

June 28, 2012

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

RE: EB-2011-0210 – Union Gas Limited – 2013 Rates Application – Settlement Agreement

Please find attached the Settlement Agreement in this matter. As reflected in the Agreement, a number of issues will proceed to hearing before the Board.

To assist the Board and Intervenor in preparing for the hearing, set out below is a list of Union's panels, the issues those panels will address, and a proposed schedule for the conduct of the hearing through argument. The proposed schedule is premised upon acceptance of the Agreement on July 10, 2012. If the Board does not accept the Agreement, Union will prepare a revised schedule. Finally, by Procedural Order # 5, the Board directed issues specific to TCPL proceed on July 23rd. Union has therefore scheduled its Parkway West Capital panel for that date.

Panel	Date	Issue
In-franchise Revenue	July 10 (pm), 12	C.2, C.3, C.5., O.2
Gas Supply Panel	July 12, July 13	D.14
Cost of Capital	July 16, 17	E.1, E.2, F.1, F.2
Ex-franchise Revenue	July 19,20	C.1, C.4, C.5, DV.2
Parkway West Capital Expenditures	July 23	B1.1
Finance	July 24	C2.6, DV.1, DV.4, D.11
Cost Allocation / Rate Design	July 25, 26, 27	G.1 – G.11, H.1 – H.15, O.1
Intervenor Evidence (Cost of Capital)	July 30	
Intervenor Evidence (Cost Allocation)	July 30	
Intervenor Evidence (TCPL)	July 31	
Union Argument	August 3	
Board Staff Argument	August 13	
Intervenor Argument	August 17	
Union Reply Argument	August 31	

Please note that Union's Cost of Capital consultants are not available the week of July 23, 2012.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc: Crawford Smith, Torys
EB-2011-0210 Intervenors

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Union Gas
Limited, pursuant to section 36(1) of the *Ontario Energy Board
Act, 1998*, for an order or orders approving or fixing just and
reasonable rates and other charges for the sale, distribution,
transmission and storage of gas as of January 1, 2013.

SETTLEMENT AGREEMENT

June 28, 2012

This Settlement Agreement (“Agreement”) is for the consideration of the Ontario Energy Board (“the Board”) in its determination, under Docket No. EB-2011-0210, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2013 (the “Application”). By Procedural Order No. 4 dated March 26, 2012, the Board scheduled a Settlement Conference to commence June 6, 2012. The Settlement Conference was duly convened on June 6, 2012 and adjourned on June 18, 2012 with Mr. Chris Haussmann as facilitator.

The settlement presented in this Agreement is a partial settlement in that the Agreement does not settle all issues in this proceeding. Attached as Appendix A to the Agreement is the Issues List issued by the Board on March 23, 2012. The Agreement identifies the issues on the Board’s List for which agreement has been reached, as well as those that remain unsettled. In broad terms, the parties have reached an agreement with respect to rate base and cost of service for the test year, being the issues under headings Exhibit B – Rate Base and Exhibit D – Cost of Service, respectively, with the exception of matters pertaining to Gas Supply Planning (Issue 3.14) and the capital expenditures relating to Parkway West (Issue 1.1). The parties have also reached agreement on several other issues, each of which is separately identified as settled in this Agreement. Issues relating to the overall revenue requirement that remain unresolved include issues under heading Exhibit C - Operating Revenues, and the Common Equity issue under heading Exhibit E- Cost of Capital. The schedules supporting the revised revenue deficiency are attached as Appendix B to this Agreement.

The Agreement is supported by the evidence filed in this proceeding.

The settled rate base issues are one package and the cost of service issues are another package. The settled rate base and cost of service packages are severable from each other and each may be accepted or rejected by the Board. If the Board does not, prior to the commencement of the hearing of evidence in EB-2011-0210, accept either or both of the rate base and cost of service packages, then there is no agreement in respect of any portion of such package (unless the parties to the Agreement agree that any portion of the Agreement the Board does accept may continue as a valid agreement). The settlements related to Issues 4.3, 8.3, 9.3, 9.4, 9.6 and 9.7 are not part of

either package, and each are stand-alone settlements independent of the settlement of any other issue.

It is further acknowledged and agreed that parties to the Agreement will not withdraw from this Agreement under any circumstances except as provided under Rule 32.05 of the Board's Rules of Practice and Procedure.

It is also agreed that this Agreement is without prejudice to any of the parties re-examining these issues in any subsequent proceeding and taking positions inconsistent with the resolution of these issues in this Agreement. However, none of the parties will, in any subsequent proceeding, take the position that the resolution therein of any issue settled in this Agreement, if contrary to the terms of this Agreement, should be applicable for all or any part of the 2013 test year.

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Board's Settlement Conference Guidelines (the "Guidelines"). The parties understand this to mean that all positions, negotiations and discussions of any kind whatsoever which took place as part of the Settlement Conference and all documents exchanged during the conference which were prepared to facilitate settlement discussions are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any dispute that subsequently arises with respect to the interpretation of any provision of this Agreement. The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board's Settlement Conference Guidelines. Although Board Staff is not a party to this Agreement, as noted in the Guidelines, "Board Staff who participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding".

The parties have used their best efforts to ensure that the evidence supporting the Agreement is set out in the Agreement. Abbreviations are used when identifying exhibit references. For example, Exhibit B1, Tab 4, Schedule 1, Page 1 is referred to as B1/T4/S1/p1. There are Appendices to the Agreement that provide further evidentiary support. The Appendices were prepared by the Applicant. The parties are relying on the accuracy and completeness of the Appendices in entering into this Agreement. The structure and presentation of the settled issues is consistent with settlement agreements that have been accepted by the Board in prior cases. The parties agree that this Agreement forms part of the record in the proceeding.

In Procedural Order No. 1 in this proceeding, the Board granted intervenor status to certain parties. The following parties participated in the Settlement Conference:

- Association of Power Producers of Ontario (“APPrO”)
- Building Owners and Managers Association Toronto (“BOMA”)
- Canadian Manufacturers and Exporters (“CME”)
- City of Kitchener (“Kitchener”)
- Consumers Council of Canada (“CCC”)
- Energy Probe Research Foundation (“Energy Probe”)
- Federation of Rental-housing Providers of Ontario (“FRPO”)
- Industrial Gas Users Association (“IGUA”)
- Jason F. Stacey
- London Property Management Association (“LPMA”)
- Ontario Association of Physical Plant Administrators (“OAPPA”)
- School Energy Coalition (“SEC”)
- Six Nations Natural Gas Company Limited (“SNNG”)
- TransCanada Pipelines Limited (“TCPL”)
- Union Gas Limited (“Union”)
- Vulnerable Energy Consumers Coalition (“VECC”)

The parties to this Agreement include all of the above noted entities (the “parties”).

As noted above, a partial settlement was reached by the parties. The parties agree with all of the settled or partially settled issues, with the exception of TCPL which agrees with Issues 1.1 and 3.17 and takes no position on all other issues, and APPrO which takes no position on Issues 1.3, 9.3 and 9.6 and agrees with all other issues.

The parties to this Agreement encourage the Board to accept this Agreement in its entirety.

1 EXHIBIT B - RATE BASE

1.1 IS UNION'S FORECAST LEVEL OF CAPITAL SPENDING IN 2013 APPROPRIATE?

(Partial Settlement)

As discussed further below in relation to Issue B1.4, the parties have reached a complete settlement with respect to Union’s test year rate base. With the exception of the Parkway West

Project (B1/T9), parties agree that Union's revised forecast level of capital spending in 2013 is appropriate for the purpose of determining 2013 rates. The 2013 revised forecast level of capital spending, exclusive of Parkway West, is \$267.7 million. With respect to the Parkway West Project (B1/T9), which is not forecast to close to rate base until 2014, parties have not reached an agreement as to Union's capital spending in relation to that project during the test year. The capital associated with Parkway West is \$15.0 million, \$80.0 million and \$120.0 million in 2012, 2013 and 2014, respectively (B1/T9, p. 5).

For greater certainty, acceptance by the parties of the forecast level of capital spending does not imply acceptance of any specific projects in Union's capital plan.

Evidence References: B1/T2, B1/T4, B1/T5, B1/T6, B1/T7, B1/T9, J.B-1-1-1, J.B-1-1-2, J.B-1-1-3, J.B-1-1-4, J.B-1-1-5, J.B-1-1-6, J.B-1-1-7, J.B-1-2-1, J.B-1-2-2, J.B-1-2-3, J.B-1-2-4, J.B-1-2-5, J.B-1-3-1, J.B-1-3-2, J.B-1-3-3, J.B-1-3-4, J.B-1-3-5, J.B-1-3-6, J.B-1-3-7, J.B-1-5-2, J.B-1-5-4, J.B-1-5-7, J.B-1-5-9, J.B-1-5-10, J.B-1-5-11, J.B-1-5-12, J.B-1-5-13, J.B-1-5-15, J.B-1-5-16, J.B-1-7-1, J.B-1-7-2, J.B-1-7-4, J.B-1-7-5, J.B-1-7-6, J.B-1-7-7, J.B-1-7-8, J.B-1-7-9, J.B-1-7-10, J.B-1-7-11, J.B-1-7-12, J.B-1-7-13, J.B-1-7-14, J.B-1-7-15, J.B-1-7-16, J.B-1-7-17, J.B-1-7-18, J.B-1-7-19, J.B-1-7-20, J.B-1-7-21, J.B-1-8-1, J.B-1-10-1, J.B-1-10-2, J.B-1-13-1, J.B-1-13-2, J.B-1-13-3, J.B-1-13-4, J.B-1-14-2, J.B-1-14-3, J.B-1-14-4, J.B-1-14-5, J.B-1-14-6, J.B-1-14-7, J.B-1-15-1, J.B-1-15-2, J.B-1-15-5, J.B-1-15-6, J.B-1-16-1, J.B-1-16-2, J.B-1-16-3, J.B-1-16-4, J.B-1-16-6, J.B-1-16-8, J.B-1-16-10, J.B-1-16-11, J.B-1-16-12, J.B-1-16-13, J.B-1-16-15, J.B-1-16-19, J.B-1-16-20, J.B-1-16-21, J.B-1-16-22, J.B-1-16-25, J.B-1-16-26, JT1.20, JT1.21, JT1.25

1.2 ARE THE PROPOSED UPDATES TO UNION'S LEAD/LAG STUDY APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, and subject to Issue 1.5, the parties accept the proposed updates to Union's Lead/Lag Study.

Evidence References: B1/T8, J.B-2-2-1, J.B-2-2-2, J.B-2-2-3, J.B-2-2-4, J.B-2-3-1

1.3 IS UNION'S PROPOSAL TO TERMINATE REPORTING ON NEW BUSINESS-RELATED DIRECTIVES FROM PRIOR FACILITY PROJECTS APPROPRIATE?

(Complete Settlement)

The parties accept the appropriateness of Union's proposal to discontinue reporting on prior expansion projects that have a market contribution charge where such market contribution charge has fully expired.

Evidence References: B1/T3, B1/T3/AppC

1.4 IS THE PROPOSED TEST YEAR RATE BASE APPROPRIATE?

(Complete Settlement)

Subject to the specific adjustment identified below, the parties agree that Union's 2013 test year rate base is appropriate. The parties agree to reduce Union's proposed 2013 distribution-related rate base by \$12.0 million which equates to approximately \$24.0 million in 2013 capital expenditures. The resulting impact on the 2013 revenue requirement is a reduction of \$1.7 million (Appendix B, Schedule 1).

Evidence References: B1/T1, J.B-4-1-1, J.B-4-1-2, J.B-4-1-3, J.B-4-1-4, J.B-4-1-5, J.B-4-1-6, J.B-4-1-7, J.B-4-1-9, J.B-4-1-10, J.B-4-1-11, J.B-4-1-12, J.B-4-1-13, J.B-4-1-14, J.B-4-1-15, J.B-4-2-1, J.B-4-2-2, J.B-4-3-1, J.B-4-3-2, J.B-4-4-1, J.B-4-4-3, J.B-4-4-4, J.B-4-4-5, J.B-4-4-6, J.B-4-5-1, J.B-4-7-1, J.B-4-15-1, J.B-4-15-2

1.5 IS THE PROPOSED WORKING CAPITAL ALLOWANCE APPROPRIATE?

(Complete Settlement)

Parties agree to update the cost of gas items identified in A2/T1/S2 (lines 5 -10) to reflect the Board-approved July 1, 2012 Ontario Landed Reference Price of \$4.823/GJ (EB-2012-0249, July QRAM). The calculation of Union's 2013 proposed revenue deficiency used the January 1, 2011 Ontario Landed Reference Price of \$5.370/GJ (EB-2011-0359, January 1, 2011 QRAM).

As per A2/T1/S2 a decrease of approximately 10% in the Ontario Landed Reference Price (WACOG) results in a \$2.8 million reduction in Union's 2013 revenue deficiency. The components of the \$2.8 million reduction are set out in Appendix B, Schedule 1.

Evidence References: A2/T1/S2, B1/T2, J.B-5-2-1, J.B-5-4-1, J.B-5-5-1, J.B-5-10-1

1.6 ARE THE METHODS PROPOSED BY UNION TO ALLOCATE THE COST AND USE OF CAPITAL ASSETS BETWEEN REGULATED AND NON-REGULATED ACTIVITIES APPROPRIATE, AND ARE THE PROPOSED ALLOCATIONS TO THE REGULATED BUSINESS APPROPRIATE FOR THE TEST YEAR?

(Complete Settlement)

At Exhibit J.D-16-10-1, part b, Union identified \$0.344 million of system integrity costs related to Union's non-utility storage space of 66.5 PJ. Consistent with Exhibit L.G-4-1-1, Union agrees that for the purpose of calculating the 2013 revenue requirement through the short-term storage margin available for sharing with ratepayers, the system integrity costs related to Union's non-utility storage space of \$0.344 million will be excluded from that calculation. Parties acknowledge that the system integrity costs related to Union's non-utility storage space will change as a result of this agreement and may also change as a result of the Board's determination of the unsettled issues.

Evidence References: A2/T2, J.B-6-1-1, J.B-6-4-1, J.B-6-4-2, J.B-6-4-3, J.B-6-10-1, J.B-6-15-1, J.B-6-16-1, J.D-16-10-1, JT1.23, JT1.28, JT1.34, L.G-4-1-1

1.7 DO UNION'S ASSET CONDITION ASSESSMENT INFORMATION AND INVESTMENT PLANNING PROCESS APPROPRIATELY ADDRESS THE CONDITION OF THE DISTRIBUTION SYSTEM ASSETS AND SUPPORT THE OM&A AND CAPITAL EXPENDITURES PROPOSED FOR THE TEST YEAR?

(Complete Settlement)

For the purpose of settlement, the parties accept that Union's Asset Condition Assessment Information and Investment Planning Process appropriately address the condition of the

distribution system assets and support the revised OM&A and capital expenditures proposed for the test year.

Evidence References: B1/T4, B1/T5, B1/T6, J.B-1-2-3, J.B-1-2-4, J.B-4-1-4, J.B-4-1-10

1.8 IS THE ALLOCATION OF CAPITAL EXPENDITURES BETWEEN UTILITY AND NON-UTILITY ("UNREGULATED") OPERATIONS APPROPRIATE?

(Complete Settlement)

The parties accept the amounts of Union's allocation of capital expenditures between utility and non-utility operations in the test year. Acceptance of these amounts is without prejudice to examination at the hearing of the compatibility of Union's allocation of such expenditures with Board Decisions. In no event shall the determination of this issue by the Board result in any change to the test year revenue requirement.

Evidence References: B1/T1, B1/T2, J.B-8-10-1, J.B-8-10-2, J.B-8-10-3, J.B-8-10-4, J.B-8-10-5, JT1.34, JT1.35, JT1.36, JT1.37, JT1.38, JT1.39, JT1.40, Evidence of J. Rosenkranz, L.B-6-1-1.

2 EXHIBIT C - OPERATING REVENUES

2.1 IS UNION'S GENERAL SERVICE DEMAND FORECAST APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

2.2 WHAT IS THE APPROPRIATE METHODOLOGY TO BE USED TO FORECAST DEGREE DAYS FOR THE TEST YEAR?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

2.3 IS THE 2013 CONTRACT CUSTOMER DEMAND FORECAST APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

2.4 IS THE 2013 S&T FORECAST APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

Union commits to update its evidence at the outset of the hearing to increase its 2013 S&T revenue forecast to add St. Clair Line revenue of \$2.0 million.

2.5 IS THE PROPOSED AMOUNT FOR TEST YEAR OTHER REVENUES, INCLUDING THE METHODOLOGIES USED TO COST AND PRICE THOSE SERVICES, APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

2.6 HAS UNION LEVIED PROPER CHARGES AND ALLOCATIONS TO NON-REGULATED BUSINESSES AND AFFILIATES, AND PROVIDED PROPER CREDIT FOR THOSE CHARGES AND ALLOCATIONS IN CALCULATING REVENUE REQUIREMENT TO BE RECOVERED FROM REGULATED RATEPAYERS?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

3 EXHIBIT D - COST OF SERVICE

3.1 IS THE 2013 O&M BUDGET APPROPRIATE?

(Complete Settlement)

The parties agree that Union's proposed 2013 O&M budget shall be reduced by \$9.550 million from \$390.967 million to \$381.417 million. With the exception of specific adjustments described below, the O&M reduction of \$9.550 million is agreed to for the purpose of arriving at an overall financial settlement. The revised budget is set out in Appendix B, Schedule 5 attached to this Agreement. For greater certainty, acceptance of the revised O&M budget by the parties does not impose any restrictions on Union with respect to its discretion to manage its overall 2013 O&M budget once approved by the Board.

Energy Technology Innovation Canada ("ETIC")

At D1/T10, Union proposed to include in its 2013 O&M budget \$5.0 million related to ETIC.

The parties agree that the \$5.0 million ETIC budget will be removed from Union's 2013 O&M budget.

Community Investment

At D1/T8, Union proposed to include in its 2013 O&M budget \$0.374 million of community investment spending. The parties accept Union's revised proposal to remove the \$0.374 million community investment budget from Union's 2013 O&M budget.

Firm All Day Transportation Service ("F24T")

The parties accept two adjustments related to the F24T service. First, Union agrees to reduce the provision in the O&M budget for salaries and wages related to the F24T service by \$0.250 million. Second, Union agrees to recognize that the remaining resources also support non-utility functions and therefore to attribute a further \$0.250 million of F24T costs to Union's non-utility storage operations.

Union agrees that the remaining O&M reduction of \$3.676 million (\$9.550 million less \$5.874 million) will be attributed to Salaries and Wages (\$0.750 million) and General (\$2.926 million) for the purpose of setting 2013 rates.

Evidence References: D1/T2, J.D-1-1-1, J.D-1-1-2, J.D-1-1-3, J.D-1-1-4, J.D-1-2-1, J.D-1-2-2, J.D-1-2-3, J.D-1-2-4, J.D-1-2-5, J.D-1-2-6, J.D-1-2-7, J.D-1-2-8, J.D-1-2-9, J.D-1-2-10, J.D-1-2-11, J.D-1-3-1, J.D-1-3-2, J.D-1-4-1, J.D-1-4-2, J.D-1-4-3, J.D-1-5-1, J.D-1-5-3, J.D-1-5-4, J.D-1-5-5, J.D-1-5-6, J.D-1-5-7, J.D-1-5-8, J.D-1-5-9, J.D-1-5-10, J.D-1-5-11, J.D-1-13-1, J.D-1-14-1, J.D-1-14-2, J.D-1-15-1, J.D-1-15-2, J.D-1-16-1, J.D-1-16-2, J.D-1-16-3, J.D-1-16-6, JT1.25, JT1.32, JT1.42, JT1.52, JT1.57

3.2 ARE THE 2013 AFFILIATE CHARGES APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, the parties accept Union's 2013 affiliate charges. See Section 3.1.

Evidence References: D1/T7, J.D-1-5-5, J.D-2-2-1, J.D-2-5-2, J.D-2-1-1, J.D-2-3-2

3.3 HAS UNION COMPLIED WITH THE AFFILIATE RELATIONSHIPS CODE ("ARC") AND THE BOARD'S "THREE PRONG TEST" (AS DESCRIBED BY THE BOARD IN THE E.B.R.O. 493/494 DECISION WITH REASONS)?

(Complete Settlement)

The parties accept Union's evidence that it has complied with the Affiliate Relationships Code ("ARC") and the Board's "three prong test" (as described by the Board in the E.B.R.O. 493/494 Decision with Reasons). Union also agrees to file the 2012 Service Level Agreements in support of the 2013 test year affiliate charges as part of this proceeding.

Evidence References: D1/T7, J.D-3-4-1, J.D-3-4-2

3.4 ARE THE PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION PROPOSED IN THE 2011 DEPRECIATION STUDY APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, the parties accept the provisions for depreciation, amortization and depletion proposed by Union based on the 2011 Depreciation Study.

Evidence References: D1/T6, D2, J.D-4-2-1, J.D-4-2-2

3.5 ARE THE CHANGES TO UNACCOUNTED FOR GAS APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, the parties accept that the proposed changes to unaccounted for gas are calculated in a manner consistent with the Board-approved methodology and are appropriate.

Evidence References: D3/T2/S2, D4/T2/S2, D5/T2/S2, D6/T2/S2, J.D-5-2-1, J.D-5-2-2

3.6 IS THE PROPOSED COMMUNITY INVESTMENT FUNDING APPROPRIATE?

(Complete Settlement)

See Section 3.1.

Evidence References: D1/T8, J.D-6-2-1, J.D-6-5-1

3.7 IS THE PROPOSED ENERGY TECHNOLOGY INNOVATION CANADA PROGRAM FUNDING APPROPRIATE?

(Complete Settlement)

See Section 3.1.

Evidence References: D1/T10, J.D-7-1-1, J.D-7-2-1, J.D-7-3-1, J.D-7-5-1, J.D-7-5-2, J.D-7-13-1, J.D-7-15-1, JT1.43, JT1.44, JT1.46, JT1.47, JT1.48

3.8 IS THE FORECAST OF EMPLOYEE FUTURE BENEFIT COSTS WHICH WILL BE INCURRED UNDER USGAAP APPROPRIATE?

(Complete Settlement)

The parties accept Union's evidence that the 2013 forecast does not include any amount with respect to the amortization of the pension charge arising on transition to USGAAP. See Section 3.1. Nothing in this Agreement should be construed as acceptance by any party of any forecast or estimate of benefit costs other than the amount included in O&M for 2013.

Evidence Reference: D1/T3, J.D-8-1-1, J.D-8-1-2, J.D-8-1-3, J.D-8-1-4, J.D-8-1-6, J.D-8-1-7, J.D-8-2-1, J.D-8-2-2

3.9 ARE THE TEST YEAR HUMAN RESOURCES RELATED COSTS (WAGES, SALARIES, BENEFITS, INCENTIVE PAYMENTS, LABOUR PRODUCTIVITY AND PENSION COSTS) INCLUDING EMPLOYEE LEVELS, APPROPRIATE?

(Complete Settlement)

See Section 3.1.

Evidence References: D1/T3, J.D-1-2-4, J.D-1-4-2, J.D-1-4-3, J.D-9-2-1, J.D-9-2-2, J.D-9-3-2, J.D-9-2-4, J.D-9-2-5, J.D-9-2-6, J.D-9-2-7, J.D-9-3-3, J.D-9-3-4,

3.10 ARE THE AMOUNTS PROPOSED FOR CAPITAL AND PROPERTY TAXES APPROPRIATE?

(Complete Settlement)

Union agrees to reduce its forecast of 2013 property taxes by \$0.750 million from \$64.022 million to \$63.272 million.

Evidence References: A2/T2, D1/T4, D1/SS1, D3/T1/S1, D3/T3/S1, D4/T1/S1, D5/T1/S1, D6/T1/S1, J.D-10-2-1, J.D-10-13-1

3.11 IS THE AMOUNT PROPOSED FOR INCOME TAXES, INCLUDING THE METHODOLOGY, APPROPRIATE?

(Partial Settlement)

For the purpose of settlement, the parties accept the methodology and rates used by Union for calculating income taxes. The parties acknowledge that income taxes will be revised to reflect the Board's Final Decision and Order in this proceeding.

Settlement of the methodology and rates for income taxes is without prejudice to argument in this proceeding or in any other proceeding in which they are relevant, that Union's income tax returns should be filed with the Board.

Evidence References: D1/T4, D3/T5/S1, D4/T5/S1, D5/T5/S1, D6/T5/S1, J.D-11-1-1, J.D-11-1-3, J.D-11-1-4, J.D-11-1-5, J.D-11-1-6, J.D-11-1-7, J.D-11-1-8, J.D-11-2-1, J.D-11-2-4, JT1.24

3.12 IS THE PROPOSAL TO UPDATE THE BAD DEBT EXPENSE AS PART OF THE QUARTERLY RATE ADJUSTMENT MECHANISM ("QRAM") PROCESS APPROPRIATE?

(Complete Settlement)

Union agrees to withdraw its proposal to update the bad debt expense as part of the Quarterly Rate Adjustment Mechanism ("QRAM") process.

Evidence References: D1/T2, J.D-12-2-1, J.D-12-2-2, J.D-12-3-1, J.D-12-11-1

3.13 IS THE PROPOSAL TO CONTINUE TO ADJUST THE UNACCOUNTED FOR GAS, COMPANY USED GAS AND GAS INVENTORY FOR RESALE COSTS AS PART OF THE QRAM PROCESS APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, the parties accept Union's proposal to continue to adjust the unaccounted for gas, company used gas and gas inventory for resale costs as part of the QRAM process.

Evidence References: J.D-13-2-1, J.D-13-2-2

3.14 IS THE GAS SUPPLY PLAN FOR 2013 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

3.15 IS THE ALLOCATION OF O&M COSTS BETWEEN UTILITY AND NON-UTILITY OPERATIONS APPROPRIATE?

(Complete Settlement)

The parties accept the amounts of Union's allocation of O&M expenditures between utility and non-utility operations in the test year. Acceptance of these amounts is without prejudice to examination at the hearing of the compatibility of Union's allocation of such expenditures with Board Decisions. In no event shall the determination of this issue by the Board result in any change to the test year revenue requirement.

Evidence References: A2/T2, D1/T2, J.D-15-1-1, J.D-15-10-1, J.D-15-10-2, JT1.41

Evidence of J. Rosenkranz, L.B-6-1-1.

3.16 IS THE PROPOSED SYSTEM INTEGRITY SPACE VALUE AND ITS ALLOCATION FOR 2013 APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, the parties accept Union's proposed system integrity space value and its allocation for 2013. Acceptance is without prejudice to the examination at the hearing of matters pertaining to the actual use of utility storage space, including system integrity space, provided that the determination of this issue by the Board will not result in any change to the test year revenue requirement related to issues described under heading Exhibit B – Rate Base and heading Exhibit D – Cost of Service.

Evidence References: D1/T9, J.D-16-2-1, J.D-16-10-1, J.D-16-10-2, J.D-16-13-1, J.D-16-13-2, J.G-4-2-1, JT2.7

3.17 IS THE PROPOSED PARKWAY COMMITMENT FOR DIRECT PURCHASE CUSTOMERS APPROPRIATE?

(Complete Settlement)

The parties agree that a Working Group will be established to review Union's Parkway delivery obligation and whether or not any changes should be made in whole or in part to that obligation after 2013. The Working Group will be established by September 30, 2012. The parties further agree that Union will report to the Board as part of its application to set rates for 2014 on the outcome of the Working Group process, and Union's proposal, if any, in respect of the Parkway delivery obligation arising from the Working Group process. The parties further agree that any party will be free to bring forward a proposal in respect of the Parkway delivery obligation in the application by Union to set rates for 2014. This agreement by the parties is without prejudice to any position that a party may take on whether or not the Parkway delivery obligation continues to be appropriate and if, and if so how, the Board should address it.

Evidence References: J.B-1-7-17, J.D-14-7-1, J.D-14-7-2, J.D-18-9-1, J.D-18-9-2, J.D-18-9-3, J.D-18-9-4, J.D-18-9-5, J.D-18-9-7, J.D-18-13-1, J.G-1-7-6, JT2.4, JT2.11

3.18 IS THE EXISTING PARKWAY OBLIGATED DELIVERY REQUIREMENT FOR DIRECT PURCHASE CUSTOMERS APPROPRIATE?

(Complete Settlement)

See Section 3.17.

4 EXHIBIT E - COST OF CAPITAL

4.1 IS THE FORECAST OF THE COST OF DEBT FOR THE TEST YEAR, INCLUDING THE MIX OF SHORT AND LONG TERM DEBT AND PREFERENCE SHARES, AND THE RATES AND CALCULATION METHODOLOGIES FOR EACH, APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

4.2 IS THE PROPOSED CHANGE IN CAPITAL STRUCTURE INCREASING UNION'S DEEMED COMMON EQUITY COMPONENT FROM 36% TO 40% APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

4.3 IS THE PROPOSAL TO USE THE BOARD'S FORMULA TO CALCULATE RETURN ON EQUITY APPROPRIATE?

(Complete Settlement)

The parties agree that Union's rate of return on equity will be established using the formula as determined in the "Report of the Board on the Cost of Capital for Ontario Regulated Utilities" dated December 11, 2009 (EB-2009-0084). Based on the May 2012 Consensus of 2012 actual and forecast bond yields, the Board's formula produces a return on equity ("ROE") of 9.13%. If incorporated, an ROE of 9.13% would reduce the 2013 revenue deficiency presented in Appendix B by approximately \$9.0 million. The final rate of return on rate base for 2013 will be determined using the September 2012 actual and forecast bond yields.

Evidence References: E1/T1, F1/T1, J.E-3-14-1, J.E-3-12-4, J.E-3-12-3, J.E-3-3-2, J.E-2-12-9, J.E-2-2-2

5 EXHIBIT F - REVENUE REQUIREMENT

5.1 ARE THE REVENUE REQUIREMENT AND REVENUE DEFICIENCY OR SUFFICIENCY FOR THE TEST YEAR CALCULATED CORRECTLY?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

5.2 IS THE OVERALL CHANGE IN REVENUE REQUIREMENT REASONABLE GIVEN THE IMPACT ON CONSUMERS?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6 EXHIBIT G COST ALLOCATION

6.1 IS UNION'S UTILITY COST ALLOCATION STUDY, INCLUDING THE METHODOLOGIES AND JUDGMENTS USED AND THE PROPOSED APPLICATION OF THAT STUDY WITH RESPECT TO TEST YEAR RATES, APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.2 ARE THE COST ALLOCATION STUDY METHODOLOGY CHANGES TO THE ALLOCATION OF OIL SPRINGS EAST COSTS APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.3 ARE THE COST ALLOCATION STUDY METHODOLOGY CHANGES TO THE ALLOCATION OF TECUMSEH METERING AND REGULATING COSTS APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.4 IS THE COST ALLOCATION STUDY METHODOLOGY TO ALLOCATE THE COST OF SYSTEM INTEGRITY APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.5 ARE THE COST ALLOCATION STUDY METHODOLOGY CHANGES TO ALLOCATE THE COST OF NORTH DISTRIBUTION CUSTOMER STATION PLANT APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.6 ARE THE COST ALLOCATION STUDY METHODOLOGY CHANGES TO CLASSIFY AND ALLOCATE THE COST OF DISTRIBUTION MAINTENANCE O&M (METER AND REGULATOR REPAIRS) APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.7 ARE THE COST ALLOCATION STUDY METHODOLOGY CHANGES TO ALLOCATE THE COST OF DISTRIBUTION MAINTENANCE O&M (EQUIPMENT ON CUSTOMER PREMISES) APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.8 ARE THE COST ALLOCATION STUDY METHODOLOGY CHANGES TO CLASSIFY AND ALLOCATE THE COST OF PURCHASE PRODUCTION GENERAL PLANT APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.9 IS THE COST ALLOCATION STUDY METHODOLOGY TO ALLOCATE THE COST OF THE DAWN TO DAWN-TCPL, DAWN TO DAWN-VECTOR AND M12 F24-T SERVICES APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.10 SHOULD THE COST ALLOCATION METHODOLOGY BE MODIFIED TO SEPARATE PARKWAY STATION METERING AND COMPRESSION COSTS AND KIRKWALL STATION METERING COSTS FROM DAWN TRAFALGAR EASTERLY COSTS?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

6.11 IS THE ALLOCATION OF ALL DAWN TRAFALGAR EASTERLY COSTS, INCLUDING METERING AND COMPRESSION COSTS, BASED ON COMMODITY-KILOMETRES APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7 EXHIBIT H - RATE DESIGN

7.1 ARE THE RATES PROPOSED IN EXHIBIT H JUST AND REASONABLE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.2 IS UNION'S RESPONSE TO THE BOARD DIRECTIVE TO REVIEW THE M12 AND C1 RATEMAKING METHODOLOGY APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.3 IS THE PROPOSAL TO LOWER THE BREAKPOINT BETWEEN SMALL AND LARGE VOLUME GENERAL SERVICE CUSTOMERS TO 5,000 M3 PER YEAR EFFECTIVE JANUARY 1, 2014 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.4 IS THE PROPOSAL TO HARMONIZE THE GENERAL SERVICE RATE STRUCTURES BETWEEN THE NORTH AND SOUTH OPERATING AREAS EFFECTIVE JANUARY 1, 2014 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.5 IS THE PROPOSAL TO LOWER THE ELIGIBILITY FOR THE M4 AND M5A RATE CLASSES TO A DAILY CONTRACTED DEMAND OF 2,400 M3 AND A MINIMUM ANNUAL VOLUME OF 350,000 M3 EFFECTIVE JANUARY 1, 2014 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.6 IS THE INTRODUCTION OF AN M4 INTERRUPTIBLE SERVICE OFFERING EFFECTIVE JANUARY 1, 2014 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.7 IS THE PROPOSAL TO LOWER THE ELIGIBILITY FOR THE M7 RATE CLASS TO A COMBINED FIRM, INTERRUPTIBLE AND SEASONAL DAILY CONTRACT DEMAND OF 60,000 M3 EFFECTIVE JANUARY 1, 2014 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.8 IS THE SPLITTING OF T1 INTO TWO RATE CLASSES EFFECTIVE JANUARY 1, 2013 APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.9 IS RECOVERING UFG ON TRANSPORTATION ACTIVITY IN THE WINTER MONTHS FOR THE DAWN TO DAWN-VECTOR TRANSPORTATION SERVICE APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.10 IS THE PROPOSAL TO MODIFY THE M1 AND M2 RATE SCHEDULES APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.11 IS THE PROPOSAL TO MODIFY THE M12, M13, M16 AND C1 RATE SCHEDULES INCLUDING SCHEDULE A, SCHEDULE A-2013 AND SCHEDULE C APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.12 ARE THE PROPOSED CHANGES TO THE DISTRIBUTOR CONSOLIDATED BILLING FEE TO \$0.57 PER MONTH PER CUSTOMER APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.13 ARE THE PROPOSED CHANGES TO THE GAS SUPPLY ADMINISTRATION FEE APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.14 ARE RATE MITIGATION MEASURES REQUIRED TO ADDRESS THE RATE IMPACTS ON SOME CUSTOMERS AS A RESULT OF THE PROPOSED JANUARY 1, 2014 RATE DESIGN PROPOSALS?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

7.15 IS THE PROPOSAL TO CHANGE THE RATE DESIGN FOR SERVICES ORIGINATING AT KIRKWALL TO ELIMINATE KIRKWALL MEASURING AND REGULATING COSTS APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

8 EXHIBIT DV - DEFERRAL AND VARIANCE ACCOUNTS

8.1 ARE UNION'S PROPOSED AND EXISTING DEFERRAL AND VARIANCE ACCOUNTS APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

8.2 SHOULD DEFERRAL ACCOUNTS FOR TRANSMISSION-RELATED TRANSACTIONAL SERVICES THAT WERE ELIMINATED IN THE EB-2007-0606 INCENTIVE RATEMAKING PROCEEDING BE RE-ESTABLISHED?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

8.3 IS THE PROPOSAL TO ELIMINATE THE LATE PAYMENT PENALTY LITIGATION (No. 179-113) AND THE HARMONIZED SALES TAX (No. 179-124) DEFERRAL ACCOUNTS APPROPRIATE?

(Complete Settlement)

For the purpose of settlement, the parties accept Union's proposal to eliminate the Late Payment Penalty Litigation (No. 179-113) and the Harmonized Sales Tax (No. 179-124) deferral accounts.

Evidence: References: H1/T4

8.4 IS THE PROPOSAL TO MODIFY THE WORDING OF THE SHORT-TERM STORAGE AND OTHER BALANCING SERVICES (NO. 179-70), AVERAGE USE PER CUSTOMER (NO. 179-118), AND THE INVENTORY REVALUATION ACCOUNT (NO. 179-109) DEFERRAL ACCOUNTS APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

9 EXHIBIT O - OTHER ISSUES

9.1 HAS UNION RESPONDED APPROPRIATELY TO ALL RELEVANT BOARD DIRECTIONS FROM PREVIOUS PROCEEDINGS?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

9.2 ARE UNION'S ECONOMIC AND BUSINESS PLANNING ASSUMPTIONS FOR THE TEST YEAR APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

9.3 IS SERVICE QUALITY, BASED ON THE BOARD SPECIFIED PERFORMANCE INDICATORS ACCEPTABLE?

(Complete Settlement)

For the purpose of settlement, the parties accept Union's evidence that its service quality satisfies the Board's specified performance indicators.

Evidence Reference: J.O-3-3-1

9.4 ARE SUSTAINABLE EFFICIENCY IMPROVEMENTS (OR EFFICIENCY GAINS) ACHIEVED UNDER INCENTIVE REGULATION REFLECTED IN UNION'S COS ESTIMATES?

(Complete Settlement)

For the purpose of settlement, the parties agree that some sustainable efficiency improvements and efficiency gains were achieved by Union under incentive regulation and are reflected in the 2013 test year forecast revenue requirement. There is, nevertheless, no agreement on the following:

- a) whether Union's calculations of its productivity and efficiency metrics capture all that was, could, or should have been achieved; and
- b) whether additional efficiency gains should be expected after 2013.

The parties agree that these issues can be raised and argued in a subsequent proceeding.

Evidence References: A2/T1/S1, A2/T3/S1, A2/T5, J.O-4-1-1, J.O-4-1-2, J.O-4-1-3, J.O-4-1-4, J.O-4-1-5, J.O-4-1-6, J.O-4-1-8, J.O-4-1-9, J.O-4-1-10, J.O-4-1-11, J.O-4-1-12, J.O-4-1-13, J.O-4-1-14, J.O-4-1-16, J.O-4-3-1, J.O-4-5-3, J.O-4-5-5, JT1.22

9.5 ARE THE FORECASTS OF NATURAL GAS MARKET CONDITIONS IN 2013 AND BEYOND AND THE IMPACTS ON UNION, INCLUDING TURNBACK AND MITIGATION ACTIONS BY UNION, APPROPRIATE?

(No Settlement)

The parties agree that this issue will proceed to hearing before the Board for determination.

9.6 ARE UNION’S CUSTOMER SERVICE POLICIES (INCLUDING SECURITY DEPOSITS, LATE PAYMENT PENALTY, ETC.) COMPATIBLE WITH BOARD DIRECTIVES?

(Complete Settlement)

For the purpose of settlement, the parties accept Union’s evidence that its customer service policies were modified per the Board’s Residential Customer Service Amendments to the Gas Distribution Access Rule (October 14, 2011) effective March 5, 2012, and that those modifications properly comply with that Rule.

Evidence References: A1/T13/ S1, J.O-6-3-1

9.7 HAVE ALL IMPACTS OF THE CONVERSION OF REGULATORY AND FINANCIAL ACCOUNTING FROM CGAAP TO USGAAP BEEN IDENTIFIED, AND REFLECTED IN THE APPROPRIATE MANNER IN THE APPLICATION, THE REVENUE REQUIREMENT FOR THE TEST YEAR, AND THE PROPOSED RATES?

(Complete Settlement)

For the purpose of settlement, the parties accept Union’s evidence that all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP have been identified and reflected in the appropriate manner in the Application, the revenue requirement for the test year, and the proposed rates.

Evidence References: A2/T4, J.O-7-1-1, J.O-7-1-2, J.O-7-1-3, J.O-7-1-4, JT1.27

**Union Gas Limited
2013 Rates
EB-2011-0210
Final Issues List**

Updated: 2012-03-27
EB-2011-0210
Exhibit A1
Tab 4

B. Rate Base

1. Is Union's forecast level of capital spending in 2013 appropriate?
2. Are the proposed updates to Union's lead/lag study appropriate?
3. Is Union's proposal to terminate reporting on new business-related directives from prior facility projects appropriate?
4. Is the proposed Test Year Rate Base appropriate?
5. Is the proposed working capital allowance appropriate?
6. Are the methods proposed by Union to allocate the cost and use of capital assets between regulated and non-regulated activities appropriate, and are the proposed allocations to the regulated business appropriate for the Test Year?
7. Do Union's Asset Condition Assessment information and Investment Planning Process appropriately address the condition of the distribution system assets and support the OM&A and capital expenditures proposed for the Test Year?
8. Is the allocation of capital expenditures between utility and non-utility ("unregulated") operations appropriate?

C. Operating Revenues

1. Is Union's general service demand forecast appropriate?
2. What is the appropriate methodology to be used to forecast degree days for the Test Year?
3. Is the 2013 Contract Customer Demand forecast appropriate?
4. Is the 2013 S&T forecast appropriate?
5. Is the proposed amount for Test Year Other Revenues, including the methodologies used to cost and price those services, appropriate?

6. Has Union levied proper charges and allocations to non-regulated businesses and affiliates, and provided proper credit for those charges and allocations in calculating revenue requirement to be recovered from regulated ratepayers?

D. Cost of Service

1. Is the 2013 O&M budget appropriate?
2. Are the 2013 affiliate charges appropriate?
3. Has Union complied with the Affiliate Relationships Code ("ARC") and the Board's "three prong test" (as described by the Board in the E.B.R.O. 493/494 Decision with Reasons)?
4. Are the provisions for depreciation, amortization and depletion proposed in the 2011 Depreciation Study appropriate?
5. Are the changes to unaccounted for gas appropriate?
6. Is the proposed community investment funding appropriate?
7. Is the proposed Energy Technology Innovation Canada program funding appropriate?
8. Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate?
9. Are the Test Year Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?
10. Are the amounts proposed for capital and property taxes appropriate?
11. Is the amount proposed for income taxes, including the methodology, appropriate?
12. Is the proposal to update the bad debt expense as part of the Quarterly Rate Adjustment Mechanism ("QRAM") process appropriate?
13. Is the proposal to continue to adjust the unaccounted for gas, company used gas and gas inventory for resale costs as part of the QRAM process appropriate?
14. Is the gas supply plan for 2013 appropriate?

15. Is the allocation of O&M costs between utility and non-utility operations appropriate?
16. Is the proposed system integrity space value and its allocation for 2013 appropriate?
17. Is the proposed Parkway commitment for direct purchase customers appropriate?
18. Is the existing Parkway obligated delivery requirement for direct purchase customers appropriate?

E. Cost of Capital

1. Is the forecast of the cost of debt for the Test Year, including the mix of short and long term debt and preference shares, and the rates and calculation methodologies for each, appropriate?
2. Is the proposed change in capital structure increasing Union's deemed common equity component from 36% to 40% appropriate?
3. Is the proposal to use the Board's formula to calculate return on equity appropriate?

F. Revenue Requirement

1. Are the revenue requirement and revenue deficiency or sufficiency for the Test Year calculated correctly?
2. Is the overall change in revenue requirement reasonable given the impact on consumers?

G. Cost Allocation

1. Is Union's utility Cost Allocation Study, including the methodologies and judgments used and the proposed application of that study with respect to Test Year rates, appropriate?
2. Are the Cost Allocation Study methodology changes to the allocation of Oil Springs East costs appropriate?
3. Are the Cost Allocation Study methodology changes to the allocation of Tecumseh metering and regulating costs appropriate?
4. Is the Cost Allocation Study methodology to allocate the cost of system integrity appropriate?

5. Are the Cost Allocation Study methodology changes to allocate the cost of North distribution customer station plant appropriate?
6. Are the Cost Allocation Study methodology changes to classify and allocate the cost of distribution maintenance O&M (meter and regulator repairs) appropriate?
7. Are the Cost Allocation Study methodology changes to allocate the cost of distribution maintenance O&M (equipment on customer premises) appropriate?
8. Are the Cost Allocation Study methodology changes to classify and allocate the cost of purchase production general plant appropriate?
9. Is the Cost Allocation Study methodology to allocate the cost of the Dawn to Dawn-TCPL, Dawn to Dawn-Vector and M12 F24-T services appropriate?
10. Should the cost allocation methodology be modified to separate Parkway Station metering and compression costs and Kirkwall station metering costs from Dawn Trafalgar Easterly costs?
11. Is the allocation of all Dawn Trafalgar Easterly costs, including metering and compression costs, based on commodity-kilometres appropriate?

H. Rate Design

1. Are the rates proposed in Exhibit H just and reasonable?
2. Is Union's response to the Board directive to review the M12 and C1 ratemaking methodology appropriate?
3. Is the proposal to lower the breakpoint between small and large volume general service customers to 5,000 M3 per year effective January 1, 2014 appropriate?
4. Is the proposal to harmonize the general service rate structures between the North and South operating areas effective January 1, 2014 appropriate?
5. Is the proposal to lower the eligibility for the M4 and M5A rate classes to a daily contracted demand of 2,400 M3 and a minimum annual volume of 350,000 M3 effective January 1, 2014 appropriate?

6. Is the introduction of an M4 interruptible service offering effective January 1, 2014 appropriate?
7. Is the proposal to lower the eligibility for the M7 rate class to a combined firm, interruptible and seasonal daily contract demand of 60,000 M3 effective January 1, 2014 appropriate?
8. Is the splitting of T1 into two rate classes effective January 1, 2013 appropriate?
9. Is recovering UFG on transportation activity in the winter months for the Dawn to Dawn-Vector transportation service appropriate?
10. Is the proposal to modify the M1 and M2 rate schedules appropriate?
11. Is the proposal to modify the M12, M13, M16 and C1 rate schedules including Schedule A, Schedule A-2013 and Schedule C appropriate?
12. Are the proposed changes to the Distributor Consolidated Billing fee to \$0.57 per month per customer appropriate?
13. Are the proposed changes to the Gas Supply Administration Fee appropriate?
14. Are rate mitigation measures required to address the rate impacts on some customers as a result of the proposed January 1, 2014 rate design proposals?
15. Is the proposal to change the rate design for services originating at Kirkwall to eliminate Kirkwall measuring and regulating costs appropriate?

DV. Deferral and Variance Accounts

1. Are Union's proposed and existing deferral and variance accounts appropriate?
2. Should deferral accounts for transmission-related transactional services that were eliminated in the EB-2007-0606 incentive ratemaking proceeding be re-established?
3. Is the proposal to eliminate the Late Payment Penalty Litigation (No. 179-113) and the Harmonized Sales Tax (No. 179-124) deferral accounts appropriate?
4. Is the proposal to modify the wording of the Short-term Storage and Other Balancing Services (No. 179-70), Average Use Per Customer (No. 179-

118), and the Inventory Revaluation Account (No. 179-109) deferral accounts appropriate?

O. Other Issues

1. Has Union responded appropriately to all relevant Board directions from previous proceedings?
2. Are Union's economic and business planning assumptions for the Test Year appropriate?
3. Is service quality, based on the Board specified performance indicators acceptable?
4. Are sustainable efficiency improvements (or efficiency gains) achieved under incentive regulation reflected in Union's CoS estimates?
5. Are the forecasts of Natural Gas Market Conditions in 2013 and beyond and the impacts on Union, including turnback and mitigation actions by Union, appropriate?
6. Are Union's customer service policies (including security deposits, late payment penalty, etc.) compatible with Board directives?
7. Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the Application, the revenue requirement for the Test Year, and the proposed rates?

UNION GAS LIMITED
Comparison of Revenue Deficiency/(Sufficiency)
Calendar Year Ending December 31, 2013

Line No.	Particulars (\$000's)	As Filed (a)	ADR Adjustments (b)	As Per Settlement Agreement (c)
1	Operating revenue	1,598,544	(61,819)	1,536,725
2	Cost of service	1,359,308	(70,973)	1,288,335
3	Utility income	239,236	9,154	248,390
4	Requested Return	291,851	(1,883)	289,969
5	Revenue deficiency/(sufficiency) after tax	52,615	(11,037)	41,578
6	Provision for income taxes on deficiency/(sufficiency)	18,009	(3,778)	14,232
7	Total revenue deficiency/(sufficiency)	70,624	(14,814)	55,810
8	Remove net short-term storage revenue	7,535	169	7,704
9	Short-term storage premium subsidy	(6,782)	(152)	(6,934)
10	Adjusted revenue deficiency/(sufficiency)	71,378	(14,797)	56,580

Summary

GRAM

Commodity	-
UFG, Comp Fuel, CSF	(1,313)
O&M - bad debt, own use gas	(584)
Working capital - gas in storage	(928)
Short-term storage revenue - UFG, Comp fuel reductions	17
	<u>(2,808)</u>

O&M	(9,550)
Property tax	(750)
	<u>(10,300)</u>

Rate base reduction of \$12 million

Long-term debt - reduced 2012 issue by \$25 million	(912)
Unfunded short-term debt	212
Common equity	(617)
Depreciation	(372)
	<u>(1,689)</u>
	<u>(14,797)</u>

UNION GAS LIMITED
Statement of Utility Income
Calendar Year Ending December 31, 2013

Line No.	Particulars (\$000's)	As Filed (a)	ADR Adjustments (b)	As per Settlement Agreement (c)
	Operating Revenues:			
1	Gas sales	1,401,869	(61,819) ⁽¹⁾	1,340,050
2	Transportation	162,055		162,055
3	Storage	11,488		11,488
4	Other	23,132		23,132
5		<u>1,598,544</u>	<u>(61,819)</u>	<u>1,536,725</u>
	Operating Expenses:			
6	Cost of gas	697,838	(63,132) ⁽¹⁾	634,706
7	Operating and maintenance expenses	393,228	(10,134) ⁽¹⁾⁽²⁾	383,094
8	Depreciation	196,467	(372) ⁽⁴⁾	196,095
9	Other financing	1,179		1,179
10	Property taxes	64,022	(750) ⁽³⁾	63,272
11		<u>1,352,734</u>	<u>(74,388)</u>	<u>1,278,346</u>
12	Earnings Before Interest & Taxes	245,810	12,569	258,379
13	Income taxes	<u>6,574</u>	<u>3,415</u>	<u>9,989</u>
14	Total utility income	<u>239,236</u>	<u>9,154</u>	<u>248,390</u>

Notes:

(1)	Reflect QRAM at July 1, 2012 - \$4.823/GJ	Gas sales	Cost of gas	O&M
	Commodity	(61,819)	(61,819)	
	Bad debt			(350)
	Company used gas			(234)
	UFG		(1,350)	
	Compressor fuel		(3,071)	
	Customer supplied fuel		3,108	
		<u>(61,819)</u>	<u>(63,132)</u>	<u>(584)</u>
(2)	O&M reductions			
	ETIC		5,000	
	Salaries		750	
	F24T - increase to cross charge		250	
	F24T - role reductions		250	
	Community investment		374	
	General		2,926	
			<u>9,550</u>	
(3)	Property tax reduction		750	
(4)	Depreciation reduction related to \$12 million reduction in rate base			

UNION GAS LIMITED
Summary of Cost of Capital
Calendar Year Ending December 31, 2013

Line No.	Particulars	Utility Capital Structure		Cost Rate %	Requested Return (\$000's)
		(\$000's) (a)	(%) (b)		(d)
	<u>As Filed</u>				
1	Long-term debt	2,257,972	60.35	6.50%	146,868
2	Unfunded short-term debt	(115,296)	(3.08)	1.31%	(1,510)
3	Total debt	2,142,676	57.27		145,358
4	Preference shares	102,248	2.73	3.05%	3,117
5	Common equity	1,496,617	40.00	9.58%	143,376
6	Total rate base	<u>3,741,542</u>	<u>100.00</u>		<u>291,851</u>
	<u>Per Settlement Agreement</u>				
7	Long-term debt	2,234,597	60.17	6.53%	145,957
8	Unfunded short-term debt	(108,513)	(2.92)	1.31%	(1,422)
9	Total debt	2,142,676	57.25		144,535
10	Preference shares	102,248	2.75	3.05%	3,117
11	Common equity	1,485,555	40.00	9.58% ⁽²⁾	142,316
12	Total rate base	<u>3,713,887</u>	<u>100.00</u>		<u>289,969</u>
13	Change	<u>(27,655) ⁽¹⁾</u>			<u>(1,883)</u>

Notes

(1) Reductions to rate base
 general
 gas in inventory

(12,000)
(15,655)
(27,655)

(2) Per Section 4.3 of the settlement agreement

UNION GAS LIMITED
Calculation of Utility Income Taxes
Calendar Year Ending December 31, 2013

Line No.	Particulars (\$000's)	As Filed (a)	ADR Adjustments (b)	As Per Settlement Agreement (c)
<u>Determination of Taxable Income</u>				
1	Utility income before interest and income taxes	245,810	12,569	258,379
Adjustments required to arrive at taxable utility income:				
2	Interest expense	(145,358)	823	(144,535)
3	Utility permanent differences	4,693		4,693
4		105,145	13,392	118,537
Utility timing differences				
5	Capital Cost Allowance	(185,690)	372 ⁽¹⁾	(185,318)
6	Depreciation	196,467	(372) ⁽¹⁾	196,095
7	Depreciation through clearing	2,265		2,265
8	Other	(32,921)		(32,921)
9	Gas Cost Deferral and Other (current)	-		-
10		(19,879)	-	(19,879)
11	Taxable income	85,266	13,392	98,658
<u>Calculation of Utility Income Taxes</u>				
12	Income taxes (line 11 * line 18)	21,743	3,415	25,158
13	Deferred tax on Gas Cost Deferrals	-		-
14	Deferred tax drawdown	(15,169)		(15,169)
15	Total taxes	6,574	3,415	9,989
<u>Tax Rates</u>				
16	Federal tax	15.00%		15.00%
17	Provincial tax	10.50%		10.50%
18	Total tax rate	25.50%		25.50%

Notes

- (1) Simplifying assumption that the depreciation reduction has a matching reduction in Capital Cost Allowance.

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type

Line No.	Particulars (\$000's)	Forecast 2013 as Filed (a)	Settlement Agreement Adjustments (b)	As Per Settlement Agreement (c)
1	Salaries/Wages	193,787	(1,000)	192,787
2	Benefits	81,083	-	81,083
3	Materials	9,958	-	9,958
4	Employee Expenses/Training	14,330	-	14,330
5	Contract Services	66,376	-	66,376
6	Consulting	13,172	(5,000)	8,172
7	General	22,190	(3,300)	18,890
8	Transportation and Maintenance	9,761	-	9,761
9	Company Used Gas	2,501	-	2,501
10	Utility Costs	4,682	-	4,682
11	Communications	6,380	-	6,380
12	Demand Side Management Programs	24,232	-	24,232
13	Advertising	2,386	-	2,386
14	Insurance	9,056	-	9,056
15	Donations	788	-	788
16	Financial	1,871	-	1,871
17	Lease	4,191	-	4,191
18	Cost Recovery from Third Parties	(2,549)	-	(2,549)
19	Computers	6,465	-	6,465
20	Regulatory Hearing & OEB Cost Assessment	4,300	-	4,300
21	Outbound Affiliate Services	(13,706)	-	(13,706)
22	Inbound Affiliate Services	11,888	-	11,888
23	Bad Debt	6,600	-	6,600
24	Other	139	-	139
25	Total Gross Operating and Maintenance Expense	<u>479,881</u>	<u>(9,300)</u>	<u>470,581</u>
26	Indirect Capitalization	(51,376)	-	(51,376)
27	Direct Capitalization	<u>(21,652)</u>	<u>-</u>	<u>(21,652)</u>
28	Total Utility Operating and Maintenance Expense	406,853	(9,300)	397,553
29	Non-Utility Allocations	<u>(13,625)</u>	<u>(250)</u>	<u>(13,875)</u>
30	Total Net Utility Operating and Maintenance Expense	<u>393,228</u>	<u>(9,550)</u>	<u>383,678</u>
31	Excess Utility Cross-Charge	<u>(2,261)</u>	<u>-</u>	<u>(2,261)</u>
32	Total Net Utility O&M Less Cross-Charge	<u>390,967</u>	<u>(9,550)</u>	<u>381,417</u>