deficiency/sufficiency of a change of 1% for salary and wage increases in 2013. Please also show the impact on the deficiency/sufficiency of a cumulate change of 1% in salary and wage increases in 2012 and 2013 on the 2013 deficiency/sufficiency.

Response:

a) An increase in the NAC of 1% for rates M2 and10 would decrease the deficiency by $0.543 million.

b) An increase of 1% for salary and wages (including variable pay) in 2013 would increase the deficiency by $1.522 million.

   A cumulate increase of 1% for salary and wages (including variable pay) in both 2012 and 2013 would increase the deficiency by $3.048 million.

UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 3, Schedule 1, page 2 & Appendix A

The evidence at page 2 indicates that the budget assumptions were updated in August 2011 and are reflected in the updated Economic Assumptions which can be found in Appendix A. However, the note in Appendix A indicates that many of the economic and key assumptions are based on the January, 2011 Consensus Economics.

a) Please reconcile the above statements.

b) Please provide a table in the same level of detail as found in Appendix A for 2012 and 2013 that shows the forecasts based on January, 2011 data, August, 2011 data and the most recent data currently available.

c) Please confirm that the budgets were based on the August 2011 assumptions and not the January 2011 assumptions. If this cannot be confirmed, please provide the precise assumptions which are reflected in the application.

d) How does Union determine the housing start forecast for its franchise area?

e) Please provide the forecast of housing starts for Ontario for 2012 and 2013.

f) Please provide actual housing start statistics for Canada, Ontario and the Union Franchise area for each of 2007 through 2011.

g) The Board's current CWIP rate is 3.51%. Please provide the impact on the capital additions closed to rate base in 2012 and 2013 if this rate is used instead of the 4.29% used by Union.

Response:

a) The budget assumptions were reviewed in August. The only change considered material was the Salary and Wage Increase assumption. As a result, the Salary and Wage Increase assumption was reduced to the level shown in Exhibit A2, Tab 1, Schedule 1, Appendix A. No other updates were made.

b) Please see Attachment 1. The January 2011 Consensus Economics forecast did not have data for 2013. The 2012 Consensus Economics data was used for both 2012 and 2013 except for Housing starts which was estimated internally. Union's customer attachment forecast methodology is discussed at Exhibit B1, Tab 3.

c) Please see the response to a) above.

d) Union prepares a forecast estimate of total housing starts for Ontario based on a consensus of estimates prepared by ten external forecasters. The ten forecasters include financial institutions (e.g. RBC, BMO, TD etc.) and economic consultancies (e.g. Global Insight, Consensus Economics). The consensus estimate in each forecast year is the sample average. When the 2013 forecast was prepared in January 2011, all the forecasters provided for 2011and 2012 and several provided estimates for 2013. The most recent consensus of total housing start estimates for Ontario prepared in April 2012 is provided at Exhibit J.O-2-2-5 a).

e) The forecast total number of housing starts for Ontario for the years 2012 and 2013 are 59,132 and 67,892 respectively as stated in the evidence. The update consensus prepared in March 2012 revises these estimates to 63,709 and 60,425 respectively.

f) The total number of housing starts for Canada, Ontario and Union for the years 2007 to 2011 is provided below. The year 2009 reflects the economic recession. All of the annual increase in 2011 in Ontario can be explained by construction activity in the Toronto Census Metropolitan Area where starts rose by 10,550 units.

TOTAL HOUSING STARTS

Year	Canada	Ontario	Ont. Share of Canada	Union Gas	Share of Ontario
2007	228,343	68,123	29.8%	20,306	29.8%
2008	211,056	75,076	35.6%	19,816	26.4%
2009	149,000	50,370	33.8%	13,705	27.2%
2010	189,900	60,433	31.8%	16,032	26.5%
2011	199,900	67,821	33.9%	13,814	20.4%

g) If the CWIP rate of 3.51% was used to create the forecast instead of 4.29%, capital additions closed to rate base would decrease by \$0.046 million in 2012 and \$0.438 million in 2013.

UNION GAS LIMITED

Economic and Key Statistics
For the Year Ended December 31

Line No.	Description	January 2011		August 2011		March 2012	
		2012	2013	2012	2013	2012	2013
		(a)	(b)	(c)	(d)	(e)	(f)
	Economic Outlook:						
1	GDP - Canada (1)	2.7%		2.5%		2.1%	2.3%
2	GDP - USA (1)	3.3%		2.4%		2.3%	2.6%
3	FX rate US $ = 1 Canadian $ (1)	1.019		1.020	0.981	1.002	1.001
4	Inflation Rate (1)	2.1%		2.1%		2.0%	1.9%
5	Salary and Wage Increase	4.0%	4.5%	3.0%	3.5%		
6	Unemployment rate (1)	7.3%		7.2%		7.4%	7.2%
7	Housing starts - Canada (1)(2)	178,000	203,270	175,000	203,270	183,000	179,000
8	Housing starts - Union Franchise Area	16,847	19,360	16,847	19,360	18,128	17,194
9	Weighted Average Cost of Gas ($/$10^3$ m^3)	202.61	202.61	202.61	202.61	202.61	202.61
10	Price of gasoline ($/L)	1.31	1.31	1.31	1.31	1.31	1.31
11	Interest During Construction (CWIP)	4.29%	4.29%	4.29%	4.29%	3.51%	3.51%

Note:
(1) Source: Consensus Economics
(2) 2013 forecast for January 2011 and August 2011 were internally generated.

UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 3, Schedule 1, Appendix C

a) Please provide the source and date of the inflation indices shown on page 3.

b) Please provide the historical inflation indices for each of the categories shown on page 3 for 2007 through 2011.

Response:

a) and b) Please see Attachment 1.

INFLATION INDICES - 2007 to 2013

	2007	2008	2009	2010	2011	2012	2013
Steel Pipe	1.6%	-2.0%	1.0%	-0.3%	2.6%	2.0%	1.8%
Plastic Pipe	1.6%	-2.0%	2.5%	0.6%	2.6%	2.0%	1.8%
Fittings	1.6%	-1.1%	0.5%	2.0%	2.6%	2.0%	1.8%
Meter Regulators	1.6%	-1.1%	0.5%	2.0%	2.6%	2.0%	1.8%
Fleet cost	2.2%	2.0%	2.0%	2.0%	2.0%	2.1%	2.1%
General Travel	2.2%	2.0%	2.0%	2.0%	2.0%	2.1%	2.1%
Contract Labour	3.9%	3.5%	3.0%	2.5%	2.3%	3.2%	4.0%
Tools	1.6%	-2.1%	0.5%	2.0%	2.6%	2.0%	1.8%
Furniture	2.2%	1.3%	1.9%	1.9%	2.6%	2.0%	1.8%
Source	Source: Global Insight - Canadian Forecast Executive Summary Date: January 2006	Source: Global Insight - Canadian Forecast Executive Summary Date: January 2007	Source: Global Insight - Canadian Forecast Executive Summary Date: January 2008	Source: Global Insight - Canadian Forecast Executive Summary Date: January 2009	Source: Global Insight - Canadian Forecast Executive Summary Date:January 2010	Source: Global Insight - Canadian Forecast Executive Summary Date: January 2011	Source: Global Insight - Canadian Forecast Executive Summary Date: January 2011

Note: During the year - Stats Canada can change these inflation indices.

UNION GAS LIMITED

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

Ref: Exhibit A3, Tab 1, Updated

Please update the tables on pages 1 through 5 to reflect actual 2011 data.

Response:

Please see Attachment 1 for updated 2011 actual data. Note that 2012 and 2013 forecast figures have been restated to millions for comparative purposes.

During the preparation of the interrogatory response, it was noted that the opening balance of Retained Earnings was incorrect. The correct balances are included in Attachment 1. No change to other schedules was required.

UNION GAS LIMITED
Pro Forma Consolidated Statements of Income
For the year ending December 31

Line No.	Particulars ($ millions)	Actual[1] 2011	Forecast[1] 2012	Forecast[1] 2013
		(a)	(b)	(c)
1	Gas sales	1,468	1,438	1,402
2	Cost of gas sold	755	722	699
3	Gas sales margin	713	716	703
4	Transportation revenue	194	180	162
5	Storage revenue	117	118	98
6	Other revenue	34	28	28
7		1,058	1,042	991
	Expenses:			
8	Operating and maintenance	379	397	407
9	Depreciation and amortization	205	213	206
10	Property and capital taxes	61	64	65
11		645	674	678
12	Operating income	413	368	313
13	Other income (expense)		(1)	(1)
	Interest expense:			
14	Long-term debt	149	151	155
15	Amortization of financing expenses	1	1	1
16	Short-term debt	4	5	4
17	Interest during construction	(2)	(1)	(3)
18		152	156	157
19	Income before income taxes	261	211	155
20	Income taxes	60	42	24
21	Net income	201	169	131
22	Preferred dividend requirements	2	2	3
23	Earnings applicable to common shares	199	167	128

[1] Actual 2011 figures are taken from the 2011 Union Gas Limited Annual Report which are reported in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Forecast figures for 2012 and 2013 are reported in accordance with US GAAP, with the exception of the use of the equity method of consolidation for Union Gas' subsidiary. For comparative purposes, any differences between Canadian and US GAAP, with the exception of pension costs (affecting O&M), are immaterial.

UNION GAS LIMITED
Pro Forma Consolidated Balance Sheets
For the year ending December 31

Assets

Line No.	Particulars ($ millions)	Actual[1] 2011 (a)	Forecast[1] 2012 (b)	Forecast[1] 2013 (c)
	Current assets:			
1	Cash and cash equivalents	2	-	-
2	Accounts receivable	525	516	515
3	Prepaid expenses	8	9	9
4	Income taxes receivable	-	10	41
5	Deferred income taxes - short-term	7	-	-
	Inventories:			
6	Gas in underground storage	247	207	215
7	Inventory of spare equipment	16	31	31
8		805	773	811
9	Property, plant and equipment	6,615	6,761	7,085
10	Less: accumulated depreciation	2,120	2,243	2,370
11		4,495	4,518	4,715
	Deferred charges:			
12	Balancing gas	78	73	73
13	Other	455	448	463
14	Goodwill	12	9	9
15		545	530	545
16	Total Assets	5,845	5,821	6,071

1 Actual 2011 figures are taken from the 2011 Union Gas Limited Annual Report which are reported in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Forecast figures for 2012 and 2013 are reported in accordance with US GAAP, with the exception of the use of the equity method of consolidation for Union Gas' subsidiary. For comparative purposes any differences between Canadian and US GAAP, with the exception of pension costs (affecting O&M), are immaterial.

UNION GAS LIMITED
Pro Forma Consolidated Balance Sheets
For the year ending December 31

Liabilities and Shareholders' Equity

Line No.	Particulars ($ millions)	Actual[1] 2011 (a)	Forecast[1] 2012 (b)	Forecast[1] 2013 (c)
	Current liabilities:			
1	Short-term borrowings	378	197	332
2	Accounts payable and accrued charges	618	580	572
3	Income and other taxes payable	53	17	17
4	Deferred taxes payable - short-term	-	14	15
5	Long-term debt due within 12 months	-	-	150
6		1,049	808	1,086
7	Long-term debt	2,277	2,402	2,253
8	Redeemable preferred shares	5	5	5
9	Asset retirement obligation	134	127	127
10	Regulatory and other liabilities	492	489	489
11	Deferred income taxes	383	365	358
12	Total liabilities	4,340	4,196	4,318
	Shareholders' equity:			
13	Preference shares	105	105	105
14	Common shares	627	627	627
15	Retained earnings	764	893	1,021
16	Non controlling interest	9	-	-
17	Total common equity	1,400	1,520	1,648
18	Total shareholders' equity	1,505	1,625	1,753
19	Total liabilities and shareholders' equity	5,845	5,821	6,071

1 Actual 2011 figures are taken from the 2011 Union Gas Limited Annual Report which are reported in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Forecast figures for 2012 and 2013 are reported in accordance with US GAAP, with the exception of the use of the equity method of consolidation for Union Gas' subsidiary. For comparative purposes, any differences between Canadian and US GAAP, with the exception of pension costs (affecting O&M), are immaterial.

UNION GAS LIMITED
Pro Forma Consolidated Statements of Retained Earnings
For the year ending December 31

Line No.	Particulars ($ millions)	Actual[1] 2011	Forecast[1] 2012	Forecast[1] 2013
		(a)	(b)	(c)
1	Balance, beginning of year	710	758	893
	Add:			
2	Net income	201	169	131
3		911	927	1,024
	Deduct:			
	Dividends declared:			
4	Preference shares	2	2	3
5	Common shares	145	32	-
		147	34	3
6	Balance, end of year	764	893	1,021

1 Actual 2011 figures are taken from the 2011 Union Gas Limited Annual Report which are reported in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Forecast figures for 2012 and 2013 are reported in accordance with US GAAP, with the exception of the use of the equity method of consolidation for Union Gas' subsidiary. For comparative purposes, any differences between Canadian and US GAAP, with the exception of pension costs (affecting O&M), are immaterial.

UNION GAS LIMITED
Pro Forma Consolidated Statements of Cash Flows
For the year ending December 31

Line No.	Particulars ($ millions)	Actual[1] 2011	Forecast[1] 2012	Forecast[1] 2013
		(a)	(b)	(c)
	Operating Activities			
1	Net income	201	169	131
	Add (deduct) non-cash charges to net income:			
2	Depreciation and amortization	205	215	208
3	Deferred income taxes	8	-	(6)
4	Other	-	1	1
5		414	385	334
	Other operating sources:			
6	Accounts receivable	(15)	40	1
7	Inventories and prepayments	(85)	10	(8)
8	Accounts payable and other	40	(66)	(55)
9		354	369	272
	Investment Activities			
10	Additions to property, plant and equipment	(290)	(296)	(405)
11	Deferred charges and other items	-	1	1
12		(290)	(295)	(404)
	Financing Activities			
13	Net decrease in short term borrowings[2]	(99)	-	-
14	Net increase in commercial paper[2]	122	-	-
15	Retirement of long-term debt	(250)	-	-
16	Issue of long-term debt	300	125	-
17	Dividends declared	(147)	(35)	(3)
18		(74)	90	(3)
19	Increase/(decrease) in cash/short-term borrowings[2]	(10)	(164)	135
20	Cash/short-term borrowings, beginning of year[2]	12	361	197
21	Cash/short-term borrowings, end of year[2]	2	197	332

1 Actual 2011 figures are taken from the 2011 Union Gas Limited Annual Report which are reported in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Forecast figures for 2012 and 2013 are reported in accordance with US GAAP, with the exception of the use of the equity method of consolidation for Union Gas' subsidiary. For comparative purposes, any differences between Canadian and US GAAP, with the exception of pension costs (affecting O&M), are immaterial.

2 Cash/short-term borrowings on Forecast 2012 and 2013 includes cash and cash equivalents and short-term borrowings. Actual 2011 figures in Cash/short-term borrowings includes only cash. Cash flow from short-term borrowings in 2011 are included in financing activities.

UNION GAS LIMITED

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

Ref: Exhibit B1, Tab 3, Updated

a) Please update Table 1 to reflect the most recent forecasts available from each of the forecasters shown.

b) Please provide the actual 2011 housing starts.

c) Please provide the data associated with the market share estimates from 2000 through 2011 noted on page 6.

d) Please provide the number of residential conversions for each of 2007 through 2011.

e) Does Union have any natural gas community expansion projects currently under review? If yes, please provide details on the communities, the potential number of customers and the expected timing of the projects.

f) Please provide the 2008 through 2010 data, along with 2011 actual data used to project the commercial and industrial customer forecast shown on pages 7-8.

Response:

a) A recent update on forecasted Ontario housing starts, as of April 3, 2012, is provided below.

Ontario Housing Starts Forecast
Prepared April 19, 2012

Housing Forecaster	Issued	2011 Act	2012	2013
CIBC	Mar-12		67,000	63,500
Banque Nationale	Winter 2012		62,000	
Banque Laurentienne	Nov-11		61,200	54,000
RBC Bank	Mar-12		62,300	59,000
BMO Nesbitt	Mar-12		67,800	64,500
TD Bank	Mar-12		69,300	61,700
Scotia Bank	Nov-11		62,000	
Desjardins	Feb-12		62,634	60,480
Global Insight	Jan-12		62,722	58,869
Consensus Economics	Mar-12		60,390	57,280
CMHC Q1 2012	Feb-13		63,450	64,500
Consensus Average		67,821	63,709	60,425

These estimates are lower than those used as a basis for Union's forecast by 7,467 starts. No adjustment has been made to Union's forecast because the conversion customer forecast appears low based on 2011 actual results, and customer additions for the Red Lake project were not included in the forecast. Union believes that making these three potential forecast adjustments would result in no material change to the overall new business forecast.

b) There were a total of 67,821 Ontario housing starts in 2011.

c) The following table provides Ontario housing starts, housing starts in Union's geographic areas, and the Union area share of total Ontario housing starts.

Ontario & Union Gas Franchise Area Housing Starts

Year	Ontario Starts	Union Gas Starts	Union Share
2000	71,521	17,693	24.7%
2001	73,282	17,593	24.0%
2002	83,597	25,998	31.1%
2003	85,180	23,921	28.1%
2004	85,114	25,379	29.8%
2005	78,795	24,347	30.9%
2006	73,417	22,812	31.1%
2007	68,123	20,306	29.8%
2008	75,076	19,816	26.4%
2009	50,370	13,705	27.2%
2010	60,433	16,032	26.5%
2011	67,821	13,814	20.4%

d) The number of residential conversions from 2007 through 2011 can be found on line 12 of Exhibit B1 Tab3 Appendix B, Updated.

e) Expansion to communities in the Municipality of Red Lake is expected to occur during 2012. The total number of customers forecasted for this project has not been finalized. Expansion opportunity may exist for Kincardine, Milverton and Kettlepoint/Lambton Shores. The scope of these expansion projects is unknown at this time.

f) The table below provides residential, commercial and industrial attachments for the years 2008 through 2011 inclusive, along with the multiple of residential attachments for every commercial or industrial attachment.

Year	Residential	Commercial	Industrial	RC/I Ratio
2008	22,196	1,828	98	11.5
2009	16,128	1,443	63	10.7
2010	18,494	1,464	37	12.3
2011	17,750	1,493	52	11.5

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit A2, Tab 3, Schedule 1 & Appendix A

The evidence indicates that the budget planning assumptions were updated in August 2011.

a) Please clarify whether the Update is partial and still retains some parts of the January 2011 forecast.

b) Please provide a Table that provides the most recent data.

Response:

a) & b) Please see the response at Exhibit J.O-2-2-2.

UNION GAS LIMITED

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

Ref: A2 T1 S1 page 23

a) Please provide the actual 2011 GDP growth.

b) Please provide any available updates to the Bank of Canada's forecasts for 2012 and 2013.

Response:

a) 2011 Ontario GDP growth was 1.8% (Ontario Economic Accounts: Q4 2011).
2011 Canada GDP was 3.1% (at market prices growth Q4 over Q4 - Statistics Canada 380-0003)

b) From page 1 of the Bank of Canada January 2012 Monetary Policy Report:

"The Bank estimates that the economy grew by 2.4 per cent in 2011 and projects that it will grow by 2.0 per cent in 2012 and 2.8 per cent in 2013."

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 1, page 23

The evidence states that the escalating value of the Canadian dollar is expected to continue to negatively affect the competitiveness of the Canadian manufacturing sector and as a result impair natural gas throughput and revenues. How does Union incorporate this factor into the 2013 load forecast?

Response:

For the Contract market sectors that are forecast by econometric methods, the embedded forecast assumption is the Canadian dollar will remain around parity for the forecast period. For the other market sectors (Rate 100 and Rate T1), where bottom-up forecasts are developed, the impact of the Canadian dollar on competitiveness is implicit in the discussions Union's Account Managers have with their clients regarding plant production and forecast consumption.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 3, Schedule 1, Appendix C, page 3

Please explain why the inflation index for Contract Labour is 4% for 2013.

Response:

The inflation index rate for contract labour for 2013 is based on forecasted values provided in the January 2011, Global Insight report for Average Hourly Earnings for 2013.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: No Reference

a) Please provide a tabulation of Service Quality Indicators/Performance from 2007-2011 and Forecast 2012-2013.

b) Show and Discuss trends in SQIs over the IRM Period.

c) Overall, does Union believe the data shows SQ has been maintained over the IRM period?

d) What specific actions are being taken to rectify under performing SQ performance and trends?

Response:

a)

SQI	Target	2007	2008	2009	2010	2011
Appointments met within 4 hours	85%	93.2%	89.4%	96.0%	97.1%	98.2%
Missed Appointments Rescheduled within 2 hours of the end of Original Appointment Time	100.0% Missed Total Appointments	99.9% 11 11,898	100.0% 3 20,869	99.9% 5 8,064	99.9% 6 5,756	99.8% 6 3,294
Gas Emergency Response	90% within 1 hour	97.9%	97.5%	97.7%	98.0%	98.3%
Reconnections after disconnect for non-payment	85% within 2 business days	87.8%	92.5%	93.2%	91.5%	93.5%
Calls Answered within 30 seconds	Annual average 75%	78.4%	78.2%	77.2%	82.5%	79.9%
	Lowest month not to be less than 40%	71.5%	69.7%	68.9%	72.3%	66.8%
Call Abandon Rate	Not to exceed 10%	4.2%	3.6%	4.3%	3.2%	4.3%
Meter Reading (Consecutive Estimates > 4 months)	Not to exceed 0.5%	0.1%	0.1%	0.2%	0.1%	0.1%
Written Response to Customer Complaints	80% within 10 days	100%	100%	100%	100%	100%

2012 – 2013 Forecast

Union does not forecast performance for the Service Quality Indicators. However, Union believes similar performance will continue for 2012 and 2013.

b) Union's performance is at a consistently high level for all 5 years of the IRM period. In some cases, it trends slightly upward but for most measures, it remains constant. In most cases, performance significantly exceeds target. One exception is the performance on Rescheduled Missed Appointments. Union has been unable to meet the targeted performance during the IRM period on this metric given that the target was 100%. During the IRM period, Union failed to reschedule 31 of 49,881 missed appointments within two hours of the appointment time.

c) Yes, Union believes the data confirms service quality has been maintained over the IRM period.

d) No specific actions are being taken to address the under achievement of targets for the Rescheduled Missed Appointments measure. Union's performance on this metric is very high but is subject to human error and extenuating circumstances such as emergencies. The target of 100% allows no exceptions, which is unrealistic.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, pages 1, 3 and 4

Union states that the estimates of cost savings associated with various productivity initiatives "are often estimates of cost savings calculated by comparing projected costs to that which would have been incurred had specific savings initiatives not been undertaken".

a) In Tables 2 and 3, do any of the "projected costs" used to develop estimates of the cost savings project inflation in the prices of any of the inputs (including labor) associated with the initiative?

b) If so, please identify each such initiative and the input price inflation rates used to develop the estimated cost savings.

Response:

a) Cost savings estimates in Tables 2 and 3 were not adjusted for inflation.

b) N/A. Please see the response at a) above.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Pgs 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3. In Table 1, do the "Total Cost Savings and Incremental Revenue Generation" in any given year reflect the annual savings/revenue generation achieved in that year, or the cumulative savings/revenue generation achieved for the period beginning in 2008? For example, does the total of $29.3 million in total cost savings and incremental revenue generation in 2009 mean Union was able to achieve *incremental* cost savings and revenue generation of that amount in 2009, or does it refer to the $8.3 million in cost savings/revenue generation in 2008 plus an addition $21 million in cost savings/revenue generation in 2009?

Response:

The amounts reported in Tables 1, 2 and 3 are cumulative. Incremental changes can be determined by calculating the difference between the amounts shown in particular years.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Pg 2

Union states that for a cost savings/revenue increase to be considered "productivity", it "must be sustainable over multiple periods and not a one-time exercise".

a) Please define what Union means by "sustainable" and the number of periods that would qualify as "multiple".

b) Under Union's definition, would there be any difference between a "sustainable" cost savings and a permanent cost savings? If so, please identify any such cost initiatives in Tables 2 and 3 that Union believes may not be sustained over the term of a multi-year plan that may be approved after the current incentive regulation plan expires.

Response:

a) "Sustainable" is defined as cost savings or revenue generation that Union is able to maintain over a long period of time that may or may not be permanent.

b) See the response at a) above. The initiatives indentified in Tables 2 and 3 are sustainable. However, in certain instances, the magnitude of savings may vary from year to year.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Pgs 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3. Please identify whether any of the activities outlined in Exhibit A2, Tab 5 were initiated and/or implemented before 2008. If so, please provide the annual OM&A and capital cost savings attributed to these initiatives.

Response:

All items listed in Tables 1, 2 and 3 were initiated and implemented in 2008 or later.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Pgs 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3. Please identify whether Union's productivity gains from 2008 and 2011 are net of any incremental operating or administrative expenses that Union incurred implementing these activities. If so, please identify the total dollar amount(s) and the year(s) in which these expenses were incurred.

Response:

Union's productivity gains are net of incremental O&M expenses. Union tracked net savings only.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Pgs 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3.

a) Please identify whether Union's productivity gains from 2008 and 2011 are net of any incremental capital expenditures that Union incurred to implement these activities. If so, please identify the total dollar amount(s) of the capital expenditures and the year(s) in which these expenditures were incurred.

b) If any incremental capital expenditures were incurred to achieve the cost savings, please confirm that those incremental investments are reflected in Union's capital data reported in Exhibit B of this filing, and estimate the net impact on Union's overall cost of service in 2013 (e.g., reductions in O&M expenses plus the net carrying costs on investments (return on and return of capital, net of taxes) resulting from each such initiative that required incremental investment.

Response:

a) Union's productivity gains are net of incremental capital expenditures incurred.

b) Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 1, Schedule 1, page 7

Union states that its "ability to achieve incremental productivity gains beyond 2012 is limited and uncertain"; and "going forward, productivity gains will be harder to achieve and will require significant investment".

a) Does Union believe the "significant" investment necessary to achieve future productivity gains will be greater than the investment necessary to achieve its productivity gains identified in Exh A2/Tab 5/Pages 3 and 4 (Tables 2 and 3)?

b) Please explain and provide all empirical or related, available evidence that supports Union's conclusion.

Response:

a) b) Please see the response at Exhibit J.O-4-1-16.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, pages 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3. Please identify whether any of Union's productivity gains involved Union capitalizing OM&A expenses. If so, please identify the productivity initiative and state the amount(s) of OM&A expenses that were capitalized, and the years in which they were capitalized.

Response:

The productivity savings identified in Tables 1, 2 and 3 are not as a result of capitalizing O&M expenses. The savings identified are gross expenses before any capitalization has been applied.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, pages 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3.

a) Please provide estimates of the total cost savings and incremental revenue generation (by OM&A, capital and revenue) that Union is forecasting for 2012, which is the last year of Union's incentive regulation plan.

b) Are all of these cost savings and incremental revenue gains from 2008 to 2012 reflected in Union's estimated cost of service, and estimated revenue deficiency, for 2013? If not, please document and explain any discrepancy between "cost savings" and Union's estimated cost of service in 2013.

Response:

a) The tables below reflects the addition of 2012 estimates.

Table 1
Total Cost Savings and Incremental Revenue Generation

Line No.	Category ($ Millions)	2008	2009	2010	2011	2012
1	O&M	2.8	12.5	16.0	15.5	16.0
2	Capital	0.1	1.9	9.7	10.8	8.0
3	Revenue	5.4	14.9	16.1	26.1	16.5
4	Total	8.3	29.3	41.8	52.4	40.5

Table 2
O&M Initiatives: Cost Savings
Showing Individual Initiatives > $1.0 Million

Line No.	Initiative ($ Millions)	2008	2009	2010	2011	2012
1	Sales and Marketing Realignment	0.4	2.7	3.2	3.4	3.6
2	Field Work Effectiveness	0.4	2.2	3.2	3.2	3.4
3	Wireless Voice Modernization Project	-	0.1	0.9	1.3	1.3
4	Employee Spending	0.8	2.3	1.4	-	-
5	IT Governance/Demand Management	0.1	0.5	0.9	0.9	0.9
6	Other (74 initiatives < $1.0 million each)	1.1	4.7	6.4	6.7	6.8
7	Total	2.8	12.5	16.0	15.5	16.0

Table 3
Capital Initiatives: Cost Savings
Showing Individual Initiatives > $1.0 Million

Line No.	Initiative ($ Millions)	2008	2009	2010	2011	2012
1	Construction Planning, Reporting & Execution Process	-	-	4.7	7.0	4.0
2	IT Governance/Demand Management	0.1	0.7	1.3	1.3	1.3
3	Field Work Effectiveness	-	0.5	0.9	0.9	0.9
4	Major Projects Design Work	-	-	2.0	0.5	0.9
5	Wireless Voice Modernization Project	-	0.4	0.4	0.5	0.5
6	Other (6 initiatives < $1.0 million each)	-	0.3	0.4	0.6	0.4
7	Total	0.1	1.9	9.7	10.8	8.0

Table 4
Revenue Initiatives: Incremental Revenue Generation
Showing Individual Initiatives > $1.0 Million

Line No.	Initiative ($ Millions)	2008	2009	2010	2011	2012
1	Upstream Transportation	5.0	14.0	11.7	22.0	14.2
2	Dawn to Parkway Optimization	-	-	3.0	3.0	1.8
3	Other (4 initiatives < $1.0 million each)	0.4	0.9	1.4	1.1	0.5
4	Total	5.4	14.9	16.1	26.1	16.5

b) Yes. All of these cost savings and incremental revenue gain are reflected in Union's estimated cost of service and estimated revenue deficiencies for 2013.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, pages 2, 3 and 4

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities in Tables 1, 2 and 3. Were any of Union's productivity initiatives initiated (recommended and/or motivated) by Spectra Energy Corp? If so, please identify those initiatives, and the approximate date of each such Spectra recommended initiative.

Response:

No. All productivity initiatives included in Exhibit A2, Tab 5 represent Union-driven initiatives.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exh A2/Tab 5/ Pg 2

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities.

a) Has Union participated in any independent benchmarking studies since 2007? If so, please identify all such studies done specifically for Union, or for a group of utilities in which Union participated, and provide copies of all benchmarking reports delivered to Union as part of the project.

b) Did Union participate in any benchmarking studies that identify specific "best practices" in various gas distribution operations? If so, was Union itself ever identified as having the "best practice" in a specific gas distribution operational area? If so, please identify all such areas.

c) Did Union adjust its own operations to incorporate or move towards "best practice" in any area where Union's operations were not deemed to be best practice? If not, please explain why.

Response:

a) Union participates in annual benchmarking studies through its membership in the Canadian Gas Association and American Gas Association. In 2011, Union also participated in a private study administered by Public Service Electric & Gas, Newark NJ. The organizers of the benchmarking studies have confidentiality agreements in place which require Union to take reasonable steps to safeguard the information relating to the benchmarking study participants. Accordingly, Union will file the 2011 reports under the Board's Practice Direction on Confidential Filings, redacting participant company identifiers, under separate cover.

b) The CGA and AGA studies referenced at a) above identify gas utility industry leaders using innovative work practices or best practices that can be adopted by other companies to improve performance and reduce operating costs. These practices are identified through roundtable discussions among subject matter experts on various operational topics. Best practices are intended to highlight how particular companies may address a specific operational issue. Each operator serves a unique and defined geographic area and their system infrastructures vary widely and as a result, not all highlighted practices will be applicable to all operators. Companies are not ranked through this process and no one practice is identified as the best for a particular topic.

c) It is normal practice for Union to adopt leading work practices and best practices learned at roundtable sessions when practical and beneficial. Geographical and operational differences prevent Union from adopting all practices identified and Union's internal operations have to be carefully reviewed to determine the implications of implementation before the practices can be adopted by Union. A list of specific practices adopted by Union is not available.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, page 2

Union summarizes the total productivity cost savings and incremental revenue generation from 2008 to 2011 for Union's regulated activities.

a) Did Union participate in any benchmarking studies that identify specific "best practices" with respect to investment practices, or in optimizing the tradeoffs between distribution maintenance and replacement of gas distribution facilities? If so, was Union itself ever identified as having the "best practice" in any of these areas? If so, please identify all such areas.

b) Did Union adjust its own operations to incorporate or move towards "best practice" in any area where Union's capitalization practices, or assessment of the tradeoffs between maintenance and capital replacement, were not deemed to be best practice? If not, please explain why

---

Response:

a) The only study during the period that touched on tradeoffs between distribution maintenance and replacement of gas distribution facilities was the 2010 AGA topic of Mains & Service Piping Replacement. During discussions regarding the challenges of balancing priorities between municipal work and company priorities, Union was identified as having a unique leading practice of communicating, coordinating and planning with communities. Also during the discussions regarding the challenges of resource availability, Union was identified as having 2 unique leading practices. One was the use of dedicated contractors and prime contractors which results in their familiarity with company procedures and safety procedures. The use of dedicated contractors also results in more accurate bids. The other unique leading practice was Union's work and resource strategy to replace older workforce and build experience among new employees.

b) Of the 73 leading practices identified at the Mains & Services Piping Replacement roundtable, 95% had already been implemented at Union. There were 2 practices related to reducing the costs of paving and restoration that Union investigated and implemented.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, page 7

Union states that that due to cost increases, primarily in employee training and travel expenses (e.g., air travel), Union was not able to maintain the 2007 employee spending amount beyond 2011. Since previous spending levels could not be maintained, please provide the rationale as to why Union has identified employee spending as a “sustainable” productivity improvement.

Response:

The intent of the employee training and travel expense initiative was to maintain 2007 spending levels. A number of travel and training expense savings were identified and implemented through this initiative. Offsetting these savings were unplanned price increases and workload driven increases in travel costs. Since tracking of this initiative did not separate out these elements, the results appeared as though cost savings were not achieved. In fact, the costs of training and travel would have been much higher had this initiative not been undertaken.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Appendix A, page 1

Union states that a review of Union's sales and marketing processes found inefficiencies in Union's approach to general service sales and marketing efforts.

a) Please provide the year in which this review was initiated and completed.

b) Please identify the basis on which previous efforts were deemed to be "inefficient" and what specific practices were changed.

c) Please quantify any incremental capital or operational costs (e.g., expert consulting studies) that were associated with identifying or changing the inefficient practices in question.

Response:

a) The review was initiated and implemented in 2008.

b) Changes resulting from that review include the following:
   - Reduced marketing communications targeting increased penetration of natural gas household appliances, as well as reduced water heater retention advertising, which saved $0.3 million per year;
   - Reduced employees and employee related expenses through a reorganization of the general service marketing department in order to refocus efforts on the promotion of self-serve transactional choices for customers. Consolidated support functions and structure changes to reduce the number of organizational levels to a total of four from front line employee to VP level. These changes resulted in savings estimated at $1.9 million per year. Employee impacts were managed through attrition and reassignment to other work; and,
   - Increase in resources dedication to driving customer adoption of self-serve technologies which reduced billing costs as well as calls to the call centre. The most significant examples include paperless billing and enhanced use of the IVR. These resulted in net savings of $0.5 million in 2009, building to an estimated $1.3 million annually by the end of 2012.

c) Please see the response at Exhibit J.O-4-1-5.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 5, Appendix A, page 5

Union states that this initiative was designed to identify, develop, communicate, and implement business policies and practices that influenced behaviour resulting in OM&A cost savings. Please provide the year in which the "employee spending" initiative was initiated.

Response:

The employee spending initiative was initiated in 2008.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 1, Schedule 1, page 7

Union states that its ability to achieve incremental productivity gains beyond 2012 is limited and uncertain; and going forward, productivity gains will be harder to achieve and will require significant investment.

a) Please outline the productivity activities that Union is considering in 2013 and beyond.

b) Please explain why the activities listed in (a) above will be harder to achieve and require significant investment. Does this statement apply equally to achieving reductions in OM&A and capital expenditures? Please explain why or why not.

c) Is "harder to achieve" different from requiring more labour, management and capital resources, to achieve a comparable level of cost savings or incremental revenue gains? Please explain in detail.

Response:

a) A list of productivity savings/revenue generation has not been compiled for 2013 and beyond. There is a 1% productivity savings assumed in building the budget for future years. The specific productivity initiatives underpinning the macro-level adjustment of 1% savings have not been developed.

b) The statement indicating that activities for 2013 and beyond will be harder to achieve and require significant applies equally to O&M and capital expenditures.

   In 2008, a pool of productivity initiatives was identified spanning a 5-year timeline. These items were prioritized and scheduled based on effort required, amount of savings realized and resources available. Initiatives that were easier to implement were completed first. Initiatives providing the greatest business value were completed next. As initiatives were completed, the remaining opportunities in the pool were fewer in number, and, in general, required higher levels of effort and investment, and produced lower productivity savings for the effort and investment required.

c) "Harder to achieve" can be characterized as requiring more labour, management and capital resources. The complexity and scope of the initiative, available resources and time required are examples of additional factors to consider when assessing the magnitude of the effort required.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit A2, Tab 5, Table 1

a) Update Table 1 for 2012 Estimate and Projection for 2013.

b) Provide a schedule in the same format as the PEG report [Assessment of Union Gas Ltd. And Enbridge Gas Distribution Inc. Incentive Regulation Plans September 2011] Table 18 (Capital) and Table 19 (Operating Expenses).

c) Compare the O&M Growth rate and savings 2007-2010 with PEG Report.

d) Calculate TFP for 2007-2011 compare with PEG report 2007-2010.

e) Update Table 26 of the PEG report to reflect the latest results.

f) How much of the Productivity Gains were due to the (lower) ROE allowed by the Board during the IRM period?

g) What Productivity Savings are forecast for Test Year 2013. Provide Details based on the 4 categories of Savings/revenue generation in Table 1 [Exhibit A2, Tab 5, Page 2]

Response:

a) Please see the response at Exhibit J.O-4-1-9 a) for 2012 estimates.

Productivity savings/revenue generation projects have not been developed for 2013 and beyond.

b) Please see Exhibit J.B-1-2-2 for Capital Budget summary by Function from 2007 Proposed to 2013 Forecast.

Please see Exhibit J.D-1-2-8 for operating and maintenance by cost type 2007 – 2013.

Union is not able to replicate the calculations at Table 18 and Table 19 in the PEG Report.

c) In Table 19, PEG calculates the 2007-2010 average annual growth rate of total net utility expenses to be 3.13%. Based on Exhibit D1, Summary Schedule 2, Updated, the Union corresponding calculation is 2.91%. PEG does not provide data corresponding to the O&M

expense cost savings found in Union's Exhibit A2, Tab 5, Table 1, so a comparison of savings cannot be carried out.

d) The data in this proceeding is insufficient to calculate TFP. As noted in its Evidence (Exhibit A2, Tab1, Schedule 1, page 29), Union will not be proposing the next generation IR mechanism as part of this proceeding. Rather, Union will bring forward a separate application to establish the mechanism for setting rates for 2014 and beyond after the Board renders its decision on this application. At that time, Union will include estimates of historical TFP growth in its evidence.

e) Union does not possess the information required to update Table 26 of the PEG report.

f) The lower ROE allowed by the Board during the IR period was a reaction to the lower cost of financial capital, compared with earlier years. This lower cost of the capital input would encourage the substitution of capital for O&M inputs, which would lead to O&M cost savings, some of which would be productivity enhancing. Union is not able to quantify the extent to which this effect is contained in the data in Table 1.

g) Please see the response at a) above.

UNION GAS LIMITED

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

Ref: A2 T1 S1 Table 5 page 25

Are the amounts shown in this table incremental for each year or are they cumulative? If cumulative, why do the O&M savings decrease by $0.5M in 2011?

Response:

The amounts shown in Table 5 are cumulative. O&M savings decreased by $0.5 million in 2011 due to "Employee Spending" not being able to sustain savings at 2007 spending levels (see Exhibit A2, Tab 5, Page 7, lines 20-21). This decrease in savings was offset by increased savings realized from other initiatives and the net difference was an overall O&M savings reduction of $0.5 million.

UNION GAS LIMITED

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

Ref: A2 T1 S1 page 5, lines 12-14 and A2 T1 Table 3 page 6:

The first referenced exhibit states: *"One of the primary drivers to the 2013 deficiency is the fact that, although revenue increased over the IR term, rate increases as determined by the PCI formula were not sufficient to offset cost increases."*

Yet, from Table 3, the actual ROE was above (by 237 to 454 bp) approved/utility had a sufficiency for each of the years 2008-2011 inclusive. Please reconcile the quoted statement with Union's historical overearning.

Response:

As noted at Exhibit A2, Tab 1, Schedule 1, p.4, Updated, under Union's IR mechanism, annual delivery rate changes are calculated using a price cap formula. Over the 2008 to 2011 period, the price cap formula resulted in relatively flat delivery rates. As shown at Exhibit A2, Tab 1 Schedule 1, Table 2, Line 7, Union's approved revenue under the price cap mechanism increased from $957.1 million to $962.1 million from 2008 to 2011, an increase of $5.0 million or 0.5%. However, as noted at Exhibit D1, Summary Schedule 2, Updated, Union's costs increased from $322.7 million to $369.5 million, an increase of $46.8 million, or 14.5% over the 2008 to 2011 period.

Union's earnings, and the resulting earnings sharing over the period 2008 to 2011, were driven by three primary factors:

1. Upstream transportation optimization revenue
2. Favourable unaccounted-for-gas ("UFG")
3. Favourable weather

As shown at Exhibit C1, Tab 3, Table 4, Updated, Union's exchange revenues increased from $3.4 million in 2007 to $31.7 million in 2011. The increase in revenue is the result of Union's utilization of the TCPL's RAM program starting in 2008. TCPL has proposed to terminate the RAM program. Please see Exhibit J.C-4-7-10 for further details regarding TCPL's RAM program.

As shown in Exhibit J.D-13-2-1 Union's UFG decreased significantly over the 2008 to 2011 period decreasing from $56.2 million to $8.0 million. The decrease in UFG resulted in earnings adjustments in each of the years between 2008 and 2011 which were shared with ratepayers through the earnings sharing mechanism. Based on Union's UFG formula, when re-basing rates, a 3:2:1 weighting for the years 2011, 2010 and 2009 was used to determine the 2013 UFG to be included in rates. The formula results in a UFG cost reduction of $38.2 million between 2008 Board-approved rates and Union's 2013 proposed rates.

As shown at Exhibit A2, Tab 1, Schedule 1, p.6, Updated, favourable weather contributed to Union's earnings during the 2008 to 2011 period. Union's 2013 forecast is based on a proposed 20-year declining trend methodology and all general service revenues are weather normalized. Recent favourable weather variances are not included in Union's 2013 forecast.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 5, page 2

This evidence discusses Union's productivity initiatives during the IRM period. Please provide copies of any instructions/ directives provided to managers regarding the achievement of productivity initiatives during the IRM period.

Response:

No instructions or directives regarding the achievement of productivity initiatives were provided to managers. As initiatives were identified they were pursued. Please see the response at Exhibit J.O-4-1-16.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 5, page 3

For each of the productivity initiatives set out in Tables 1, 2 and 3 please indicate the savings implicit in the 2013 test year revenue requirement.

Response:

Please see the response at Exhibit J.O-4-1-9.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 5, page 10

For each of the productivity initiatives related to revenue set out in Table 4, please indicate whether these are implicit in the 2013 revenue requirement.

Response:

No, the items in Exhibit A2, Tab 5, Table 4 are not implicit in the 2013 revenue requirement. Please see Exhibit J.C-4-7-9, Attachment 1 for Union's 2012 forecast of exchange revenue related to TCPL's RAM program and Exhibit C1, Tab 3, Table 4 for Union's 2013 forecast of total exchange revenue.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 5, page 7

With respect to Employee Spending please explain why the cost reductions of $1.4 million experienced in 2010 could not be maintained beyond 2011.

Response:

Please see the response at Exhibit J.O-4-1-13.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 3, Schedule 1, page 3

The evidence states that for the 2012 and 2013 period a productivity improvement target of 1% per year is to be achieved by each functional area. How was the 1% determined? Why are managers not required to pursue greater productivity improvements?

Response:

Managers are encouraged to pursue as high a productivity improvement as possible. When creating their budgets managers were instructed to include a minimum 1% productivity improvement. The 1% target is consistent with Union's recent experience as shown below.

$15.5 million (1) in O&M savings / 4 years / $371.731 million (2) = 1%

(1) Exhibit A2, Tab5, Page 2, Table 1.
(2) Exhibit D4, Tab 3, Schedule 2, Page 1.

UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 1
Exhibit F5, Tab 1, Schedule 1
Exhibit F4, Tab 1, Schedule 1

At Exhibit A2, Tab 1, page 2 and throughout the filing, elements of the proposed 2013 revenue requirement are compared to elements of the 2007 Board Approved revenue requirement. Based on information in Table 3 of Exhibit A2, Tab 1, Schedule 1, at page 6, the revenue sufficiencies for 2008, 2009 and 2010 are $82.3M, $51.6M and $44.1M respectively. For 2011, the revenue sufficiency shown in Exhibit F4, Tab 1, Schedule 1 is $29.9M, and for 2012, it is about $2.6M as shown in Exhibit F5, Tab 1, Schedule 1. The total of revenue sufficiencies over 5-years is about $210.5M, or on average $42.1M per year.

In order to enable us to evaluate the appropriateness of the revenue requirement and revenue deficiency amounts Union asks the Board to approve for 2013 and, in particular, whether the gains achieved under Incentive Regulation are reflected in Union's proposed 2013 revenue requirement, what we seek is a spreadsheet presentation that starts with the elements of the Board Approved 2007 revenue requirement and then tracks the causes of the revenue requirement sufficiencies achieved year-by-year from 2007 to 2012 inclusive so that all of this information can be considered alongside the elements of the proposed revenue requirement for 2013.
In this connection, would Union please provide the following:

a) A summary schedule in spreadsheet format that starts with a column equivalent to lines 1 to 21 inclusive of Column (b) in Exhibit A2, Tab 6, Schedule 1, page 3, showing the major elements of the EB-2005-0520 Approved revenue requirement, to be followed by columns containing the information at lines 1 to 21 inclusive for Actual Years 2007 to 2012 inclusive; followed by the information shown in Column (a) in Exhibit A2, Tab 6, Schedule 1, page 2 for 2013 Proposed showing a revenue deficiency in the amount of $65.611M. This presentation will then show the Proposed 2013 Revenue Requirement and Deficiency alongside the Revenue Sufficiency amounts commencing with 2007 Actual and culminating with the 2012 Estimated Actual amount.

b) For each of the columns 2007 Actual to 2012 Estimated Actual, please provide the following additional information in a "Revenue Deficiency/Sufficiency" format similar to Exhibit A2, Tab 6, Schedule 2, including a brief description by line item of the causes for:
   i. 2007 Actuals being less than 2007 Board Approved elements of the revenue requirement presentation;
   ii. 2008 Actuals differing from 2007 Actuals;
   iii. 2009 Actuals exceeding 2008 Actuals;

iv. 2010 Actuals exceeding 2009 Actuals;
v. 2011 Actuals exceeding 2010 Actuals;
vi. 2012 Estimated Actuals exceeding 2011 Actuals; and
vii. 2013 Elements of Revenue Requirement exceeding 2012 Estimated Actuals.

c) For each of the line item explanations in each year provided in response to the previous question, please identify the portion of each line item that represents an efficiency or productivity gain compared to the previous year and whether that productivity or efficiency gain continues into the following year;
d) For each of the line item explanations in each year to be provided above, please identify items of gain that were neither efficiency nor productivity gains, and describe the factors that gave rise to savings that were neither productivity nor efficiency related such as the following:
   i. An initial under-forecast of revenues; and/or
   ii. An initial over-forecast of expenses.

Response:

a) During the preparation of this response Union determined that the adjusted revenue deficiency/(sufficiency) for the years 2010 through 2012 were calculated in error. The affected schedules are: Exhibit F3, Tab 1, Schedule 1; Exhibit F4, Tab 1, Schedule 1; Exhibit F5, Tab 1, Schedule 1; and Exhibit F6, Tab 1, Schedule 1.

   When calculating the adjusted revenue deficiency/(sufficiency), Union did not remove the ratepayer portion of the transactional S&T margin.

   Please see Attachment 1.

b) Please see Attachment 2 for the requested analysis. Explanations below are relative to the overall deficiency estimated for 2013. Positive numbers on the analysis equate to an increase in the deficiency while negative numbers equate to a decrease in the deficiency.

   For O&M variance explanations for (i) to (iv) see response to J.D-1-5-7. For O&M variance explanations for (v) to (vi) see pre-filed evidence Exhibit D5, Tab 3, Schedule 2 pp. 2 to 8 and Exhibit D4, Tab 3, Schedule 2, pages 2 to 8. For (vii) please see Attachment 3 which has revised explanations for Exhibit D3, Tab 3, Schedule 2, pp. 2 to 8.

(i) 2007 vs. 2007 BA

Contract Market

The decrease to the deficiency is largely due to the Power (Lennox) and Steel/Chemical/Refinery markets offset partially by the Wholesale market.

General Service Market

The increase to the deficiency is due to warmer than normal weather and lower customer growth than expected, offset partially by favourable usage.

S&T

The decrease to the deficiency is due mainly to higher short-term transportation revenue.

Other Revenue

The decrease to the deficiency is due to account opening charges, mid-market transactions and other operating revenues. Please refer to J.C-5-5-4 for further information.

Delivery-related Gas Costs

The increase to the deficiency is due to higher unaccounted for gas partially offset by favourable winter peaking service and compressor fuel expense.

Other Expense
n/a

Rate Base Growth net of Tax Changes & Debt Costs

The decrease to the deficiency is a result of a decreased return component due to lower rate base, lower debt costs and lower depreciation and property tax.

ROE Formula Change
n/a

Capital Structure Change
n/a

(ii) 2008 vs. 2007

Contract Market

The increase to the deficiency is due to decreases in the Large Commercial/Industrial Key market partially offset by revenue growth in the Greenhouse market mainly as a result of cold weather.

General Service Market

The decrease to the deficiency is due to colder weather, customer growth and reduction of the storage subsidies offset partially by lower usage.

S&T

The decrease to the deficiency is mainly due to: a) new long-term transportation contracts entered into during 2008 as compared to 2007, due largely to additional Dawn-Parkway capacity as a result of TFEP; b) higher exchange revenue as a result of Union's asset optimization strategy which utilized additional capacity and TCPL FT RAM credits; c) higher short-term transportation revenue; and d) the elimination of the deferral accounts for transmission-related transactional services. These were partially offset by a M12 rate decrease and decreases to the long-term peak storage margin sharing.

Other Revenue

The increase to the deficiency is due to the favourable items in 2007 reversing in 2008 for mid-market transactions and other operating revenue.

Delivery-related Gas Costs

The decrease to the deficiency is due to lower unaccounted for gas and intra-period WACOG.

Other Expense
n/a

Rate Base Growth net of Tax Changes & Debt Costs

The increase to the deficiency is due to a higher return component, depreciation and property tax related to a rate base increase of $145 million, offset by lower debt costs and lower income taxes due to a rate decrease and timing differences.

ROE Formula Change

The increase to the deficiency is due to an increase in the benchmark return by 27 bps.

Capital Structure Change
n/a

(iii) 2009 vs. 2008

Contract Market

The increase to the deficiency is due to lower revenue within the Large Commercial/Industrial market as a result of the recession partially offset by revenue increases due to Clean Energy Supply projects in the Power market.

General Service Market

The decrease to the deficiency is due to favourable usage and reduction of the long-term peak storage margin sharing offset by warmer weather and customer growth.

S&T

The decrease to the deficiency is due to: a) increased capacity sold as a result of the Parkway expansion in November 2008; b) and higher exchange revenue as a result of increased optimization and use of TCPL FT RAM credits, offset partially by a decrease to the long-term peak storage margin sharing.

Other Revenue
n/a

Delivery-related Gas Costs

The increase to the deficiency is due to higher winter peaking service costs and intra-period WACOG.

Other Expense

The increase to the deficiency is due to a write-off of asset pre-spend and foreign exchange losses.

Rate Base Growth net of Tax Changes & Debt Costs

The increase to the deficiency is due to higher return component, depreciation and property tax related to a rate base increase of $135 million as well as higher income taxes as a result of the reversal of timing differences offset partially by lower debt costs.

ROE Formula Change

The decrease to the deficiency is due to a decrease in the benchmark return by 34 bps.

Capital Structure Change
n/a

(iv) 2010 vs. 2009

Contract Market

The increase to the deficiency is due to decreases in revenue within the Large Commercial/Industrial market partially offset by revenue increases due to Clean Energy Supply projects in the Power market.

General Service Market

The increase to the deficiency is due to warmer weather partially offset by customer growth and reduction of the long-term peak storage margin sharing.

S&T

The increase to the deficiency is due to a decrease in the long-term storage subsidy offset by new contracts and higher short-term transportation revenue.

Other Revenue

The increase to the deficiency is due to lower delayed payment charges and a decrease in billing revenues as a result of general service customer migration from direct purchase to system sales service. This was partially offset by an increase in other operating revenue.

Delivery-related Gas Costs

The decrease to the deficiency is due to lower unaccounted for gas.

Other Expense

The decrease to the deficiency is due to lower foreign exchange losses and an absence of asset write-offs.

Rate Base Growth net of Tax Changes & Debt Costs

The decrease to the deficiency is due to lower debt costs and lower income taxes due to a rate decrease offset by a higher return component, depreciation and property tax related to a rate base increase of $87 million.

ROE Formula Change

The increase to the deficiency is due to an increase in the benchmark return by 7 bps.

Capital Structure Change
n/a

(v)2011 vs. 2010

Contract Market
n/a

General Service Market

The decrease to the deficiency is due to favourable weather, customer growth and reduction of the long-term peak storage margin sharing.

S&T

The decrease to the deficiency is due primarily to higher exchanges revenue offset partially by a decrease to the long-term peak storage margin sharing.

Other Revenue
n/a

Delivery-related Gas Costs

The decrease to the deficiency is due to lower unaccounted for gas expense.

Other Expense

The increase to the deficiency is due to a gain on sale of assets and foreign exchange gains.

Rate Base Growth net of Tax Changes & Debt Costs

The deficiency is unchanged due to the increase return component and depreciation related to a rate base increase of $13 million being offset by lower debt costs and lower income taxes due to a rate decrease.

ROE Formula Change

The decrease to the deficiency is due to a decrease in the benchmark return by 44 bps.

Capital Structure Change
n/a

(vi) 2012 vs. 2011

Contract Market

The increase to the deficiency is due to forecasted declines in revenues within the Large Commercial/Industrial, Power and Steel/Chemical/Refinery markets.

General Service Market

The decrease to the deficiency is due to estimated customer growth partially offset by the Dawn Gateway cancellation not recurring in 2012.

S&T

The increase to the deficiency is due primarily to reduced exchanges revenue as a result of the expected elimination of TCPL FT RAM credits in November, 2012, and the expected downward pressure on market spreads for exchange paths as a result of the increase in shale production. Long-term transportation is expected to be negatively impacted by capacity turnback, however this is partially offset by forecasted new sales.

Other Revenue
n/a

Delivery-related Gas Costs

The increase to the deficiency is due to estimated higher unaccounted for gas and compressor fuel expenses.

Other Expense

The increase to the deficiency is due to 2011 transactions not expected to recur in 2012.

Rate Base Growth net of Tax Changes & Debt Costs

The increase to the deficiency is due to a higher return component, depreciation and property tax related to an estimated rate base increase of $100 million, offset by lower debt costs and lower income taxes due to a rate decrease.

ROE Formula Change
No change.

Capital Structure Change
n/a

(vii) 2013 vs. 2012

Contract Market

The increase to the deficiency is due to forecasted declines in revenues within the Large Commercial/Industrial and Steel/Chemical/Refinery markets.

General Service Market

The increase to the deficiency is due to fully implementing the 20 year weather trend methodology in the forecast and lower usage offset partially by estimated customer growth.

S&T

The increase to the deficiency is due to capacity turnback negatively affecting long-term transportation, reductions in exchanges revenue due to the full year impact of the expected elimination of TCPL FT RAM credits in November, 2012, expected continued downward pressure on market spreads for exchange paths as a result of the increase in shale production and an estimated reduction to the storage subsidy.

Other Revenue
n/a

Delivery-related Gas Costs

The deficiency is expected to increase due to an estimated increase in compressor fuel expense offset partially by an estimated lower unaccounted for gas expense.

Other Expense
n/a

Rate Base Growth net of Tax Changes & Debt Costs

The decrease to the deficiency is due to revised depreciation as per the study completed for 2013, lower debt costs and lower incomes taxes due to a rate decrease offset partially by a higher return component related to an estimated rate base increase of $59 million.

ROE Formula Change

The increase to the deficiency is due to a projected increase in the allowed return on equity by 148 bps.

Capital Structure Change

The decrease to the deficiency is due to the proposal to increase the common equity component from 36% to 40%. See Exhibit E1, Tab 1.

c) Productivity savings initiatives are not categorized at the level of detail requested. Please see the response at Exhibit J.O-4-1-9 for Total Cost Savings and Incremental Revenue Generation for years 2008 through 2012.

d) Please see the response to b) above.

UNION GAS LIMITED
Financial Summary including Derivation of Revenue Deficiency/Sufficiency

Line No.	Particulars	2007 EB-2005-0520 Approved (a)	2007 Actual (b)	2008 Actual (c)	2009 Actual (d)	2010 Actual (e)	2011 Actual (f)	2012 Estimate (g)	2013 EB-2011-0210 Proposed (h)
	Operating Revenues: ($000s)								
1	Gas Sales	1,796,757	1,811,101	1,865,629	1,699,503	1,497,451	1,482,738	1,437,998	1,401,869
2	Transportation	127,701	132,925	165,085	177,325	183,331	193,605	180,668	162,055
3	Storage	17,962	24,261	23,327	28,914	20,887	10,964	9,090	11,488
4	Other	24,434	29,849	26,288	26,713	23,504	23,080	23,162	23,132
5	Earnings sharing		-	-	-	-	-	-	-
6	Total Operating Revenue	1,966,854	1,998,136	2,080,329	1,932,455	1,725,173	1,710,387	1,650,918	1,598,544
	Operating Expenses: ($000s)								
7	Cost of gas	1,135,825	1,154,203	1,169,446	1,023,220	795,549	755,941	721,228	697,838
8	Operating and maintenance expenses	326,222	320,302	324,832	320,325	351,634	371,731	383,774	393,228
9	Depreciation	173,780	168,465	180,253	187,173	190,176	195,477	204,145	196,467
10	Other financing	315	636	535	474	621	343	362	1,179
11	Property and capital taxes	67,709	64,476	64,942	66,638	65,130	60,700	62,916	64,022
12	Income taxes	14,589	28,436	36,277	36,288	30,214	33,119	18,560	6,574
13	Other expense(income)		-	-	3,050	500	(709)		
14	Return	259,490	251,931	257,617	260,189	260,839	251,384	255,643	291,851
15	Total Cost of Service including Return	1,977,930	1,988,449	2,033,902	1,897,357	1,694,663	1,667,986	1,646,627	1,651,159
16	Revenue Deficiency/(Sufficiency) after tax	11,076	(9,687)	(46,427)	(35,098)	(30,510)	(42,401)	(4,291)	52,615
17	Provision for income taxes on deficiency (sufficiency)	6,263	(5,477)	(23,388)	(17,287)	(13,707)	(16,694)	(1,527)	18,009
18	Total revenue deficiency/(sufficiency)	17,339	(15,164)	(69,815)	(52,385)	(44,217)	(59,095)	(5,818)	70,625
19	Remove net short-term storage revenue	15,829	17,630	14,858	22,789	16,753	7,900	5,109	7,535
20	Remove net transporation revenue	3,436	9,748						
21	Long-term storage premium subsidy	(19,265)	(19,265)	(16,053)	(10,702)	(5,351)	-	-	-
22	Short-term storage premium subsidy	(14,246)	(14,246)	(11,254)	(11,254)	(11,254)	(11,254)	(11,254)	(6,782)
23	Transportation premium subsidy	(3,093)	(3,093)	-	-	-	-	-	-
24	Adjusted revenue deficiency/(sufficiency)	-	(24,390)	(82,264)	(51,552)	(44,069)	(62,449)	(11,963)	71,378

UNION GAS LIMITED
Revenue Deficiency/Sufficiency Components

Line. No.	Particulars ($ millions)	2007 BA vs 2013 (a)	2007 BA vs 2007 (b)	2007 vs 2008 (c)	2008 vs 2009 (d)	2009 vs 2010 (e)	2010 vs 2011 (f)	2011 vs 2012 (g)	2012 vs 2013 (h)
	Revenue:								
1	Contract Market	7	(11)	2	4	2	-	8	2
2	General Service Market	(13)	6	(16)	(1)	11	(17)	(2)	6
3	S&T(1)	(10)	(3)	(34)	(5)	1	(4)	11	24
4	Other Revenue	1	(5)	3	-	3	-	-	-
5	Sub Total: Net Revenue	(15)	(13)	(45)	(2)	17	(21)	17	32
6	Delivery-related Gas Costs:	(37)	9	(25)	17	(39)	(8)	4	5
	O&M:								
7	Compensation	59	5	3	4	26	19	(3)	5
8	Contract Services	23	2	5		2	6	3	5
9	DSM Programs	12			2	2	1	6	1
10	Outbound Affiliates	(8)	(1)		(2)	(1)	(2)	(2)	
11	Bad Debt	(5)	(4)	2		(4)	(1)	2	
12	Capitalization	(14)	4	(7)	2	(1)	(7)	(2)	(3)
13	Non-Utility Allocations	(7)		(3)	(4)	1	(1)		
14	Other	7	(12)	4	(6)	7	5	8	1
15	Sub Total: Net O&M	67	(6)	4	(4)	32	20	12	9
16	Other Expense				3	(3)	(1)	1	
17	Rate Base Growth Net of Tax Changes & Debt Costs	20	(14)	3	23	(1)	-	16	(7)
18	ROE Formula Change	19		5	(6)	1	(8)	-	27
19	Capital Structure Change	17							17
20	Revenue Deficiency/(sufficiency)	71	(24)	(58)	31	7	(18)	50	83

Note:
(1) Adjusted for the storage premium embedded in rates.
(2) Calculated using 36% of the latter year rate base and grossed up using the latter

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	Salaries / Wages	
1	2013 Forecast	193,787
2	2012 Forecast	187,950
3	Difference	5,837
	Reasons:	
4	Merit increase	6,900
5	Market Development - Energy Technology and Innovation Canada	100
6	Other	(1,163)
7	Total difference: 2013 Forecast vs. 2012 Forecast	5,837
	Benefits	
8	2013 Forecast	81,083
9	2012 Forecast	82,161
10	Difference	(1,078)
	Reasons:	
11	Increased non pension benefit costs	1,441
12	Decreased pension benefit costs	(2,519)
13	Total difference: 2013 Forecast vs. 2012 Forecast	(1,078)
	Materials	
14	2013 Forecast	9,958
15	2012 Forecast	9,242
16	Difference	716
	Reasons:	
17	Other	716
18	Total difference: 2013 Forecast vs. 2012 Forecast	716

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	Employee Expenses / Training	
1	2013 Forecast	14,330
2	2012 Forecast	14,110
3	Difference	220
	Reasons:	
4	Travel	83
5	Training	125
6	Other	12
7	Total difference: 2013 Forecast vs. 2012 Forecast	220
	Contract Services	
8	2013 Forecast	66,376
9	2012 Forecast	63,670
10	Difference	2,706
	Reasons:	
11	Pipeline integrity	900
12	Line locates	583
13	Banner transactional fee	300
14	Other	923
15	Total difference: 2013 Forecast vs. 2012 Forecast	2,706
	Consulting	
16	2013 Forecast	13,172
17	2012 Forecast	11,082
18	Difference	2,090
	Reasons:	
19	Market Development - Energy Technology and Innovation Canada	2,010
20	Other	80
21	Total difference: 2013 Forecast vs. 2012 Forecast	2,090

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	General	
1	2013 Forecast	22,190
2	2012 Forecast	21,592
3	Difference	598
	Reasons:	
4	Other	598
5	Total difference: 2013 Forecast vs. 2012 Forecast	598
	Transportation and Maintenance	
6	2013 Forecast	9,761
7	2012 Forecast	9,375
8	Difference	386
	Reasons:	
9	Volume and price	386
10	Total difference: 2013 Forecast vs. 2012 Forecast	386
	Company Used Gas	
11	2013 Forecast	2,501
12	2012 Forecast	2,473
13	Difference	28
	Reasons:	
14	Volume and price	28
15	Total difference: 2013 Forecast vs. 2012 Forecast	28
	Utility Costs	
16	2013 Forecast	4,682
17	2012 Forecast	4,562
18	Difference	120
	Reasons:	
19	Increased utility costs	120
20	Total difference: 2013 Forecast vs. 2012 Forecast	120

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	Communications	
1	2013 Forecast	6,380
2	2012 Forecast	6,243
3	Difference	137
	Reasons:	
4	Other	137
5	Total difference: 2013 Forecast vs. 2012 Forecast	137
	Demand Side Management Programs	
6	2013 Forecast	24,232
7	2012 Forecast	23,605
8	Difference	627
	Reasons:	
9	DSM program costs	627
10	Total difference: 2013 Forecast vs. 2012 Forecast	627
	Advertising	
11	2013 Forecast	2,386
12	2012 Forecast	2,288
13	Difference	98
	Reasons:	
14	Other	98
15	Total difference: 2013 Forecast vs. 2012 Forecast	98
	Insurance	
16	2013 Forecast	9,056
17	2012 Forecast	8,605
18	Difference	451
	Reasons:	
19	Higher insurance premiums	451
20	Total difference: 2013 Forecast vs. 2012 Forecast	451

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	Donations	
1	2013 Forecast	788
2	2012 Forecast	775
3	Difference	13
	Reasons:	
4	Other	13
5	Total difference: 2013 Forecast vs. 2012 Forecast	13
	Financial	
6	2013 Forecast	1,871
7	2012 Forecast	1,860
8	Difference	11
	Reasons:	
9	Other	11
10	Total difference: 2013 Forecast vs. 2012 Forecast	11
	Lease	
11	2013 Forecast	4,191
12	2012 Forecast	4,151
13	Difference	40
	Reasons:	
14	Other	40
15	Total difference: 2013 Forecast vs. 2012 Forecast	40
	Cost Recovery from Third Parties	
16	2013 Forecast	(2,549)
17	2012 Forecast	(2,883)
18	Difference	334
	Reasons:	
19	Other	334
20	Total difference: 2013 Forecast vs. 2012 Forecast	334

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	Computers	
1	2013 Forecast	6,465
2	2012 Forecast	6,158
3	Difference	307
	Reasons:	
4	Other	307
5	Total difference: 2013 Forecast vs. 2012 Forecast	307
	Regulatory Hearing & OEB Cost Assessment	
6	2013 Forecast	4,300
7	2012 Forecast	5,200
8	Difference	(900)
	Reasons:	
9	Rebasing	(900)
10	Total difference: 2013 Forecast vs. 2012 Forecast	(900)
	Outbound Affiliate Services	
11	2013 Forecast	(13,706)
12	2012 Forecast	(13,667)
13	Difference	(39)
	Reasons:	
14	Other	(39)
15	Total difference: 2013 Forecast vs. 2012 Forecast	(39)
	Inbound Affiliate Services	
16	2013 Forecast	11,888
17	2012 Forecast	11,494
18	Difference	394
	Reasons:	
19	Other	394
20	Total difference: 2013 Forecast vs. 2012 Forecast	394

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
2013 Forecast vs. 2012 Forecast

Line No.	Notes:	($000's)
	Bad Debt	
1	2013 Forecast	6,600
2	2012 Forecast	6,600
3	Difference	-
4	Total difference: 2013 Forecast vs. 2012 Forecast	-
	Other	
5	2013 Forecast	139
6	2012 Forecast	141
7	Difference	(2)
	Reasons:	
8	Other	(2)
9	Total difference: 2013 Forecast vs. 2012 Forecast	(2)

UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 1, Schedule 1, page 6

Please provide all presentations made to the Applicant's executive team or its Board of Directors in 2011 that include a forecast of the 2012 ROE. Please include the full presentations in which the ROE is included. Please provide an explanation of any material changes to the forecast of 2012 ROE during the 2011 year.

Response:

Union has provided the initial executive presentation (July 2011) and the final executive presentation (September 2011) respecting its 2012 forecast. Union has redacted information regarding its unregulated business.

Please see Attachments 1 and 2.

The initial forecast presentation made to Union's executive team in 2011 including a forecast of the 2012 ROE shows a ROE of 6.89%. The presentation of the final 2012 forecast shows a ROE of 9.31%. The main drivers for the increase of 2.42% are:

- Transportation revenue increase from FT RAM credits;
- O&M reductions;
- Unidentified distribution contract market opportunities; and,
- Net fuel cost reductions.

uniongas
A Spectra Energy Company
CELEBRATING 100 YEARS Est. 1911

Filed: 2012-05-04
EB-2011-0210
J.O-4-15-1
Attachment 1

Union Gas Limited
Earnings Before Interest and Taxes
CDN$Millions

Particulars	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast	2011 6+6 Outlook	2012 Budget	2013 Forecast	2014 Forecast
Operating Revenue								
Distribution Margin	$ 703.7	$ 698.5	$ 676.1	$ 683.8	$ 710.5	$ 698.2	$ 690.4	$ 695.8
S&T	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other Revenue	28.9	36.9	28.8	28.8	31.5	28.0	27.9	28.0
Earnings Sharing	(4.1)	-	-	-	(6.3)	-	-	-
Stretch / Deficiency	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Operating Revenue	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Operating Expenses								
Operating & Maintenance Expense	363.4	371.5	392.3	398.6	374.4	391.9	389.5	398.4
Depreciation and Amortization	198.8	205.7	214.4	222.9	205.6	214.2	205.2	217.1
Taxes Other than Income Taxes	66.8	64.7	66.2	67.7	63.0	64.0	65.0	66.0
Total Operating Expenses	**629.0**	**641.9**	**672.9**	**689.2**	**643.0**	**670.1**	**659.7**	**681.5**
HTLP Income / (Loss)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other Income / (Loss)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Earnings Before Interest, Taxes (EBIT CDN GAAP)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
US GAAP Adjustment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Union Gas EBIT (US GAAP)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Gas Distribution EBIT (US GAAP)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Earnings Sharing								
Rate Base	$ 3,550.5	$ 3,574.3	$ 3,689.7	$ 3,782.5	$ 3,563.2	$ 3,691.6	$ 3,763.7	$ 3,915.7
Utility ROE (before Earnings Sharing)	10.99%	9.84%	9.86%	9.70%	10.81%	6.89%	5.52%	4.22%
Benchmark ROE	8.54%	8.10%	8.10%	8.10%	8.10%	8.10%	9.75%	9.75%
Pre tax earnings gap to 200 bps (50/50 sharing)	$ -	$ 4.6	$ 4.2	$ 7.3	$ -	$ 57.8		
Pre tax earnings gap to 300 bps (90/10 sharing)	$ 10.2	$ 22.5	$ 22.2	$ 25.6	$ 5.3	$ 75.8		
[redacted]	[redacted]	[redacted]						

Union Gas Limited
Gas Distribution Margin
CDN$Millions

Particulars	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast	2011 6+6 Outlook	2012 Budget	2013 Forecast	2014 Forecast
Delivery Revenue *								
General Service	$ 562.5	$ 581.3	$ 585.3	$ 590.1	$ 585.2	$ 583.5	$ 577.9	$ 582.3
Contract	121.3	114.6	113.1	113.2	119.0	111.1	110.1	112.5
Delivery Rate Variance (1)	-	5.9	2.8	7.4	(0.1)	-	-	-
LRAM Recovery	2.5	1.4	1.4	1.5	1.4	-	-	-
	686.3	703.2	702.6	712.2	705.5	694.6	688.0	694.8
Cost of Gas - "below the line items"								
UFG	17.3	36.5	44.4	44.4	29.7	26.8	24.7	23.7
Compressor fuel	38.4	42.4	48.5	47.9	32.8	33.2	32.7	31.5
Customer Supplied Fuel	(51.7)	(49.5)	(50.2)	(49.7)	(40.0)	(35.3)	(32.5)	(29.0)
Winter peaking costs	3.8	4.4	13.1	14.7	2.5	-	-	-
Other	1.0	0.8	-	-	1.0	1.0	1.0	1.0
	8.8	34.6	55.8	57.3	26.0	25.7	25.8	27.2
Gas supply revenue less COG ("above the line")	26.2	29.9	29.3	28.9	31.0	29.3	28.2	28.2
Gas Distribution Margin	**$ 703.7**	**$ 698.5**	**$ 676.1**	**$ 683.8**	**$ 710.5**	**$ 698.2**	**$ 690.4**	**$ 695.8**
Heating Degree Days	3,796	4,075	4,075	4,075	4,180	4,045	3,856	3,856
(1) Delivery Rate Change Detail:								
DSM O&M			2.5	5.3	-	-	-	-
Price Cap			(5.4)	(5.4)	-	-	-	-
Volumetric (LRAM, AU)			1.2	3.1	-	1.3	-	-
Income Tax change sharing		(1.0)	(2.3)	(2.3)	(1.0)	(1.3)	-	-
St. Clair Line adjustment		(1.1)	(1.1)	(1.1)	(1.1)	-	-	-
Estimate vs. Approved Intra Period WACOG		8.6	8.6	8.6	2.0	-	-	-
Estimate vs. Approved delivery rates		(0.6)	(0.7)	(0.8)	-	-	-	-
		$ 5.9	$ 2.8	$ 7.4	$ (0.1)	$ -	$ -	$ -

* Budget and forecast reflect approved 2011 rates (EB-2010-0359).

Union Gas Limited
S&T Revenue
CDN$Millions

Particulars	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast	2011 6+6 Outlook	2012 Budget	2013 Forecast	2014 Forecast
Transportation (Regulated)								
Long Term Transportation								
M12 Long Term Transportation	$ 141.9	$ 139.8	$ 139.5	$ 139.5	$ 139.3	$ 138.9	$ 132.3	$ 127.6
Other Long Term Transportation	7.8	9.3	8.5	9.0	8.7	7.5	6.2	6.1
Total Long Term Transportation	**149.7**	**149.2**	**148.0**	**148.5**	**148.0**	**146.4**	**138.5**	**133.7**
Short Term Transportation								
C1 Short Term Firm Transportation	6.6	4.2	4.1	4.1	6.6	7.4	7.4	7.4
C1 Short Term Interruptible Transportation	6.2	1.5	1.5	1.5	5.2	1.0	1.0	1.0
Exchanges/Third Party Revenue	19.8	17.1	10.0	8.0	25.3	6.0	6.0	6.0
Total Short Term Transportation	**32.6**	**22.8**	**15.6**	**13.6**	**37.1**	**14.4**	**14.4**	**14.4**
Other S&T Services	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**	**1.0**	**1.0**	**1.0**
Identified Transportation Opportunities	-	-	2.3	2.3	-	-	-	-
Total Transportation (Regulated)	**183.4**	**173.1**	**167.0**	**165.5**	**186.2**	**161.8**	**153.9**	**149.1**
Storage (Unregulated)								
Long Term Storage								
Long Term Storage	[redacted]				[redacted]			
High Deliverability Storage								
Other Long Term Storage								
Identified Long Term Storage Opportunities								
Total Long Term Storage								
Short Term Storage & Balancing								
Peak Short Term Storage	14.9	15.4	14.9	16.2	10.4	10.3	11.4	11.8
Off Peak Short Term Storage	1.7	3.0	3.0	3.0	0.4	0.5	0.5	0.5
Balancing	3.4	3.0	3.0	3.0	1.5	2.0	2.0	2.0
Loans	0.9	1.0	1.0	1.0	-	-	-	-
Identified Short Term Storage Opportunities	-	-	1.6	1.6	-	-	-	-
Total Short Term Storage & Balancing	**20.9**	**22.4**	**23.5**	**24.8**	**12.3**	**12.8**	**13.9**	**14.3**
Total Storage (Unregulated)	[redacted]				[redacted]			
Deferral Accounts								
Deferral - Long Term Storage	(8.3)	-	-	-	-	-	-	-
Deferral - Short Term Storage & Balancing	(0.6)	(1.2)	(0.9)	(1.8)	5.6	5.5	-	(0.3)
Total Deferral Accounts	**(8.9)**	**(1.2)**	**(0.9)**	**(1.8)**	**5.6**	**5.5**	**-**	**(0.3)**
St. Clair to Dawn Transport	**0.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Unregulated Storage Net of Deferrals	[redacted]				[redacted]			
Total Net S&T	[redacted]				[redacted]			

Union Gas Limited
Other Revenue
CDN$Millions

Particulars	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast	2011 6+6 Outlook	2012 Budget	2013 Forecast	2014 Forecast
Delayed payment charges	$ 6.0	$ 7.0	$ 7.0	$ 7.1	$ 6.6	$ 6.6	$ 6.7	$ 6.8
Connection charges	6.6	6.9	7.0	7.1	6.9	7.0	7.0	7.0
Billing revenue	7.4	6.7	6.4	6.3	6.1	6.6	6.4	6.4
Mid market revenue	2.2	1.9	1.9	1.8	1.5	2.0	2.0	2.0
Shared savings mechanism	4.7	8.8	4.8	4.8	8.8	4.8	4.8	4.8
Market transformation	0.5	0.5	0.5	0.5	0.5	-	-	-
Conservation and demand management	0.3	0.3	-	-	0.3	-	-	-
Dawn Gateway management fees	-	4.0	-	-	-	-	-	-
Service revenue	-	0.6	0.9	0.9	0.6	0.7	0.7	0.7
Miscellaneous	1.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total other revenue	**$ 28.9**	**$ 36.9**	**$ 28.8**	**$ 28.8**	**$ 31.5**	**$ 28.0**	**$ 27.9**	**$ 28.0**

Union Gas Limited
O&M Expense By Cost Type
CDN$Millions

Particulars	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast	2011 6+6 Outlook	2012 Budget	2013 Forecast	2014 Forecast
Direct								
Salaries/Wages	$ 183.3	$ 180.3	$ 184.9	$ 192.4	$ 180.8	$ 189.7	$ 197.3	$ 204.9
Employee Benefits (non-pension)	31.4	30.3	31.9	33.1	31.0	33.1	34.6	36.9
Employee Expenses & Training	11.8	13.3	13.8	14.0	13.4	14.4	14.6	14.8
Contract Services	57.3	60.0	66.4	67.7	60.5	66.4	66.3	68.0
Consulting	7.5	8.8	12.0	12.4	9.1	11.7	13.4	13.6
Materials	9.6	9.2	10.2	10.4	9.3	9.8	10.0	10.4
General & Other	23.6	22.4	23.2	23.5	22.6	22.6	23.4	23.8
Transportation	6.4	6.5	7.9	8.0	7.3	7.6	7.6	8.0
Fuel	2.5	3.3	4.2	4.3	2.9	2.5	2.5	2.5
Utility Costs	3.7	4.5	4.4	4.5	4.5	4.6	4.7	4.8
Computers	4.9	5.7	6.3	6.3	5.6	6.0	6.4	6.5
Communications	6.8	7.2	7.3	7.3	6.6	6.5	6.7	6.8
Advertising	1.9	2.2	2.0	2.0	2.3	2.3	2.4	2.4
Lease	3.6	3.7	3.8	3.9	3.7	4.2	4.2	4.9
Insurance	8.5	8.8	9.4	9.4	8.2	9.4	9.6	10.6
Financial	2.0	2.0	2.2	2.2	2.0	2.0	2.0	2.0
OEB Cost Assessment / Intervenor Costs	3.1	3.6	5.6	4.5	3.7	5.7	4.5	3.6
Recovery Cost	(4.6)	(2.4)	(4.7)	(4.7)	(2.5)	(2.9)	(2.5)	(2.6)
Adjustments	-	-	-	-	-	(1.0)	(1.0)	(0.1)
Total Direct	**363.3**	**369.4**	**390.8**	**401.2**	**371.0**	**394.6**	**406.7**	**421.8**
Indirect								
Pension Benefits	39.5	45.2	41.1	35.6	48.4	40.1	28.2	24.4
Bad Debt	5.2	7.4	7.6	7.6	6.4	7.1	7.1	7.1
DSM Program Costs	15.3	17.9	19.6	21.6	17.8	17.5	17.2	17.2
DSM Program Expected Recovery	1.1	-	-	-	-	-	-	-
Total Indirect	**61.1**	**70.5**	**68.3**	**64.8**	**72.6**	**64.7**	**52.5**	**48.7**
Allocations								
Affiliate Expenses	9.5	9.0	10.1	10.6	9.4	11.7	11.5	11.9
Affiliate Revenue	(10.2)	(10.5)	(9.9)	(10.3)	(11.4)	(12.9)	(13.1)	(13.6)
Total Allocations	**(0.7)**	**(1.5)**	**0.2**	**0.3**	**(2.0)**	**(1.2)**	**(1.6)**	**(1.7)**
Total Gross O&M	**423.7**	**438.4**	**459.3**	**466.3**	**441.6**	**458.1**	**457.6**	**468.8**
Loadings	(14.0)	(20.4)	-	-	(18.2)	(17.1)	(19.4)	(19.9)
Capitalization	(46.3)	(46.5)	(67.0)	(67.7)	(49.0)	(49.1)	(48.7)	(50.5)
Total Net O&M	**$ 363.4**	**$ 371.5**	**$ 392.3**	**$ 398.6**	**$ 374.4**	**$ 391.9**	**$ 389.5**	**$ 398.4**

Union Gas Limited
Capital Expenditures
CDN$Millions

Particulars	In Service Date	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast	2011 6+6 Outlook	2012 Budget	2013 Forecast	2014 Forecast
Expansion									
Storage Deliverability Projects	Nov-08	$ 0.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dawn Trafalgar Phase III (Bright)	Nov-08	-	-	-	-	0.3	-	-	
[redacted]						[redacted]			
Delta Pressure Phase IV	Nov-09	0.1	-	-	-	-	-	-	-
Dawn to Dawn TCPL Export	Dec-10	1.6	-	-	-	1.2	-	-	-
[redacted]						[redacted]			
Tecumseh Sombra Line Extension	Nov-12	(0.2)	-	-	-	0.2	-	-	-
Marcellus-Kirkwall	Nov-12	-	4.6	0.1	-	-	4.7	0.1	-
Oakville Power Generation Station	Nov-12	-	2.0	37.2	0.1	-	-	-	-
[redacted]						[redacted]			
Thunder Bay Power Plant	Nov-13	-	0.2	1.3	25.2	0.6	0.9	28.0	0.2
[redacted]						[redacted]			
Lambton Power Plant	Nov-14	-	0.2	0.6	14.7	0.2	-	1.8	25.2
Parkway West	Nov-14	-	-	-	-	-	21.7	80.0	120.0
[redacted]						[redacted]			
Nanticoke Power Plant	N/A	-	-	-	-	0.1	-	-	-
Red Lake	N/A	0.1	-	-	-	-	-	-	-
Project Pre-spend	N/A	-	2.0	2.0	2.0	1.9	2.0	2.0	2.0
Overheads		0.2	1.7	1.8	1.8	1.7	2.2	2.2	2.2
Total Expansion		[redacted]				[redacted]			
Maintenance									
Distribution New Business		33.2	39.3	40.0	40.7	39.3	51.4	50.5	52.0
Distribution Other		58.0	74.0	77.6	76.3	74.0	72.4	76.3	79.9
Total Distribution		91.2	113.3	117.6	117.0	113.3	123.8	126.8	131.9
Transmission		18.9	44.5	17.9	17.3	44.5	23.5	34.0	24.7
Storage		19.2	37.4	16.1	13.2	37.4	14.3	10.8	7.1
General		12.1	12.5	13.1	12.0	12.5	11.9	9.8	21.1
Overheads		61.6	50.9	51.1	52.1	50.9	52.8	52.7	52.7
Total Maintenance		**203.0**	**258.6**	**215.8**	**211.6**	**258.6**	**226.3**	**234.1**	**237.5**
IT		22.0	25.5	23.9	23.0	23.2	25.6	28.3	26.1
Total Maintenance, IT and OH		**225.0**	**284.1**	**239.7**	**234.6**	**281.8**	**251.9**	**262.4**	**263.6**
Total Union Gas Capex		[redacted]				[redacted]			
[redacted]						[redacted]			
Total Consolidated Union Gas Capex		[redacted]				[redacted]			
[redacted]						[redacted]			
Total Gas Distribution Capex		[redacted]				[redacted]			

unionqas
A Spectra Energy Company

Union Gas Limited
Earnings Before Interest and Taxes
CDN$Millions

Filed: 2012-05-04
EB-2011-0210
J.O-4-15-1
Attachment 2

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Operating Revenue				
Distribution Margin	$ 729.5	$ 716.0	$ 702.0	$ 709.1
S&T	[redacted]			
Other Revenue	34.2	26.2	27.9	28.0
Earnings Sharing	(16.3)	-	-	-
Stretch / Deficiency	[redacted]			
Total Operating Revenue				
Operating Expenses				
Operating & Maintenance Expense	378.4	384.9	390.2	397.4
Depreciation and Amortization	204.3	213.0	206.2	218.8
Taxes Other than Income Taxes	62.0	64.3	65.4	66.8
Total Operating Expenses	**644.7**	**662.2**	**661.8**	**683.0**
HTLP Income / (Loss)	[redacted]			
Other Income / (Loss)				
Earnings Before Interest, Taxes (CDN Reporting)	[redacted]			
US Reporting Adjustment	[redacted]			
Union Gas EBIT (US Reporting)				
[redacted]				
Gas Distribution EBIT (US Reporting)	[redacted]			
Earnings Sharing				
Rate Base	$ 3,572.3	$ 3,685.3	$ 3,761.2	$ 3,916.9
Utility ROE (before Earnings Sharing)	11.60%	9.31%	7.13%	6.28%
Benchmark ROE	8.10%	7.67%	9.58%	9.58%
Pre tax earnings gap to 200 bps (50/50 sharing)	**$ -**	**$ 6.4**		
Pre tax earnings gap to 300 bps (90/10 sharing)	**$ -**	**$ 24.4**		

[redacted]

Union Gas Limited
Gas Distribution Margin
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Delivery Revenue *				
General Service	$ 575.6	$ 591.6	$ 586.5	$ 591.1
Contract (excluding CSF)	113.5	104.6	103.8	106.2
Customer Supplied Fuel	8.1	6.4	6.2	6.3
Stretch - Contract	-	5.0	-	-
Delivery Rate Variance (1)	0.9	(2.1)	0.2	1.0
LRAM Recovery	2.0	1.4	-	-
	700.1	706.9	696.7	704.6
Cost of Gas - "below the line items"				
UFG	8.0	25.9	23.8	22.9
Compressor fuel	31.1	31.6	32.6	31.5
Customer Supplied Fuel	(39.7)	(37.5)	(33.6)	(30.3)
Winter peaking costs	2.4	-	-	-
Other	1.0	1.0	1.0	1.0
	2.8	21.0	23.8	25.1
Gas supply revenue less COG ("above the line")	32.2	30.1	29.1	29.6
Gas Distribution Margin	**$ 729.5**	**$ 716.0**	**$ 702.0**	**$ 709.1**
Heating Degree Days	3,957	4,045	3,856	3,856
(1) Delivery Rate Change Detail:				
DSM O&M	-	-	1.0	1.8
St. Clair Line adjustment	0.9	-	-	-
Estimate vs. Approved Intra Period WACOG	-	(0.1)	(0.1)	(0.1)
Estimate vs. Approved delivery rates	-	(2.0)	(0.7)	(0.7)
	$ 0.9	$ (2.1)	$ 0.2	$ 1.0

* Budget and forecast reflect approved 2012 rates (EB-2011-0382).

Union Gas Limited
S&T Revenue
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Transportation (Regulated)				
Long Term Transportation				
M12 Long Term Transportation	$ 138.3	$ 133.5	$ 121.1	$ 116.3
M12X Long Term Transportation	1.5	5.9	13.5	13.5
Other Long Term Transportation	8.7	7.5	6.2	6.1
Total Long Term Transportation	**148.5**	**146.9**	**140.8**	**136.0**
Short Term Transportation				
C1 Short Term Firm Transportation	7.5	10.3	10.1	10.1
C1 Short Term Interruptible Transportation	5.1	1.0	1.0	1.0
Exchanges/Third Party Revenue	31.7	21.1	9.1	9.1
Total Short Term Transportation	**44.2**	**32.4**	**20.2**	**20.2**
Other S&T Services	**1.1**	**1.1**	**1.1**	**1.1**
Total Transportation (Regulated)	**193.8**	**180.4**	**162.0**	**157.2**
Storage (Unregulated)				
Long Term Storage				
Long Term Storage	[redacted]			
High Deliverability Storage				
Other Long Term Storage				
Total Long Term Storage				
Short Term Storage & Balancing				
Peak Short Term Storage	9.0	6.6	9.0	12.0
Off Peak Short Term Storage	0.3	0.5	0.5	0.5
Balancing	1.5	2.0	2.0	2.0
Loans	0.1	-	-	-
Total Short Term Storage & Balancing	**11.0**	**9.1**	**11.5**	**14.5**
Total Storage (Unregulated)	[redacted]			
Deferral Accounts				
Deferral - Long Term Storage	(3.8)	-	-	-
Deferral - Short Term Storage & Balancing	5.6	7.8	-	(2.1)
Total Deferral Accounts	**1.8**	**7.8**	**-**	**(2.1)**
Total Unregulated Storage Net of Deferrals	[redacted]			
Total Net S&T	[redacted]			

Union Gas Limited
Other Revenue
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Delayed payment charges	$ 7.0	$ 6.7	$ 6.7	$ 6.8
Connection charges	6.6	7.0	7.0	7.0
Billing revenue / ABC revenue *	6.0	4.8	6.4	6.4
Mid market revenue	1.3	2.0	2.0	2.0
Shared savings mechanism	10.4	4.8	4.8	4.8
Market transformation	0.5	-	-	-
Conservation and demand management	0.2	-	-	-
Service revenue	0.6	0.7	0.7	0.7
Miscellaneous	1.6	0.2	0.3	0.3
Total other revenue	**$ 34.2**	**$ 26.2**	**$ 27.9**	**$ 28.0**

* Budget includes base of $6.5 million less $1.7 million adjustment for ABC migration to system.

Union Gas Limited
O&M Expense By Cost Type
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Direct				
Salaries/Wages	$ 191.8	$ 187.4	$ 193.7	$ 201.5
Employee Benefits (non-pension)	32.9	31.3	33.7	35.4
Employee Expenses & Training	13.5	13.8	14.3	14.6
Contract Services	63.6	62.9	66.4	68.0
Consulting	7.7	10.4	13.2	13.4
Materials	10.7	9.2	10.0	10.4
General & Other	18.4	22.4	23.1	23.4
Transportation	7.3	7.4	7.5	7.8
Fuel	2.4	2.5	2.5	2.5
Utility Costs	4.1	4.6	4.7	4.8
Computers	5.3	6.0	6.5	6.6
Communications	6.4	6.1	6.4	6.5
Advertising	2.4	2.3	2.4	2.4
Lease	4.1	4.2	4.2	4.9
Insurance	8.1	8.6	9.1	9.1
Financial	1.7	1.7	1.9	1.9
OEB Cost Assessment / Intervenor Costs	3.3	5.0	4.3	3.4
Recovery Cost	(5.9)	(2.9)	(2.5)	(2.6)
Total Direct	**377.8**	**382.8**	**401.1**	**414.0**
Indirect				
Pension Benefits	48.3	40.1	28.0	24.2
Bad Debt	4.5	6.6	6.6	6.6
DSM Program Costs	17.9	23.6	24.2	24.9
Total Indirect	**70.7**	**70.3**	**58.8**	**55.7**
Allocations				
Affiliate Expenses	9.0	11.5	11.9	12.2
Affiliate Revenue	(11.7)	(13.9)	(13.7)	(14.2)
Total Allocations	**(2.7)**	**(2.4)**	**(1.8)**	**(2.0)**
Total Gross O&M	**445.7**	**450.7**	**458.1**	**467.7**
Loadings	(15.1)	(17.1)	(19.4)	(19.9)
Capitalization	(52.2)	(48.7)	(48.6)	(50.4)
Total Net O&M	**$ 378.4**	**$ 384.9**	**$ 390.2**	**$ 397.4**

Union Gas Limited
O&M By Responsibility Area
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Executive				
Salaries & Wages	$ 2.2	$ 2.2	$ 2.3	$ 2.4
Employee Expenses & Training	0.2	0.2	0.2	0.2
Other	0.9	0.8	0.8	0.8
Executive Gross	**3.3**	**3.2**	**3.3**	**3.4**
Indirect Capitalization	(0.4)	(0.4)	(0.4)	(0.4)
Executive Net	**2.9**	**2.8**	**2.9**	**3.0**
Engineering, Construction & Storage Transmission				
ECS Direct				
Salaries & Wages	23.8	24.1	25.0	26.2
Employee Expenses & Training	2.2	2.1	2.2	2.3
Contract Services	11.4	10.3	11.6	11.6
Materials & General	4.4	4.1	4.3	4.4
Own Use Gas & Utilities	2.0	2.2	2.3	2.3
Other	1.0	2.2	2.3	2.3
ECS Direct Gross	**44.8**	**44.9**	**47.8**	**49.1**
Indirect Capitalization	(6.8)	(6.9)	(6.6)	(6.9)
ECS Direct Net	**38.0**	**38.0**	**41.1**	**42.3**
ECS Indirect				
Environment, Health & Governance	0.8	0.9	0.9	0.9
Global & Fleet Services	0.5	0.8	0.8	0.9
Procurement	1.2	1.2	1.2	1.3
Project Systems & Control	0.2	0.2	0.2	0.2
ECS Indirect Gross	**2.7**	**3.1**	**3.2**	**3.3**
Indirect Capitalization	(0.8)	(1.0)	(1.1)	(1.1)
ECS Indirect Net	**1.9**	**2.0**	**2.1**	**2.2**
Engineering, Construction & Storage Transmission Net	**39.9**	**40.0**	**43.2**	**44.4**
Distribution Operations				
Salaries & Wages	63.7	64.5	66.6	68.6
Employee Expenses & Training	5.7	5.2	5.3	5.4
Contract Services	18.8	19.2	21.6	22.7
Materials & General	7.9	6.0	7.2	7.5
Transportation	7.3	7.4	7.5	7.8
Own Use Gas & Utilities	2.4	2.6	2.6	2.6
Other	(2.0)	(0.6)	(0.5)	(0.5)
Distribution Operations Gross	**103.9**	**104.2**	**110.4**	**114.1**
Direct Capitalization	(7.4)	(8.6)	(9.8)	(10.1)
Indirect Capitalization	(16.9)	(17.3)	(17.8)	(18.2)
Total Capitalization	(24.3)	(25.9)	(27.6)	(28.3)
Distribution Operations Net	**79.5**	**78.3**	**82.8**	**85.7**

Union Gas Limited
O&M By Responsibility Area
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Business Development, Storage & Transmission				
BDS&T Direct				
Salaries & Wages	11.3	11.7	12.4	12.9
Employee Expenses & Training	0.5	0.7	0.8	0.8
Consulting	0.4	0.2	0.2	0.2
Other	2.3	2.7	2.8	2.9
BDS&T Direct Gross	**14.5**	**15.3**	**16.2**	**16.8**
Indirect Capitalization	(0.5)	(0.3)	(0.3)	(0.5)
BDS&T Direct Net	**14.0**	**15.0**	**15.9**	**16.3**
BDS&T Indirect				
S&T Sales (net)	0.4	0.4	0.4	0.4
Business Development, Storage & Transmission Net	**14.4**	**15.4**	**16.3**	**16.8**
Infranchise Sales and Marketing & Energy Cons.				
Sales & Marketing				
Salaries & Wages	5.9	5.3	5.6	6.5
Employee Expenses & Training	0.5	0.7	0.7	0.9
Contract Services	0.5	0.4	0.3	0.4
Materials & General	0.4	0.4	0.4	0.7
Other	3.0	5.2	7.7	8.0
Sales & Marketing Net	**10.3**	**12.0**	**14.8**	**16.5**
Energy Conservation				
Salaries & Wages	5.6	6.2	6.4	6.7
Employee Expenses & Training	0.7	0.9	0.9	0.9
DSM Program Costs	18.0	23.6	24.2	24.9
Other	0.6	0.3	0.3	0.3
Energy Conservation Net	**24.9**	**31.0**	**31.8**	**32.8**
Infranchise Sales and Marketing & Energy Cons. Net	**35.2**	**43.0**	**46.7**	**49.2**
Government/Aboriginal Affairs & Customer Care				
Salaries & Wages	17.7	17.5	18.0	18.4
Employee Expenses & Training	0.8	0.8	0.8	0.6
Contract Services	19.0	19.8	20.4	20.8
Materials & General	9.3	9.6	9.8	9.7
Other	0.8	0.6	0.4	0.3
Government/Aboriginal Affairs & Customer Care Net	**47.6**	**48.3**	**49.3**	**49.8**
Regulatory & Public Affairs				
Salaries & Wages	4.4	4.1	4.1	4.3
Employee Expenses & Training	0.3	0.5	0.4	0.4
OEB Cost Assessment	3.3	5.0	4.3	3.4
Lease	3.4	3.9	4.0	4.7
Other	2.0	3.1	3.0	3.0
Regulatory & Public Affairs Gross	**13.4**	**16.7**	**15.8**	**15.9**
Indirect Capitalization	(1.0)	(0.4)	(0.4)	(0.4)
Regulatory & Public Affairs Net	**12.4**	**16.3**	**15.4**	**15.5**

Union Gas Limited
O&M By Responsibility Area
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Finance				
Finance Direct				
Salaries & Wages	8.3	8.3	8.5	8.9
Employee Expenses & Training	0.4	0.4	0.4	0.4
Financial	1.6	1.5	1.7	1.7
Bad Debt	4.5	6.6	6.6	6.6
Other	(0.3)	0.2	0.4	0.4
Finance Direct Gross	**14.4**	**17.0**	**17.6**	**18.1**
Indirect Capitalization	(0.6)	(0.7)	(0.7)	(0.5)
Finance Direct Net	**13.8**	**16.3**	**16.9**	**17.6**
Finance Indirect				
Information Technology				
Information Systems (IS)				
Salaries & Wages	7.6	8.0	8.4	8.6
Employee Expenses & Training	0.5	0.3	0.3	0.3
Computers	2.4	2.8	2.9	2.9
Other	1.1	1.3	1.4	1.5
IS Gross	**11.5**	**12.4**	**13.0**	**13.3**
Indirect Capitalization	(1.7)	(1.9)	(2.0)	(2.0)
IS Net	**9.8**	**10.5**	**11.1**	**11.3**
Information Technology Infrastructure (ITI)				
Salaries & Wages	3.6	2.2	2.2	2.3
Employee Expenses & Training	0.3	0.2	0.2	0.2
Communication	4.7	4.1	4.2	4.3
Other	6.2	5.4	5.7	5.7
ITI Gross	**14.8**	**11.9**	**12.3**	**12.5**
Capitalization	(2.2)	(1.8)	(1.9)	(1.9)
ITI Net	**12.6**	**10.1**	**10.5**	**10.6**
SCADA Tech Support				
SCADA Gross	**0.8**	**0.8**	**0.9**	**1.0**
Indirect Capitalization	-	-	-	-
SCADA Net	**0.8**	**0.8**	**0.9**	**0.9**
IT Security				
IT Security Gross	-	**1.4**	**1.4**	**1.5**
Indirect Capitalization	-	(0.2)	(0.2)	(0.2)
IT Security Net	-	**1.2**	**1.2**	**1.2**
BIS/SAP Net	1.3	1.4	1.5	1.5
Technology Enterprise (ITE) Net	-	0.4	0.4	0.4
Information Technology Net	**24.5**	**24.4**	**25.5**	**26.1**
Insurance				
Insurance	8.1	8.6	9.1	9.1
Other	0.2	0.4	0.4	0.5
Insurance Net	**8.3**	**9.0**	**9.5**	**9.5**
Tax	1.2	1.2	1.2	1.3
Audit Services	0.3	0.5	0.5	0.5
Finance Indirect Net	**34.3**	**35.1**	**36.7**	**37.3**
Finance Net	**48.1**	**51.3**	**53.6**	**54.9**

Union Gas Limited
O&M By Responsibility Area
CDN$Millions

Particulars	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Employee & Labour Relations				
Salaries & Wages	29.8	23.2	23.6	24.7
Employee Expenses & Training	0.5	0.8	0.9	1.0
Pension Benefits	48.3	35.7	28.0	24.2
Employee Benefits (non-pension)	32.8	31.0	33.4	35.1
Contract Services	2.7	2.4	1.6	1.5
Other	0.7	0.5	1.2	1.2
Employee & Labour Relations Gross	**114.8**	**93.7**	**88.7**	**87.7**
Direct Capitalization	(4.6)	(6.4)	(7.3)	(7.5)
Indirect Capitalization	(17.0)	(14.0)	(13.3)	(13.2)
Total Capitalization	**(21.6)**	**(20.4)**	**(20.6)**	**(20.6)**
Employee & Labour Relations Net	**93.2**	**73.3**	**68.2**	**67.1**
Corporate Services				
Salaries & Wages	2.0	1.8	1.9	2.0
Employee Expenses & Training	0.1	0.1	0.1	0.1
Contract Services	5.5	5.3	5.3	5.4
Other	9.7	9.8	10.1	10.3
Corporate Services Gross	**17.4**	**17.0**	**17.4**	**17.8**
Indirect Capitalization	(2.4)	(2.4)	(2.5)	(2.9)
Corporate Services Net	**15.0**	**14.6**	**14.9**	**15.0**
Affiliates				
Affiliate Expenses	9.0	11.5	11.9	12.2
Affiliate Revenues	(11.7)	(13.9)	(13.7)	(14.2)
Affiliates Gross	**(2.7)**	**(2.4)**	**(1.8)**	**(2.0)**
Indirect Capitalization	(1.7)	(1.6)	(1.6)	(1.7)
Affiliates Net	**(4.5)**	**(4.0)**	**(3.4)**	**(3.7)**
Other				
Legal	1.3	1.4	1.4	1.5
Government Relations	0.4	0.5	0.5	0.6
Corporate Adjustments	(3.7)	5.6	0.5	0.5
Other Gross	**(2.0)**	**7.5**	**2.5**	**2.5**
Direct Capitalization	(3.1)	(2.0)	(2.3)	(2.4)
Indirect Capitalization	(0.2)	0.1	0.1	(0.5)
Total Capitalization	**(3.3)**	**(1.9)**	**(2.3)**	**(2.9)**
Other Net	**(5.3)**	**5.6**	**0.2**	**(0.4)**
Total Gross O&M	**445.7**	**450.7**	**458.1**	**467.7**
Direct Capitalization	(15.1)	(17.1)	(19.4)	(19.9)
Indirect Capitalization	(52.2)	(48.7)	(48.6)	(50.4)
Total Capitalization	(67.4)	(65.8)	(68.0)	(70.3)
Total Net O&M	**$ 378.4**	**$ 384.9**	**$ 390.2**	**$ 397.4**

Union Gas Limited
Capital Expenditures
CDN$Millions

Particulars	In Service Date	2011 Actual	2012 Budget	2013 Forecast	2014 Forecast
Expansion					
Dawn Trafalgar Phase III (Bright)	Nov-08	$ 0.1	$ -	$ -	$ -
Dawn to Dawn TCPL Export	Dec-10	0.2	-	-	-
Tecumseh Sombra Line Extension	Nov-12	0.2	-	-	-
Marcellus-Kirkwall	Nov-12	0.1	4.7	0.1	-
[redacted]					
Thunder Bay Power Plant	Nov-13	0.2	0.9	28.0	0.2
[redacted]					
Lambton Power Plant	Nov-14	-	-	1.8	25.2
Parkway West	Nov-14	0.2	21.7	80.0	120.0
[redacted]					
Nanticoke Power Plant	N/A	0.3	-	-	-
St. Clair Power (Invenergy)	N/A	0.1	-	-	-
Project Pre-spend	N/A	-	2.0	2.0	2.0
Overheads		0.1	2.2	2.2	2.2
Total Expansion		[redacted]			
Maintenance					
Distribution New Business		41.9	51.4	50.5	59.7
Distribution Other		71.9	72.4	76.3	74.5
Total Distribution		113.8	123.8	126.8	134.2
Transmission		44.8	23.5	34.0	18.6
Storage		35.0	14.3	10.8	10.8
General		15.4	11.9	9.8	20.8
Overheads		52.7	52.4	52.2	53.9
Total Maintenance		**261.7**	**225.9**	**233.6**	**238.3**
IT		23.0	25.5	28.3	26.1
Total Maintenance, IT and OH		**284.7**	**251.4**	**261.9**	**264.4**
Total Union Gas Capex		[redacted]			
[redacted]					
Total Consolidated Union Gas Capex		[redacted]			
[redacted]					
Total Gas Distribution Capex		[redacted]			

UNION GAS LIMITED

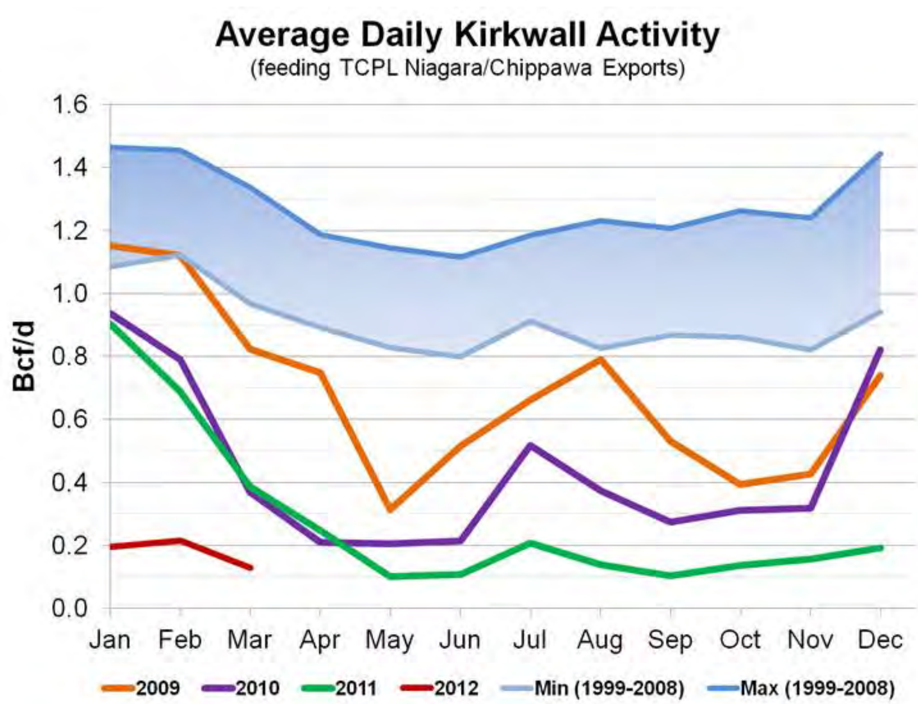
Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit A2, Tab 1, Schedule 1, Figure 1, Updated

Please update Figure 1 to include all of the data related to 2011 and the data related to months in 2012 that are now available.

Response:

Figure 1 from Exhibit A2, Tab 1, Schedule 1 is shown below and has been updated for 2011 and year-to-date 2012 data.



UNION GAS LIMITED

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

Ref: Exhibit A2, Tab 1, Schedule 1, page 29, Updated

With respect to 2014 and beyond and the significant uncertainty that Union says it faces, does Union propose that the rates set for 2013 will be the base rates for the next IR mechanism or does Union anticipate filing another cost of service application to set 2014 rates that would be used as base rates for the next IR mechanism?

Response:

Please see the response at Exhibit J.H-1-5-1.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit A2, Tab 1, Schedule 1, Page 12

Union has been able to mitigate the Dawn-Kirkwall turnback for 2011 and 2012 by reselling the 2011 turnback as a Dawn-Parkway service and eliminating winter peaking service requirements in 2012. Union does not have a market for any further turnback in 2013 and beyond. Union is working to repurpose the turnback of Dawn-Kirkwall transmission service as a Dawn-Parkway transmission service. Union's ability to repurpose the turnback of Dawn-Kirkwall transmission service is limited by constraints on the TCPL system at Maple.

a) Provide the Status of the TCPL Application.

b) What is Union's Position on the TCPL Application?

c) What is the response to Union's Open Season for the Parkway Extension? Please provide Non-confidential details.

d) How is Spectra's publicly announced plan to transport Marcellus gas to Eastern Markets affecting Unions Plans? Please discuss in detail.

Response:

a) Union interprets the question to relate to TransCanada's 2012 Eastern Mainline Expansion. Please see the response at Exhibit J.D-14-16-11.

b) Please see Attachment 1 for a copy of Union's comments as filed in TCPL's facilities application.

c) Please see the response at Exhibit J.B-1-7-14 c) i).

d) Union is currently analyzing the potential of the NEXT Project as a possible new supply path to serve its customers. This project would provide another alternative to access Marcellus and Utica supplies creating further diversity and reliability in Union's gas supply portfolio.

uniongas
A Spectra Energy Company
CELEBRATING 100 YEARS Est. 1911
Union Gas Limited
P.O. Box 2001
50 Keil Dr. N.
Chatham, Ontario
N7M 5M1

August 5, 2011

National Energy Board,
444 7th Avenue S.W.,
CALGARY, Alberta.
T2P OX8
ATTN: Anne-Marie Erickson

Dear Ms Erickson:

RE: TransCanada PipeLines Limited ("TCPL")
2012 Eastern Mainline Expansion s.58 Application

Union Gas Limited ("Union") has reviewed TCPL's s.58 Application for 2012 Eastern Mainline Expansion and CAPP's comment letter dated July 20, 2011 on the same matter. Union wishes to provide its comments and perspectives on the Application and the comments made by CAPP.

Union is an interconnecting operator with TCPL at the Parkway and Kirkwall points in the Eastern Market Area. Union serves 1.3 million residential, commercial and industrial customers throughout Northern and South Western Ontario and holds approximately 480,000 GJ/d of long and short haul Mainline capacity which represents approximately 15% of TCPL's Mainline toll revenue. Accordingly, Union has a significant interest in the operational flow of natural gas in the Eastern Market Area and determination of TCPL's Mainline tolls.

The need for an expansion of the capacity away from Parkway has been recognized for quite some time. Indeed, almost a year ago Union advocated in the Natural Gas Market Review conducted by the Ontario Energy Board that a bottleneck exists between the Parkway to Maple points that is a significant impediment to the efficient flow of natural gas serving the Ontario, Quebec and US North East markets. The following exchange with Union's witness Mark Isherwood on October 8, 2010 makes that point:

unionGas
A Spectra Energy Company
CELEBRATING 100 YEARS Est. 1911
Union Gas Limited
P.O. Box 2001
50 Keil Dr. N.
Chatham, Ontario
N7M 5M1

> Mr. Isherwood: "If you look at the map, Parkway to Maple, Parkway is where TCPL and Union Gas interconnect. If you look at the piece of pipe between Parkway and Maple, it's a single piece of pipe, 36 inches in diameter.
>
> If you look at the pipe coming down from North Bay, it's two pipes, a 36-inch and a 30-inch. Between Maple and Iroquois, it's two pipes, 36- and 20-inch.
>
> Now, the Union Gas system, they actually have a 48-inch, a 34-inch and a 26-inch pipeline, so a lot of pipe in and around Parkway, a lot of pipe in and around Maple, and we have a single pipeline between the two.
>
> And if you think of bringing supply through Dawn and expanding optionality either to the folks in the northern delivery area or the eastern delivery area, it has to go through that point.
>
> So I think TCPL mentioned yesterday they're looking at a build. They're kind of compiling numbers and that type of thing. And it's really to open up that pipe to get gas moving from south to north. That pipe is going to be a critical piece of infrastructure and I would say a strategic piece of infrastructure for Ontario.
>
> It definitely adds liquidity, health of liquidity at Dawn and growth of Dawn. It helps with security of supply. It helps with diversity of supply.
>
> So for us going forward, that's probably one of the most important things as the province we need to be at least watching. And I think the market will work. It's just going to be critical." *(reference EB-2010-0199 Stakeholder Conference, October 8, 2010 pages 27-28)*

While Union supports the proposition that additional pipeline capacity through the Parkway to Maple path is critical, Union does not believe that the applied for facilities are adequate to meet the market demand. Union believes that if TCPL offered reasonable and stable tolls for service in and around this location, the market would respond with support for an expansion of up to 1 PJ/d on this path. In that regard, Union is currently evaluating other infrastructure options, including its own project, to provide the much needed capacity in this area.

Specifically with respect to CAPP's comments, Union agrees that the expansion of the Parkway to Maple path would support the movement of Marcellus and other US-sourced gas. However Union is also of the view that additional capacity would facilitate the movement of WCSB gas to the Ontario and Quebec markets. Traditionally WCSB gas that has been delivered at Dawn ultimately flows through Kirkwall and into the US North East. While those exports have dramatically declined due to the emergence of more competitive options in the US North East, the expansion on the Parkway to Maple path would provide an expanded opportunity for WCSB supply to serve all markets east of Parkway.

Union Gas Limited
P.O. Box 2001
50 Keil Dr. N.
Chatham, Ontario
N7M 5M1

In conclusion, while Union agrees that additional pipeline capacity through the Parkway to Maple path is critical to improve the flow of natural gas supply to serve markets in eastern Canada and US North East, Union believes that the applied for facilities are not adequate to meet the market demand for such capacity.

Regards,

UNION GAS LIMITED.

Original Signed by

Patricia Planting,
Manager, Upstream Regulation.

cc: Ms. Linda Angus – TransCanada PipeLines
Mr. Nik Schultz - CAPP

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit A2, Tab 1, page 12

With respect to the Impact of M12 Turnback as set out in Table 4 please explain how the 2013 and 2014-2018 amounts were derived. Please provide all assumptions.

Response:

Please see the response at Exhibit J.D-14-16-8.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe

Ref: Exhibit A, Tab 13, Updated

a) Please provide the status of the proposed changes to Customer Service Polices and Board Approval of these for general service customers.

b) Point to the specific changes to the Conditions of Service for the 2012 and 2013 rate years.

c) Please update the status of Customer Service Policies for Low Income Customers and (if approved) what changes will be made for the 2012 and 2013 rate years.

d) Provide a tabular comparison of key conditions of service for regular and Low Income customers for Union and EGD- late payment, security deposits, Equal Billing, Disconnection, arrears management etc.

Response:

a) Changes to Union's policies and practices for general service customers as a result of the Board's "Notice of Amendment to a Rule – Residential Customer Service Amendments to the Gas Distribution Access Rule under docket EB-2010-0280", were implemented on March 5, 2012. The Board has also initiated a further review of policies for Low-income customers in which Union has agreed to implement two modifications.

b) Please refer to interrogatory response J.D-1-5-11 for a listing of the changes to the Conditions of Service implemented on March 5, 2012.

c) On March 1, 2012, the Board requested that gas distributors consider the implementation of several modifications to its service offerings for Low-income customers; two of which are applicable to Union Gas;

- The Board expects gas distributors to consider not imposing further late payment charges after a customer enters into arrears agreement; and

- The Board expects gas distributors to waive security deposits for Low-income customers who do not have an account with a financial institution and are willing to enrol in an equal billing plan.

Union has agreed to implement the two modifications for January 1, 2013.

d) A comparison of Union and Enbridge key conditions of service as they apply to residential customers are described in Attachment 1.

	Union Gas		Enbridge	
Condition of Service	**Residential customers**	**Low-Income Residential customers**	**Residential customers**	**Low-Income Residential customers**
Late Payment Charges	Invoices are due when rendered and customers are provided a period of 20 days for payment before a Late payment Charge is applied to their account. Both the invoice issue date and the Late Payment applicable date are printed on all invoices. The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.	Union has agreed to waive late payment charges, as requested by the Board, while a low-income customer is involved in an active payment arrangement. But will continue to apply late payment charges if the customer fails to enter into a payment arrangement or defaults or cancels a negotiated payment arrangement.	Enbridge charges are due when the bill is received, which is considered to be three days after the date the bill is rendered. Customers are provided a period of 17 days to make a payment before a Late Payment Charge is applied to their account. When payment in full of the Enbridge invoice is not received on or before the “Late Payment Effective Date” on the bill, a late payment charge will be incurred on the next bill. A charge of 1.5% per month (19.56% effectively per annum) on all of the unpaid charges, including all applicable federal and provincial taxes, will be applied to the account.	Enbridge has agreed to waive late payment charges, as requested by the Board, while a low-income customer is involved in an active payment arrangement. But will continue to apply late payment charges if the customer fails to enter into a payment arrangement or defaults or cancels a negotiated payment arrangement.

	Union Gas		Enbridge	
Condition of Service	**Residential customers**	**Low-Income Residential customers**	**Residential customers**	**Low-Income Residential customers**
Security Deposits	If you are a new residential customer to Union Gas or if future payment cannot be assured, you are required to provide a security deposit. The deposit will be equal to two of the average month's gas usage based on the last 12 months usage history. Customers are provided the option to pay the security deposit over a maximum of six monthly instalments without interest. In the majority of cases, Union Gas will waive the security deposit if the customer enters into both the Equal Billing Plan and the Automatic Payment Plan or provides a letter of reference with a good rating from a Canadian natural gas or hydro utility dated within the past 60 days. Deposits are automatically refunded with interest to the customers' account once the deposit has been	Union has agreed, as requested by the Board, to waive security deposits for low-income customers who do not have an account with a financial institution if they are willing to enroll in an equal billing plan on the condition that they have not been disconnected for arrears within the preceding 24 months.	A security deposit may be required if you are a first time Enbridge customer, or if you have not been able to maintain a good payment history. All new residential customers are subject to a security deposit, unless they meet one of the waiver criteria outlined below. If you are required to pay a security deposit an amount of $250.00 will be charged on your next gas bill. Payment of the security deposit is required by the Late Payment Effective Date on the bill. Enbridge will waive your security deposit requirement if you meet any of the following criteria: • If you have moved and your previous account is in good standing; • If you choose to sign up for our Pre-Authorized Payment Plan; or if you can provide a reference letter from another utility in Canada	Enbridge has agreed, as requested by the Board, to waive security deposits for low-income customers who do not have an account with a financial institution if they are willing to enroll in an equal billing plan on the condition that they have not been disconnected for arrears within the preceding 24 months.

	Union Gas		Enbridge	
Condition of Service	**Residential customers**	**Low-Income Residential customers**	**Residential customers**	**Low-Income Residential customers**
	paid in full and the customer has exhibited twelve months of good payment history. When the deposit is applied, the customer has the option of leaving the credit amount on their account for future bills or requesting a refund.		dated within the past 60 days. If you have paid a security deposit, it will be refunded once you have demonstrated good payment history for a period of 12 months. Your security deposit will be returned with interest as a credit on your next gas bill.	
Equal Billing Plan	The Equal Billing Plan is offered to all residential customers, whom can join at any time of the year. Using the total natural gas usage for the previous year and current gas rates, Union calculates the total expected gas bills and divides it into equal monthly instalments. In August of each year the EBP is "trued up" and the account is credited or billed for any difference between the EBP instalments that have been paid and the gas that has been used.	No changes proposed.	The Enbridge Budget Billing Plan (BBP) provides all residential gas heating customers the convenience of paying equal amounts throughout the year. Using the prior year's gas usage, Enbridge forecasts the amount of gas that will be use and applies the current gas price to determine the monthly BBP installment. The BBP season runs from September to July each year. In July, Budget Billing Plans are reviewed and reconciled and customers are billed or credited a BBP Final Adjustment that	The Board has asked Enbridge to allow low-income customers to access the equal billing and payment plans any time of the year.

	Union Gas		Enbridge	
Condition of Service	**Residential customers**	**Low-Income Residential customers**	**Residential customers**	**Low-Income Residential customers**
			represents the difference between the charges for gas actually used and the monthly BBP installments billed to date. In the month of August, customers are billed for the actual gas used in the month. The new plan then starts again in September.	
Disconnection	If any charges remain unpaid after the date shown on the invoice, Union Gas has the right to discontinue delivery of gas service. If the customer does not initiate action to manage their arrears, delivery may be discontinued after giving 10 days written notification through a Disconnection Notice to the customer. The Disconnection Notice will indicate the earliest and latest date on which the disconnection will occur, provides payment options to avoid the disconnection of service and indicates that the disconnection can take place without further	No changes proposed.	If the bill is not paid in full and the customer has not contacted Enbridge to make payment arrangements, under the Public Utilities Act, Enbridge has the right to discontinue gas service. Prior to discontinuance of gas service Enbridge will provide a minimum 48 hours notice in writing along with a call to advise when the disconnection will occur. The written notice includes the dates between which the gas service can be disconnected and payment options for avoiding disconnection. If the customer is seeking payment assistance through a registered	No changes proposed.

	Union Gas		Enbridge	
Condition of Service	**Residential customers**	**Low-Income Residential customers**	**Residential customers**	**Low-Income Residential customers**
	notification to the customer. In determining whether to issue a disconnection notice or to pursue additional payment arrangements with the customer, Union Gas will take into account any paid security deposit that is being held on the customer's account. If during the disconnection notice period, a third party, who has been designated by the customer, or a registered charity, government agency or social service agency, advises Union Gas that they are attempting to arrange assistance to help the customer pay their outstanding arrears, Union Gas will cancel the disconnection order and will delay further action for 21 days. If mutually agreeable payment arrangements are created during this process, but are subsequently missed, the account may be disconnected without further notice.		charity, government agency, social service agency or a third party, they must provide consent to Enbridge to provide details of the account to these third parties. Enbridge will place any disconnection or collections actions on hold and will work with the third party to obtain payment to avoid disconnection of the customer's gas service. Customers who are working with a social assistance agency will be given 21 days to secure emergency financial assistance before additional collection action will be taken for non-payment. If the meter has been turned off for non-payment, when payment in full is received by Enbridge including any disconnection charges and security deposit, Enbridge will reconnect the gas meter within 48 hours.	

	Union Gas		Enbridge	
Condition of Service	**Residential customers**	**Low-Income Residential customers**	**Residential customers**	**Low-Income Residential customers**
	Once the account is paid in full, including any reconnection charges or security deposit required, Union Gas reconnects gas service for the account within two business days.			
Arrears Management	Union Gas has arrears management programs available to customers who are unable to pay their gas charges. Union Gas works with customers to find mutually agreeable payment plans that could extend up to several months depending on the individual circumstances. Customers requiring payment assistance can contact a Union Gas representative at our contact centre. Union Gas will contact the customer, to remind them of required payments under an agreed upon payment arrangement 10 days prior to cancellation of the arrangement and further collection action.	No changes proposed.	Enbridge has different arrears management programs available to customers who are unable to pay their entire bill. Enbridge works with customers depending on their individual circumstances to come up with a mutually agreeable payment arrangement. Customers who miss making a payment as part of their payment arrangement will be sent a letter giving notice of the missed payment and the date on which their current arrangement will be cancelled.	No changes proposed.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 4, page 4

Union stated that it changed its methodology for allocating indirect overhead ("OH") costs to capital assets after completing work on the IFRS conversion project in 2010. Union has indicated that as a result, subsequent to 2010, OH was no longer distributed to individual assets but capitalized to a single asset. Regulatory Overhead Assets are amortized over the average life of the assets within each functional category that attracts overhead. Union has further indicated that the change of this methodology has no impact on utility earnings or rate base.

a) Please confirm that the change of the methodology will not impact the allocation of regulated assets vs. unregulated assets. Please provide reasons.

b) Please confirm if there are any other changes for Union's capitalization policy under USGAAP as compared to that under CGAAP in addition to the change of the OH allocation methodology. If so, please explain the changes in details.

c) If the change of OH allocation methodology has no impact on Union's earning and rate base, explain, identify, and justify any distinguishable drivers that may cause Union to use a different OH allocation methodology under USGAAP as compared to the one that Union used under CGAAP in the past?

d) If Union is directed to revert to its old OH allocation methodology, what is the impact, if any, to Union?

Response:

a) The dollar value of indirect overheads being capitalized did not change, only the methodology in how overheads were allocated to assets. As a result, the allocation of regulated vs. unregulated assets is not impacted by this change.

b) Two other changes were made as follows:

Loadings – There are a number of costs that are directly attributable to capital projects, but because of the nature of the expenditure it is difficult to charge the appropriate amount to a specific project. The methodology Union adopted to apply these charges to specific projects is loadings. Loadings are based on labour charges to a specific capital project, with the exception of the warehouse loading which is based on materials issued from a UGL warehouse. Amounts capitalized as loadings were previously capitalized as indirect overheads. This change was implemented in 2010 and did not impact the total amount capitalized.

IDC – Prior to the change, interest during construction ("IDC") was charged on all projects. Starting in 2010, IDC is capitalized on projects greater than $1,000,000 and construction is expected to take more than twelve months to complete. This change did not result in a material difference in the amount capitalized.

c) Please see the response at Exhibit J.D-1-1-3 a).

d) The new methodology applies costs to the assets on a weekly basis as the costs are incurred. The old methodology could only be applied at year-end (December 31st or January 1st) after all assets had been created and before depreciation expense was processed in the system. Reverting back to the old methodology would create additional workload at year end, at a time when staff is extremely busy.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 4, page 4

Union has indicated that after completing work on the IFRS conversion project, Union determined that OH costs are capital within a regulatory environment, but are expensed in an unregulated environment…. Although Union is no longer adopting IFRS, it opted to continue to use this methodology.

a) Please explain what Union means by stating "Union determined that OH costs are capital within a regulatory environment, but are expensed in an unregulated environment."

b) Please explain in detail how and why Union is able to use a different capitalization methodology within a regulatory environment as compared to within an unregulated environment.

c) Please explain in detail the following impacts resulting from the inconsistent capitalization within a regulatory environment as compared to within an unregulated environment:

   - the impact on utility earning;
   - the impact on rate base; and
   - the impact on the allocation of regulated assets vs. unregulated assets

d) Has Union consulted with its professional advisors/consultants in terms of inconsistency of the capitalization methodologies? If so, please provide details.

Response:

a) IFRS, Canadian GAAP and US GAAP all state that costs that are directly attributable to the purchase or construction of an asset can be capitalized. Specifically excluded from capitalization are administration and other overhead costs. Within the OEB Uniform System of Accounts for Class A Gas Utilities Appendix A, overheads charged to construction include engineering, supervision, administrative salaries and expenses, construction engineering and supervision, legal expense, taxes and other similar items.

   US GAAP allows for differences in accounting treatment if they are specifically permitted by a regulator. As a result, Union is able to capitalize indirect overheads for regulated assets, but these same costs are expense for the unregulated operation.

b) Please see the response at a) above.

c) Assuming the change in capitalization of indirect overheads would be effective January 1, 2013, the following impacts to 2013 would be required:

Category	($000s) Increase / (Decrease)	Explanation
Utility Earnings	(48,660)	Indirect overheads capitalized would be expensed
Utility Earnings	655	Depreciation expense on indirect overheads not capitalized
Rate Base	(24,112)	Decrease in Utility Rate Base as amount would be expensed

Although gross plant would be impacted by the expense of indirect overheads, there is no impact to the allocation of regulated versus unregulated assets. The unregulated plant percentage allocation remains at 5.5% of total plant.

d) No consultation on this issue has been obtained from professional advisors/consultants. Union prepares its financial statements in accordance with generally accepted accounting principles and its results of operations are audited annually.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 4, page 5

Union identified the change of accounting for line pack gas as one of the changes in this rate application. Union stated that in 2010, Union reclassified line pack gas ("LPG") from gas in inventory to property, plant and equipment ("PP&E"). Union explained that LPG is made of two components: base LPG and working LPG. Base LPG represents the minimum level required to remain in the transmission pipelines whereas working LPG is available for sale and is comprised of any remaining portion over-and-above base LPG. Union is proposing that LPG should not be revalued quarterly as a part of inventory. Union does not expect any material impact to utility earnings as a result of changing the accounting for base LPG.

a) Please provide the volumes and the dollar amounts of the base LPG and working LPG included in the 2013 test year separately.

b) Please confirm that only base LPG is proposed by Union to be reclassified from inventory to PP&E.

c) Please confirm that the base LPG is relevant for regulated vs. unregulated allocation of Union's storage assets. If so, please confirm whether the reclassification of the base LPG from inventory to PP&E will impact the allocation of Union's storage assets.

Response:

a)

Line No.	Particulars	GJ	$000's
1	Base Line Pack Gas	1,327,400	7,128
2	Working Line Pack Gas	432,668	2,324

b) Confirmed. Union is proposing to reclassify only base line pack gas (LPG) from inventory to PP&E.

c) Union does not classify any of its LPG as unregulated.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A2, Tab 4

Please confirm that apart from employee future benefits, there are no other material differences from the transition to and implementation of US GAAP.

Response:

Union confirms that apart from employee future benefits, there are no other material differences from the transition to and implementation of US GAAP.