

August 13, 2012

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0087 - Union Gas Limited - 2011 Earnings Sharing & Disposition of
Deferral Accounts and Other Balances – Evidence Update**

On April 13, 2012 Union filed an application for its 2011 Earnings Sharing & Disposition of Deferral Accounts and Other Balances.

On May 2, 2012, the Board issued a Notice of Motion to Review Union's 2010 Earnings Sharing & Disposition of Deferral Accounts and Other Balances (EB-2011-0038). The review considered whether changes were required to the margin sharing calculation for the Short-Term Storage Account. The Board assigned File No. EB-2012-0206 to the proceeding.

The Board found in its Decision and Order (EB-2012-0206) dated July 18, 2012 that the ratepayers' share of the net short-term revenues for 2010 should be \$3.824 million as opposed to the \$0.831 million credit amount approved in the EB-2011-0038 Decision and related Rate Order and directed Union to dispose of an incremental credit balance of \$2.992 million to ratepayers.

Union has updated its 2011 Earnings Sharing & Disposition of Deferral Accounts and Other Balances evidence to be consistent with the Board's Decision and Order in EB-2012-0206. The calculation in the Short-Term Storage and Other Balancing Services deferral account (No. 179-70) in the attached update reflects the amount of margin approved in rates (\$11.254 million) and results in an updated deferral balance.

If you have any questions concerning this application and evidence please contact me at (519) 436-5473.

Yours truly,

[Original Signed by]

Karen Hockin
Manager, Regulatory Initiatives

cc Alexander Smith (Torys)
EB-2012-0087 Intervenors

**2011 DEFERRAL ACCOUNT BALANCES AND MARKET TRANSFORMATION
AND LOW-INCOME INCENTIVES**

2011 YEAR-END DEFERRAL ACCOUNT BALANCES

Union has classified the deferral accounts approved by the Board for use in 2011 into three groups:

- a) Unabsorbed Demand Cost;
- b) Storage accounts; and
- c) Other accounts.

The net balance in the above deferral accounts together with the market transformation and Low-income incentives at December 31, 2011, result in a \$10.234 million debit from ratepayers. Interest has been calculated on account balances according to the Board-approved accounting orders. The applicable short-term interest rate used was 1.47% for the months of January through December as prescribed by the Board in EB-2006-0117.

Tab 1, Schedule 1 provides a summary of the deferral account balances and market transformation and Low-income incentives.

1 Account No. 179-108 Unabsorbed Demand Costs

2 The balance in Account No. 179-108 Unabsorbed Demand Cost Variance Account
3 (“UDC”) is not prospectively recovered or refunded as part of the approved Quarterly
4 Rate Adjustment Mechanism. It has therefore been included in this submission.

5
6 The credit balance of \$5.882 million in the UDC account is the difference between the
7 actual UDC incurred by Union and the amount of UDC collected in rates.

8
9 UDC Recovery in Rates

10 To meet customer demands across Union’s franchise area and the targeted storage
11 inventory levels at October 31, Union’s 2011 approved rates included UDC of 4.4 PJ in
12 Union North and 0.2 PJ in Union South.

13
14 In 2011, Union’s actual UDC was 2.0 PJ in Union North and 0.0 PJ in Union South.

15
16 For 2011, Union’s total UDC was \$0.525 million. Union collected \$6.363 million in rates
17 and recorded an associated interest credit of \$0.044 million. The result is a credit in the
18 UDC deferral account of \$5.882 million. Table 1 below provides the derivation of the
19 UDC deferral account balances by operations area.

Table 1
UDC Deferral Account by Operational Area

Line No.	Particulars (\$000's)	Union North	Union South	Total Franchise Area
1	Collected in Rates	6,217	146	6,363
2	UDC Costs Incurred	525	0	525
3	Variance (line 2 – line 1)	(5,692)	(146)	(5,838)
4	Interest	(43)	(1)	(44)
5	(Credit)/Debit to Operations areas	(5,735)	(147)	(5,882)

1 A description of each item follows:

2

3 Collected in Rates

4 2011 Board-approved rates include \$6.489 million associated with planned UDC in
5 Union North and \$0.117 million associated with UDC in Union South. Union actually
6 recovered \$6.217 million in Union North and \$0.146 million in Union South.

7

8 UDC Incurred

9 Consistent with past UDC deferral account dispositions, Union proposes to assign the
10 total cost of \$0.525 million to each operations area in proportion to the actual excess
11 supply. This results in UDC of \$0.525 million for Union North and \$0.00 for Union
12 South.

1 Interest

2 Interest associated with UDC amounted to a credit of \$0.043 million for Union North and
3 a credit of \$0.001 million for Union South for a net credit of \$0.044 million.

4
5 (Credit)/Debit to Operations areas

6 The UDC deferral account has a net total credit balance of \$5.882 million. The balance
7 applicable to customers in Union North is a credit of \$5.735 million. The balance
8 applicable to customers in Union South is a credit of \$0.147 million.

9
10 Account No. 179-70 Short-Term Storage and Other Balancing Services

11 The Short-Term Storage and Other Balancing Services deferral account includes
12 revenues from C1 Off-Peak Storage, Gas Loans, Enbridge LBA, Supplemental Balancing
13 Services, C1 Short-Term Firm Peak Storage, and C1 Firm Short-Term Deliverability.

14 The net revenue for Short-Term Storage and Other Balancing Services is determined by
15 deducting the costs incurred to provide service from the gross revenue.

16
17 There is a debit balance in the Short-Term Storage and Other Balancing Services deferral
18 account of \$4.145 million. The balance is calculated by comparing the actual 2011 net
19 revenue for Short-Term Storage and Other Balancing Services of \$7.899 million (minus a
20 10% incentive) to the net revenue included in rates of \$11.254 million in the EB-2010-

0148 Rate Order. The result is a net deferral debit of \$4.145 million. The details of the balance are found at Tab 1, Schedule 7.

The revenues and costs included in Short-Term Storage and Other Balancing Services were originally determined as part of Union's 2007 Cost of Service proceeding (EB-2005-0520). At that time revenues and costs totaled \$5.961 million and \$2.131 million, respectively, for net revenue of \$3.829 million. Short-Term Peak Storage was calculated based on 2.1 PJ of peak storage resulting in forecasted revenues of \$1.794 million and forecasted costs of \$0.847 million. The Board-approved settlement agreement (EB-2005-0520) imputed \$12.000 million of additional revenue. The settlement agreement did not specify the total revenues or any costs associated with the \$12.000 million of imputed net revenue.

In EB-2007-0606 (Union's Incentive Regulation and 2008 rate order proceeding) Union filed a rate order working paper (Schedule 16) identifying the S&T revenues and costs included in rates. Union included the \$12.000 million additional revenue in Short-Term Peak Storage. This increased forecast revenue for Short-Term Peak Storage to \$13.794 million and the total revenue to \$17.961 million. The rate setting process did not forecast any cost increases required to achieve an additional \$12.000 million in margin. The details of the revenues and costs in the Short-Term Storage and Other Balancing Services deferral account are included at Tab 1, Schedule 6.

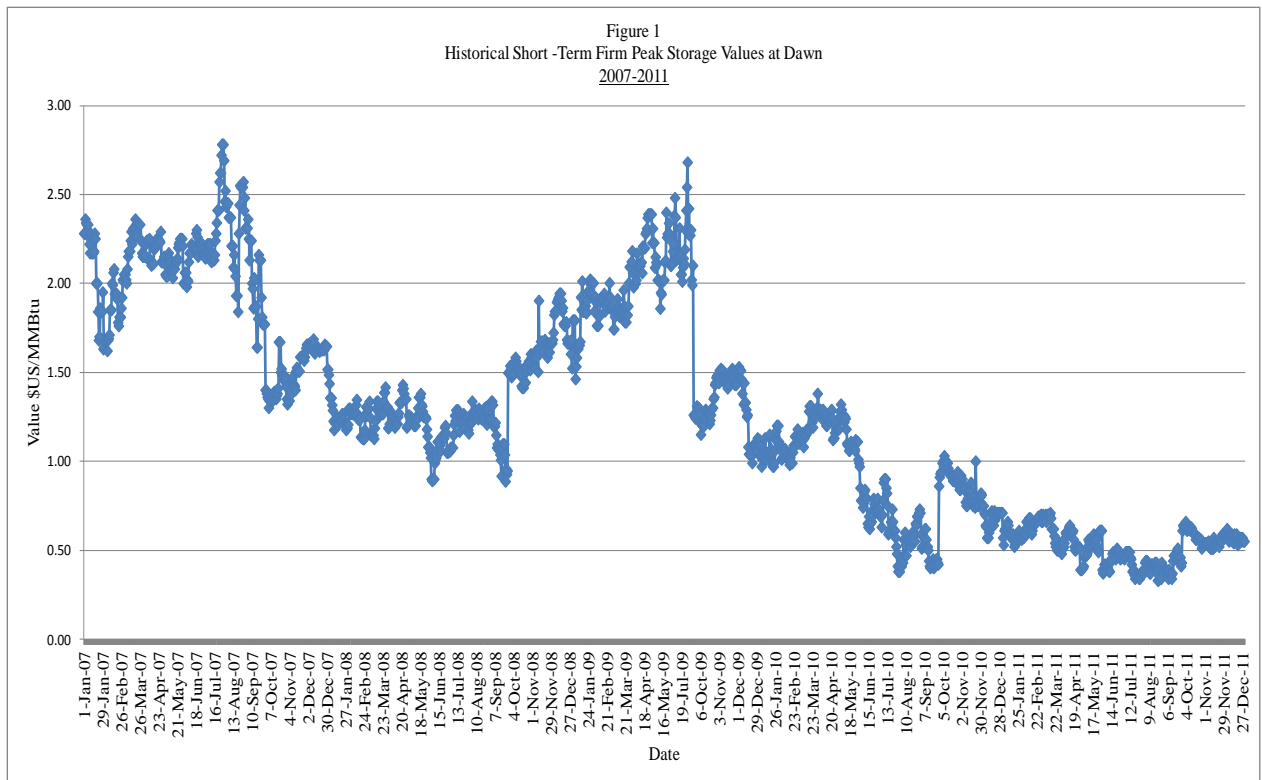
1 The debit balance is driven by lower revenues when compared to the 2007 Board-
2 approved forecast.

3
4 2011 Short Term Storage and Other Balancing Services – Drivers of deferral balance

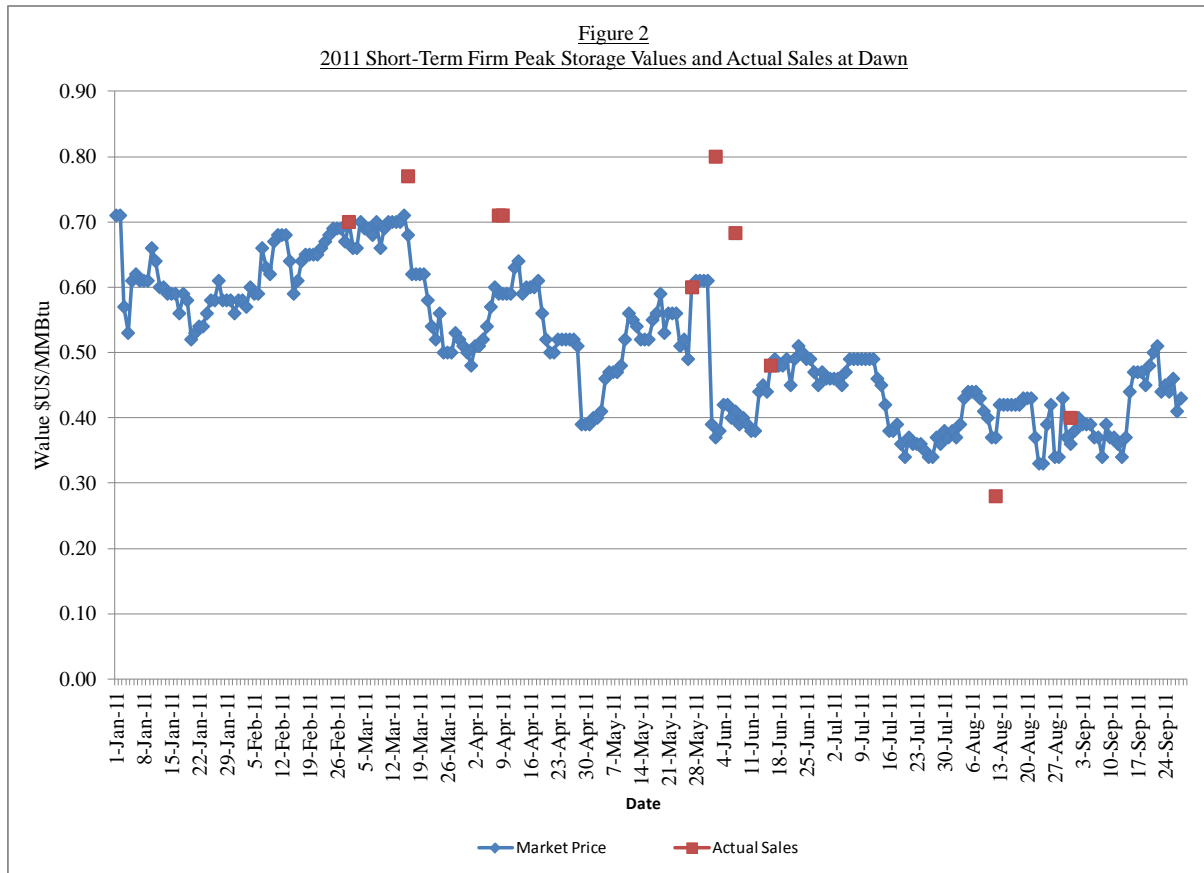
5 Actual revenues from C1 Off-Peak Storage and Gas Loans were \$1.601 million lower
6 than the 2007 Board-approved forecast due to prevailing market conditions. Natural gas
7 supplies in North America have increased significantly as a result of shale gas production
8 which has reduced the seasonal volatility of natural gas prices. Low volatility has caused
9 the market value for C1 Off Peak Storage and Gas Loans to be flat or negative.

10
11 Supplemental Balancing Service revenues were also lower than the Board-approved
12 forecast by \$0.471 million. Revenues from these services are generated through basic
13 Hub activity. The demand for these services has also decreased because of less volatile
14 natural gas prices.

15
16 C1 Short-Term Firm Peak Storage revenues were lower than the 2007 Board-approved
17 forecast by approximately \$4.758 million. The lower revenues were driven by a lower
18 average annual short-term storage value in 2011 of \$0.90/GJ compared to the 2007
19 Board-approved implied forecast average annual value of \$1.75/GJ (\$13.794 million / 7.9
20 PJ). The market value for short-term peak storage services has steadily declined since the
21 last Board-approved forecast in 2007, shown at Figure 1.



1 Despite the lower values Union was able to execute the majority (99.8%) of Short-Term
2 Firm Peak Storage sales at values equal to or greater than the market value at the time of
3 the sale. Short-Term Firm Peak Storage Values and Actual Sales at Dawn are shown at
4 Figure 2. The impact of the market price decline was partially offset by higher capacity
5 available for sale of C1 Short-Term Firm Peak Storage for the 2011/2012 winter (10.1 PJ)
6 compared to the 2007 Board-approved forecast (7.9 PJ).



- 1 Account No. 179-72 Long-Term Peak Storage Services
- 2 The Long-Term Peak Storage Services deferral account has no balance. Union no longer
- 3 shares net revenues on long-term storage transactions as approved by the Board in EB-
- 4 2005-0551. This account was closed effective January 1, 2012 per the Board's EB-2011-
- 5 0025 Decision.

1 OTHER DEFERRAL ACCOUNTS

2 Account No. 179-26 Deferred Customer Rebates/Charges

3 The Deferred Customer Rebates/Charges account has no balance. This account captures
4 unclaimed cheques related to amounts refunded to customers that arose from the
5 disposition of deferral balances as approved by the Board.

6
7 Parties agreed as part of the Partial Settlement Agreement for Union's 2012 rates
8 application (EB-2011-0025) and approved by the Board on November 14, 2011 to
9 eliminate the Customer Rebates/Charges Deferral Account (179-26) effective January 1,
10 2012. This account was closed January 1, 2012.

11
12 Account No.179-75 Lost Revenue Adjustment Mechanism ("LRAM")

13 The LRAM deferral account has a debit balance of \$2.009 million. This balance includes
14 volume variances related to 2010 audited versus unaudited demand side management
15 ("DSM") activities and the unaudited volumes related to 2011 DSM activities.

16
17 Tab 1, Schedule 2, page 1 provides the breakdown of the LRAM deferral account balance
18 for 2010 and 2011. Tab 1, Schedule 2, pages 2 and 3 provide the LRAM volumes and the
19 corresponding revenue impacts related to 2010 and 2011 DSM activities respectively.

20 The calculations for lost revenues reflect the Board's ruling in EB-2006-0021 Decision
21 with Reasons (page 11) which states that the first year impact will be calculated as 50%

1 of the annual volumetric impact multiplied by the distribution rate for each of the rate
2 classes that the volumetric variance occurred in.

3
4 The audit of 2010 DSM volumes is complete. The amount Union proposes to dispose of
5 for 2010 is a debit balance of \$1.187 million (Tab 1, Schedule 2, page 2, line 18, column
6 (g)) which is composed of the following:

- 7 • 50% of the variance between lost revenues resulting from the audited 121,116 10³
8 m³ volumes savings and those resulting from the unaudited forecasted volumes
9 savings of 122,888 10³ m³ at 2010 rates;
- 10 • lost revenues from audited 2010 volumes savings of 121,116 10³ m³ at 2011 rates.

11
12 In 2011, the variance is a debit balance of \$0.822 million (Tab 1, Schedule 2, page 3, line
13 18, column (c)). The 2011 variance represents 50% of the forecasted volumes savings of
14 163,766 10³ m³.

15
16 The 2011 forecasted volumes savings include volumes related to Union's incremental
17 Low-income DSM activities. Union's 2011 Low-income plan approved by the Board in
18 EB-2010-0055 stated that lost distribution revenues that resulted from the Home
19 Weatherization program would be recovered using the methodology established in EB-
20 2006-0021 on a custom basis. Union's Low-income plan also stated it would continue to
21 use the LRAM deferral account for 2011 in the same manner as in previous years.

1 Accordingly, the LRAM deferral account includes volumes saving of $257 \times 10^3 \text{ m}^3$ related
2 to incremental Low-income DSM activities.

3
4 There were no 2011 DSM volumes included in 2011 rates. The process to finalize DSM
5 balances for 2011 includes an audit of Union's DSM Annual Report, which is
6 subsequently reviewed by the Evaluation and Audit Committee, communicated to the
7 DSM Consultative and filed with the Board.

8
9 Consistent with the approach taken related to activity in previous deferral disposition
10 proceedings, Union is proposing to dispose of the LRAM balance related to unaudited
11 2011 DSM activities. Recognizing this balance may still change following the audit, any
12 amount disposed of would be subject to a future true-up. Any true-up amount will be
13 captured in the deferral account for future disposition in the same way the 2010 variance
14 has been trued-up in this proceeding.

15
16 Account No. 179-103 Unbundled Services Unauthorized Storage Overrun

17 No unauthorized storage overrun charges were incurred by customers electing unbundled
18 service in 2011.

Account No.179-111 Demand Side Management Variance Account

This account records the difference between actual direct DSM costs incurred and the direct DSM budget included in rates. The debit balance of \$3.081 million (Tab 1, Schedule 3, line 13, column (g)) represents the difference between actual 2011 DSM expenditures of \$26.271 million and \$23.190 million included in rates.

The Board's EB-2006-0021 Decision (Phase 1, page 30) allows Union to spend up to 15% more than what was included in rates provided the "additional funding was spent on incremental program expenses."

Additional expenditures over what was included in rates included \$1.026 million related to direct DSM program costs above what was planned for 2011. The additional expenditures contributed to Union's 2011 natural gas savings of 163,766 10^3 m^3 and \$379.581 million in Total Resource Cost ("TRC") benefits, exceeding the TRC target of \$252.653 million.

In its Decision and Order dated December 20, 2010 (EB-2010-0055) the Board approved Low-income amendments to Union's 2011 DSM plan. The amendments included a budget for Low-income programs incremental to the budget approved as part of Union's 2011 DSM plan. Accordingly, additional expenditures in 2011 also included \$2.056 million for the incremental Low-income program approved in EB-2010-0055. The

- 1 incremental Low-income budget (\$2.465 million) was not included in 2011 rates (EB-
2 2010-0148) so the entire amount is recovered through the DSMVA.
3
4 The details of the 2011 DSM overspend are presented in Table 2 below.

Table 2
2011 DSM Overspend

Line No.	Particulars (\$000's)	2011 Plan	2011 Actual	Variance
1	Residential	3,139	2,699	(440)
2	Low-Income	1,903	1,729	(174)
3	Commercial	5,666	4,143	(1,523)
4	Distribution Contract	4,990	8,737	3,747
5	Market Transformation	1,464	1,572	108
6	Other Direct Program Costs	7,727	7,035	(692)
7	Subtotal	24,889	25,915	1,026
8	Incremental Low-Income	-	2,056	2,056
9	Total	24,889	27,971	3,082

5 Account No. 179-112 Gas Distribution Access Rule (GDAR) Costs

- 6 The GDAR costs deferral account has no balance to be disposed of in 2011. This account
7 records the difference between the actual costs required to implement the appropriate
8 process and system changes to achieve compliance with GDAR and the costs included in
9 rates as approved by the Board.

1 On October 14, 2011, the Board issued a Notice of Amendment to a Rule – Residential
2 Customer Service Amendments to the Gas Distribution Access Rule under docket
3 number EB-2010-0280.

4
5 The amendments to the GDAR require each rate-regulated Gas Distributor to implement
6 and publish a Customer Service Policy that is fair, transparent, and enforceable by the
7 Board. The Board ordered that the amendments to the GDAR come into force on April 1,
8 2012.

9
10 Union expects to incur approximately \$1.550 million in capital costs for 2011 and 2012
11 to implement the amendments to the GDAR. The capital costs include the costs to modify
12 Union's customer service information system so it has the functionality required to
13 implement Union's updated policies and practices. This involved the development of
14 business and system design requirements, programming by both the external Customer
15 Service System provider and internal IT staff, testing and implementation. The capital
16 costs also included the salaries and expenses for four additional employees who were
17 added to the Customer Care group in order to implement the amendments to the GDAR
18 by April 1, 2012.

19
20 Since the EB-2010-0280 GDAR amendments did not come into service until March 5,
21 2012, the costs associated with the amendments will be disposed of as part of the 2012
22 non commodity deferral account disposition.

1 Account No. 179-113 Late Payment Penalty (“LPP”) Litigation

2 The LPP Litigation deferral account is a debit balance of \$1.822 million which represents
3 a balance of \$1.800 million and interest of \$0.022 million. The debit balance of \$1.800
4 million is the cost incurred in 2011 as a result of the settlement in the late payment
5 penalty litigation. The settlement approved by the Ontario Superior Court on February
6 10, 2009, ordered Union to make a payment to the Winter Warmth Fund of \$1.800
7 million in 2011. As part of the Settlement Agreement to the 2009 Deferral Disposition
8 and Earnings Sharing proceeding (EB-2010-0039) Union agreed to dispose of the LPP
9 costs over three years resulting in a final payment of \$1.800 million in 2011.

10
11 Account No. 179-115 Shared Savings Mechanism (“SSM”) Variance Account

12 This account has a debit balance of \$9.664 million consisting of \$9.243 million from
13 2011 DSM activity and \$0.421 million related to the 2010 audit true-up for DSM activity
14 in 2010. Tab 1, Schedule 4 provides the breakdown of the SSM variance account. The
15 account was established in 2006, in accordance with the mechanism approved by the
16 Board in the EB-2005-0507 proceeding, to record any shareholder incentive earned by
17 Union related to DSM activities.

18
19 Union has completed the audit of 2010 DSM activity and there is an increase of \$0.421
20 million in the resulting SSM incentive payout variance (Tab 1, Schedule 4, line 13,
21 column (c)). The auditor’s report was filed with the Board on July 29, 2011 in
22 compliance with section 2.1.12 of the Board’s Reporting and Record Keeping

1 Requirements. Upon completion of the audit of Union's 2010 DSM activity, the
2 adjustments resulted in a net increase in the level of TRC achieved. This adjustment to
3 Union's pre-audit TRC results increased the SSM payout by \$0.421 million.

4
5 In accordance with previous Board-approved practice, Union is proposing to dispose of
6 the recorded SSM balance related to unaudited 2011 DSM activities. Recognizing this
7 balance may still change following the audit, any amount disposed of would be subject to
8 a future true-up. Any true-up amount will be captured in the deferral account for future
9 disposition.

10
11 In addition to the balance in the SSM deferral account Union is claiming a \$0.544 million
12 incentive for the 2011 incremental Low-income program. This incentive amount is based
13 upon achieving 135.9% on the overall scorecard approved in EB-2010-0055. The 2011
14 Home Weatherization Scorecard is provided at Table 3.

15

Table 3
2011 Home Weatherization Scorecard

Element	Metrics Weighting	Metric Value Levels			Weight	Actual Results	Payout %	Score
		50%	100%	150%				
Low Income Weatherization Scorecard								
Ultimate Outcomes	Weatherization Participants	300	400	450	50%	450	150.0	75/50
	Total Natural Gas savings (m3)	366,000	488,000	549,000	50%	514,499	121.7	60.9/50
Overall Results	Payout for Low-Income Incentive (Maximum Payout = \$600,000)						\$543,600	135.9/100

1 The process to finalize DSM related balances includes an audit of Union's DSM Annual
2 Report, review by the Evaluation and Audit Committee and communication to the DSM
3 Consultative. Consistent with the approach taken for Market Transformation in EB-2011-
4 0038 and in an effort to dispose of deferral account balances in a timely manner, Union is
5 proposing to dispose of the forecast Low-income balance related to unaudited 2011 Low-
6 income activities as measured by the Home Weatherization Scorecard at this time. The
7 variances between the payout balances calculated out of audited and unaudited results
8 would be subject to a future true-up. Any true-up amount will be captured in a future
9 disposition in the same way the LRAM variance from 2011 has been trued up in this
10 proceeding.

1 Account No. 179-117 Carbon Dioxide Offset Credits

2 This account has no balance. The account was created in accordance with the Board's
3 Decision in the EB-2006-0021 proceeding to record the amounts representing proceeds
4 from the sale of or other dealings in carbon dioxide offset credits earned as a result of
5 Union's DSM activities.

6
7 Account No. 179-118 Average Use Per Customer

8 The Average Use Per Customer deferral account is a credit of \$5.076 million and interest
9 of \$0.029 million.

10
11 The credit balance of \$5.076 million is the margin variance resulting from the difference
12 between the actual rate of decline in use-per-customer for 2011 and the forecast rate of
13 decline in use-per-customer included in 2011 Board-approved rates. Actual and forecast
14 rates of decline in use-per-customer were calculated on a percentage and rate class
15 specific basis for rate classes M1, M2, Rate 01 and Rate 10. The rates of decline were
16 normalized for weather and excluded the volume impacts attributed to DSM. The details
17 of the Average Use per Customer deferral account balance can be found at Tab 1,
18 Schedule 5.

Account No. 179-120 International Financial Reporting Standards (“IFRS”) Conversion

Costs

In accordance with the Board-approved Settlement Agreement in EB-2010-0039 Union agreed to remove from the deferral account the capital costs associated with upgrading Union’s accounting system in order to report results under IFRS. These capital costs were replaced by the annual revenue requirement related to those capital costs as outlined in Table 4, and are to be included in the respective future deferral account disposition proceedings.

Accordingly, the 2011 IFRS Conversion Costs deferral account has a debit balance of \$0.335 million.

Table 4
IFRS Conversion Costs by Year

Line No.	Particulars (\$ Millions)	<u>2008</u> (a)	<u>2009</u> (b)	<u>2010</u> (c)	<u>2011</u> (d)	<u>2012</u> (e)	<u>2013</u> (f)	<u>2014</u> (g)	<u>Total</u> (h)
1	Proposed by Union	1.918	2.071						3.989
2	Less capital expenditures	0.953	0.459						1.412
3	O&M	0.965	1.612						2.577
4	Revenue requirement	-	-	0.124	0.335	0.538	0.505	0.244	1.747
5		0.965	1.612	0.124	0.335	0.538	0.505	0.244	4.324

1 Account No. 179-121 Cumulative Under-recovery – St. Clair Transmission Line and

2 Account No. 179-122 – Impact of Removing St. Clair Transmission Line from Rates

3 Union applied to the Board on January 30, 2012 to close accounts 179-121 and 179-122.

4 In its Decision and Order (EB-2012-0048) dated March 28, 2012 the Board ordered

5 Union to close deferral accounts 179-121 and 179-122 effective April 1, 2012. These

6 accounts have no balance.

7
8 Account No. 179-123 Conservation Demand Management

9 The Conservation Demand Management (“CDM”) account captures 50% of the revenue

10 generated from CDM programs. In its EB-2010-0055 Decision and Order which granted

11 approval for Union’s 2011 DSM plan the Board ordered Union to establish a deferral

12 account to track revenues associated with CDM activities, to be shared 50/50 between

13 shareholder(s) and ratepayers. The Board approved the accounting order for Union’s

14 CDM deferral account on November 29, 2010 through the Board’s Decision and Rate

15 Order for Union’s 2011 rates application (EB-2011-0148).

16
17 The CDM deferral account is a credit of \$0.212 million and interest of \$0.03 million.

18 The credit balance of \$0.212 million represents 50% of the net revenue generated from

19 two CDM programs that generated revenue in 2011. A description of the CDM programs

20 is provided below.

1 High Performance New Construction (“HPNC”) is a CDM program that was run through
2 the Ontario Power Authority from 2008 to 2010. Union was subcontracted by Enbridge
3 through the OPA to provide Sales Services to Enbridge in their delivery of HPNC for
4 enrolled electricity distributors within Union’s service area. The HPNC program involved
5 educating and encouraging Commercial, Institutional and Industrial new build facilities to
6 move to more efficient building code levels and thereby take advantage of related
7 incentives. This program was operational from 2008 to 2010 generating revenue in 2009,
8 2010 and 2011. HPNC generated net revenues of \$0.172 million in 2010 and \$0.250
9 million in 2011 of which 50% or \$0.211 million is shared with rate payers.

10
11 Union did not have an approved deferral account for CDM activity in 2009. Accordingly,
12 the net revenue booked in 2009 was included in utility earnings for the purposes of
13 calculating earnings sharing. The Board approved Union’s CDM deferral account
14 effective January 1, 2011 on November 29, 2010. Since the deferral account was not
15 opened until 2011 there was no balance at the end of 2010. To ensure revenue for 2010
16 and 2011 was shared in the CDM deferral account Union removed the revenue from
17 earnings subject to sharing and has included the balances for 2010 and 2011 in the CDM
18 deferral account to be disposed of as part of Union’s 2011 deferral account disposition.

19
20 Union has also participated in a joint CDM/DSM Low-income conservation pilot
21 program delivered in 2011 in collaboration with Hydro One Networks Incorporated. The
22 program involved the delivery and installation of eligible electric measures into Hydro

1 One Low-income customer homes. These measures included the installation of up to four
2 compact fluorescent light bulbs, shower heads, faucet aerators, pipe wrap and delivery of
3 power bars. Net revenue for the pilot program for 2011 was \$1,404 of which \$702 is
4 shared with ratepayers.

5
6 Account No. 179-124 Harmonized Sales Tax

7 On July 1, 2010, Harmonized Sales Tax (“HST”) came into effect in Ontario, combining
8 provincial and federal taxes. The impact of HST resulted in both savings and additional
9 costs to Union related to the provincial component of the tax.

10
11 In its EB-2010-0148 Decision, the Board ordered Union to establish a deferral account to
12 record as a credit the amount of Provincial Sales Tax (“PST”) previously paid and
13 collected in approved rates that is now subject to HST tax credits (i.e. the savings to
14 Union). Additionally, the Board ordered Union to record in the deferral account as a debit
15 the amount of HST paid on taxable items for which no tax credits are received (i.e. the
16 additional costs to Union). Union will share the net impact 50/50 between the ratepayers
17 and the shareholders.

18
19 To calculate the 2011 HST deferral balance, Union reviewed the 2011 transactions for: a)
20 Capital and O&M purchases that were subject to PST but are now subject to a tax credit;
21 and, b) Compressor Fuel costs that are now subject to PST with no tax credit.

1 For 2011 the HST deferral account is a credit balance of \$0.664 million which represents
2 a balance of \$0.662 million and interest of \$0.002 million. The credit balance of \$0.662
3 million is provided at Table 5. A discussion of each component is also provided below.

Table 5
50% of Net Savings (Costs) from the impact of HST
to be shared with Ratepayers

Line No.	Particulars (\$ Millions)	2011
1	Capital Savings	0.398
2	Operations and Maintenance Savings	0.641
3	Compressor Fuel Costs	<u>(0.377)</u>
4		0.662

4 Capital

5 Prior to July 2010, PST paid on capital purchases was included in capital costs. With the
6 introduction of HST in July 2010, a tax credit was created for the provincial component
7 of HST paid on capital purchases. As a result, Union is collecting PST in rates for which
8 it now can claim a tax credit. This generates a savings to ratepayers.

9

10 The revenue requirement associated with Capital expenditures is recovered through rates.
11 Consistent with this approach, the HST impact related to Capital is also calculated based
12 on revenue requirement. In 2011, Union had a tax savings of an estimated \$6.395 million
13 related to Capital additions, including \$0.082 million of O&M overhead Capitalization,
14 for the year. After applying the half-year rule, Union applied depreciation, interest,
15 return and income taxes to calculate the revenue requirement impact for Capital. The

1 revenue requirement impact is a credit of \$0.390 million, of which 50% or \$0.195 million
2 is the ratepayer portion. In 2010 Union had a tax savings of \$3.330 million related to
3 capital additions, including \$0.032 million of O&M overhead capitalization. The revenue
4 requirement impact for the 2010 Capital additions in 2011 is a credit of \$0.406 million, of
5 which 50% or \$0.203 million is the ratepayer portion. The combined revenue
6 requirement impact for 2011 is \$0.796 million, of which 50% or \$0.398 is the ratepayer
7 portion. The calculation of this balance is provided in Table 6 below. The HST impact
8 on capital expenditures will be included in rate base when Union resets its rates in 2013.

Table 6
HST Capital Summary

Line No.	Particulars (\$ Millions)		2011	2010	Total
	Capital Additions				
1	Capital PST Savings Estimate		6.395	3.330	9.725
2	1/2 year rule		0.5	N/A	
			3.198	3.330	6.528
3	Depreciation	3.30%	0.106	0.110	0.216
4	Interest	4.61%	0.147	0.154	0.301
5	Return	3.07%	0.098	0.102	0.200
6	Income Taxes	28.25%	0.039	0.040	0.079
7	Revenue Requirement Impact		0.390	0.406	0.796

9 Operations & Maintenance (“O&M”)

10 Prior to July 2010, PST paid on O&M purchases was included as an expense in rates. As
11 a result of the introduction of the HST in July 2010, except where restricted by the

1 Canada Revenue Agency, the provincial component of the HST is subject to tax credit.

2 This results in a 2011 tax savings of \$2.080 million.

3

4 Where Union pays HST on O&M purchases that were previously exempt and tax credits
5 are now restricted, Union incurs additional costs not included in rates. This results in a
6 2011 tax cost of \$0.715 million.

7

8 Certain O&M costs are related to Overhead Capitalization and must be removed from the
9 O&M HST impact calculations and included in the Capital HST impacts. For 2011,
10 Union transferred cost of \$0.082 million to Capital.

11

12 The net impact to Union in 2011 is a savings of \$1.282 million, of which 50%, or \$0.641
13 million is attributable to ratepayers.

14

15 Compressor Fuel Costs

16 Prior to July 2010, Union did not assess PST on the gas used in its own operations. As a
17 result of the introduction of the HST in July 2010, Union is required to assess HST on its
18 own use of gas. No tax credit exists for the provincial component of HST on own-use
19 compressor fuel, resulting in an additional compressor fuel costs to Union. In 2011, the
20 increased compressor fuel cost to Union was \$0.754 million, of which 50%, or \$0.377
21 million is attributable to ratepayers.

22

1 OTHER ITEMS

2 Market Transformation Incentive

3 Union is claiming a \$0.500 million incentive for the Market Transformation (“MT”) drain
4 water heat recovery program created and executed in Union’s operations area in 2011.
5 This incentive amount is based upon meeting or exceeding the performance goals as
6 outlined by the MT Scorecard, filed with the Board on December 17, 2010. The 2011 MT
7 Scorecard is presented below in Table 7.

Table 7
2011 MT Scorecard - DWHR

Element	Metrics Weighting	Metric Value Levels			Weight	Actual Results	Payout %	Score
		50%	100%	150%				
DRAIN WATER HEAT RECOVERY								
Ultimate Outcomes	Participating Builders	122	128	133	20%	137	150	30/20
	Units Installed (new build) as a percentage of 2011 residential new attachments	15.72% or 2011 units	17.72% or 2267 units	19.72% or 2522 units	80%	2691	150	120/ 80
Overall Results	Payout for Market Transformation (Maximum Payout = \$500,000)						\$500,000	150/ 100

Note: 2010 Actuals = 116 builders and 15.72% of Residential New Attachments.

8 Consistent with the approach proposed for the Low-income incentive Union is proposing
9 to dispose the forecast MT balance related to unaudited 2011 MT activities as measured
10 by the MT Scorecard within the DSM portfolio at this time. The variances between the

- 1 MT payout balances calculated out of audited and unaudited results would be subject to a
- 2 future true-up. Any true-up amount will be captured in a future disposition in the same
- 3 way the LRAM variance from 2011 has been trued up in this proceeding.

UNION GAS LIMITED
Deferral Account Balances and Market Transformation Incentive and Incremental Low-income Incentive
Year Ending December 31, 2011

Line No.	Account Number	Account Name	Balance (\$000's)	(1)
		<u>Gas Supply Accounts:</u>		
1	179-108	Unabsorbed Demand Costs (UDC) Variance Account	(5,882)	(2)
		<u>Storage Accounts:</u>		
2	179-70	Short-Term Storage and Other Balancing Services	4,145	(3)
3	179-72	Long-Term Peak Storage Services	-	
4		Total Storage Accounts (Lines 2 + 3)	4,145	
		<u>Other:</u>		
5	179-26	Deferred Customer Rebates/Charges	-	
6	179-75	Lost Revenue Adjustment Mechanism	2,009	
7	179-103	Unbundled Services Unauthorized Storage Overrun	-	
8	179-111	Demand Side Management Variance Account	3,081	
9	179-112	Gas Distribution Access Rule (GDAR) Costs	-	
10	179-113	Late Payment Penalty Litigation	1,822	
11	179-115	Shared Savings Mechanism	9,664	
12	179-117	Carbon Dioxide Offset Credits	-	
13	179-118	Average Use Per Customer	(5,105)	
14	179-120	IFRS Conversion Cost	335	
15	179-121	Cumulative Under-recovery – St. Clair Transmission Line	-	
16	179-122	Impact of Removing St. Clair Transmission Line from Rates	-	
17	179-123	Conservation Demand Management	(215)	
18	179-124	Harmonized Sales Tax	(664)	
19		Total Other Accounts (Lines 5 through 18)	10,927	
20		Total Deferral Account Balances (Lines 1 + 4 + 19)	9,190	
21		Market Transformation Incentive	500	
22		Incremental Low-income Incentive	544	
23		Total Deferral Account Balances and Market Transformation and Low-income Incentives (Lines 20 + 21 + 22)	10,234	

Notes:

- (1) Account balances include interest to December 31, 2011 per accounting order EB-2010-0148.
- (2) With the exception of UDC (No. 179-108), all gas supply-related deferral account balances are disposed through the QRAM process.
- (3) Updated per Board Decision and Order (EB-2012-0206) dated July 18, 2012.

UNION GAS LIMITED

Details of Balances in Short-Term Storage Deferral Account (No. 179-70)

Line No.	Particulars (\$000's)	2011 (a)	2010 (b)	Difference (c)
1	Short-term storage revenue ⁽¹⁾	10,964	20,887	(9,923)
2	Operating costs			
3	UFG ⁽²⁾	342	653	(311)
4	Compressor fuel ⁽³⁾	462	1,220	(758)
5	O&M ⁽⁴⁾	2,261	2,261	-
6		<u>3,065</u>	<u>4,134</u>	<u>(1,069)</u>
7	Net revenue (line 1 - line 6)	7,899	16,753	(8,854)
8	Less: 10% incentive payment	<u>(790)</u>	<u>(1,675)</u>	<u>885</u>
9	Actual adjusted net revenue	7,109	15,078	(7,969)
10	Less: short-term storage margin in rates	(11,254)	(11,254)	-
	Deferral account balance payable to/			
11	(collectible from) ratepayers ⁽⁵⁾	<u>(4,145)</u>	<u>3,824</u>	<u>(7,969)</u>

Notes:

- (1) Based on short-term storage services provided.
- (2) Based on short-term storage volumes in proportion to total volumes.
- (3) Based on short-term storage activity in proportion to total actual storage activity.
- (4) Revenue requirement on 7.9 PJs of excess in-franchise storage capacity.
- (5) Updated per Board Decision and Order (EB-2012-0206) dated July 18, 2012.

ALLOCATION AND DISPOSITION OF 2011 DEFERRAL ACCOUNT BALANCES,
MARKET TRANSFORMATION INCENTIVE, 2011 INCREMENTAL LOW-INCOME
INCENTIVE, 2011 EARNINGS SHARING AND 2012 DSM SETTLEMENT RATE
IMPACTS

The purpose of this evidence is to address the allocation and disposition of 2011 deferral account balances, market transformation incentive, 2011 incremental Low-income incentive amounts identified at Exhibit A, Tab 1, Schedule 1, 2011 earnings sharing amounts identified at Exhibit A, Tab 2, Appendix B, Schedule 1 and 2012 DSM settlement rate impacts related to the EB-2011-0327 decision identified at Exhibit A, Tab 3, Schedule 5.

The allocation of 2011 deferral account balances, market transformation incentive, 2011 incremental Low-income incentive and 2012 DSM settlement rate impact amounts to rate classes appears at Tab 3, Schedule 1, Page 1. The allocation of 2011 earnings sharing amounts to rate classes appears at Tab 3, Schedule 1, Page 2. Tab 3, Schedule 2 provides the unit disposition rates for Union's in-franchise rate classes and summarizes the balances to be disposed of for Union's ex-franchise rate classes. Tab 3, Schedule 3 provides the impact of the proposed disposition for general service customers in Union South and Union North.

1 **UNABSORBED DEMAND COST VARIANCE ACCOUNT**

2 Union proposes that the portion of the balance in the Unabsorbed Demand Cost (“UDC”) Variance
3 Account (179-108) related to Union North be allocated to the firm Rate 01, Rate 10 and Rate 20
4 customers in proportion to 2007 excess peak over annual average. This allocation is consistent
5 with the allocation of UDC in approved 2007 rates (EB-2005-0520, Rate Order Working Papers,
6 Schedule 25, page 3).

7
8 The UDC associated with Union South is applicable to sales service customers only. Accordingly,
9 Union proposes that the portion of the balance in the Unabsorbed Demand Cost (“UDC”) Variance
10 Account (179-108) related to Union South be allocated to sales service customers only.

11
12 **2011 NON- GAS SUPPLY RELATED DEFERRAL ACCOUNTS**

13 Non-gas supply related deferral accounts can be divided into two groups: storage-related deferral
14 accounts and other deferral accounts.

15
16 **STORAGE-RELATED DEFERRAL ACCOUNTS**

17 The storage- related deferral accounts are:

- 18 i) Account No. 179-70 Short-Term Storage and Other Balancing Services;
19 ii) Account No. 179-72 Long-Term Peak Storage Services.

1 Account No. 179-70 Short-Term Storage and Other Balancing Services

2 Union proposes to allocate the Short-Term Storage and Other Balancing Services Deferral Account
3 balance related to in-franchise customers in Union South among rate classes in proportion to EB-
4 2005-0520 design (peak) day demand. Union proposes to allocate the balance to in-franchise
5 customers in Union North (by virtue of their use of storage in Union South) among rate classes in
6 proportion to the allocation of 2007 storage demand costs as approved in EB-2005-0520.

7
8 Account No. 179-72 Long-Term Peak Storage Services

9 As approved by the Board in the EB-2005-0520 Rate Order, the ratepayer portion of the deferred
10 margin in the Long-Term Peak Storage Services Deferral Account is 0% in 2011. There was no
11 balance in the Long-Term Peak Storage Services Deferral Account (179-72) at December 31, 2011.
12 Per the Board's Decision in EB-2011-0025 (Union's 2012 rate application) this account was closed
13 effective January 1, 2012.

14
15 **OTHER DEFERRAL ACCOUNTS**

16 There is no balance in the Deferred Customer Rebates/Charges Deferral Account (179-26) at
17 December 31, 2011. As approved in EB-2011-0025, this account was closed effective January 1,
18 2012.

19
20 Union proposes to allocate the balance in the Lost Revenue Adjustment Mechanism Deferral

1 Account (179-75) to rate classes in proportion to the margin reduction attributable to demand side
2 management activities appearing at Exhibit A, Tab 1, Schedule 2, Page 1 of 3.

3
4 There is no balance in the Unbundled Services Unauthorized Storage Overrun Deferral Account
5 (179-103) at December 31, 2011.

6
7 Union proposes to allocate the balance in the Demand Side Management (“DSM”) Variance
8 Account (179-111) to rate classes in proportion to the actual DSM spending by rate class in 2011.
9 This allocation is the same as that used and approved by the Board in past deferral dispositions.

10
11 There is no balance in the Gas Distribution Access Rule (“GDAR”) Costs Deferral Account (179-
12 112) at December 31, 2011.

13
14 Union proposes to allocate the balance in the Late Payment Penalty Litigation Deferral Account
15 (179-113) to rate classes in proportion to the allocation of the 2007 late payment revenue.

16
17 Union proposes to allocate the balance in the Shared Savings Mechanism (“SSM”) Variance
18 Account (179-115) to rate classes in proportion to the net TRC benefits attributable to the
19 respective rate classes appearing at Exhibit A, Tab 1, Schedule 4. This is consistent with the
20 Board-approved Settlement Agreement (Exhibit K1.1, Tab 1 which is the agreement between
21 Union and most of the intervenors) in EB-2006-0021, the Board's Generic DSM Proceeding and

1 past deferral disposition proceedings.

2

3 On June 30, 2011, the Board issued its Demand Side Management Guidelines for Natural Gas
4 Utilities (EB-2008-0346). The guidelines state on page 31 that "...incentive amounts paid to the
5 natural gas utilities should be allocated to rate classes in proportion of the amount actually spent on
6 each rate class". Accordingly, beginning in 2012, SSM will be known as DSM Incentive and
7 Union will allocate the balance based on the amount spent on each rate class. For illustrative
8 purposes, Union has provided the allocation of 2011 SSM based on spend by rate class at Exhibit
9 A, Tab 3, Schedule 4.

10

11 There is no balance in the Carbon Dioxide Offset Credits Deferral Account (179-117) at December
12 31, 2011.

13

14 Union proposes to allocate the balance in the Average Use Per Customer Account (179-118) to
15 General Service rate classes in proportion to the margin variances by rate class resulting from the
16 difference between the actual rate of decline in use-per-customer and the forecast rate of decline
17 included in approved rates by rate class.

18

19 Union proposes to allocate the balance in the IFRS Conversion Costs Account (179-120) to rate
20 classes in proportion to 2007 Board-approved EB-2005-0520 Administrative & General O&M
21 Expense (per Exhibit G3, Tab 2, Schedule 2, updated for the EB-2005-0520 Board Decision).

As indicated at Exhibit A, Tab 1, there is no balance in the Cumulative Under-Recovery - St. Clair Transmission Line Deferral Account (179-121) and the Impact of Removing St. Clair Transmission Line from Rates Deferral Account (179-122) at December 31, 2011.

Union proposes to allocate the balance in the Conservation Demand Management ("CDM") Deferral Account (179-123) to rate classes in proportion to the DSM amounts by rate class in approved 2011 rates.

Union proposes to allocate the balances in the Harmonized Sales Tax Deferral Account (179-124) by component using 2007 Board-Approved allocators as follows:

- i) Capital savings using rate base (EB-2005-0520, Exhibit G3, Tab 2, Schedule 2, Rate Base, Updated for EB-2005-0520 Board Decision);
- ii) Operations & Maintenance savings using O&M expenses excluding cost of gas (EB-2005-0520, Exhibit G3, Tab 2, Schedule 2, Rate Base, Updated for EB-2005-0520 Board Decision);
- iii) Compressor fuel costs using the allocation of Compressor Fuel less Customer Supplied Fuel (EB-2005-0520, Decision Cost Study, Operating Expenses, C. Underground Storage & D. Transmission, Compressor Fuel, pages 13-16).

MARKET TRANSFORMATION INCENTIVE

Union proposes to allocate the market transformation incentive to the M1 and Rate 01 rate classes.

As indicated at Exhibit A, Tab 1, the market transformation incentive relates to the drain water heat recovery program directed at general service residential customers during 2011.

INCREMENTAL LOW-INCOME INCENTIVE

Union proposes to allocate the incremental Low-income incentive, described at Exhibit A, Tab 1, Page 19, to the M1 and Rate 01 rate classes based on the 2011 net volume savings. As indicated at Exhibit A, Tab 1, the incremental Low-income incentive relates to the home weatherization program.

2011 EARNINGS SHARING

Union is proposing to allocate the 2011 earnings sharing of \$16.652 million to all rate classes based on the allocation of the 2007 Board-approved return on equity.¹ The allocation of 2007 Board-approved return on equity underpins 2011 approved rates. The allocation of 2011 earnings sharing appears at Tab 3, Schedule 1, Page 2. Union's proposal to use the allocation of return on equity approved for 2007 to allocate earnings sharing related to 2011 is consistent with how Union allocated the 2010 earnings sharing.

2012 DSM SETTLEMENT RATE IMPACTS PER EB-2011-0327

¹ Using return on equity ("ROE") as the allocator has the same effect as using rate base. ROE is allocated to rate classes in proportion to rate base.

1 In the Settlement Agreement that forms part of the EB-2011-0327 decision dated February 21,
2 2012, parties agreed that:

3 “Disposition of the difference between the DSM budgets included in 2012 rates
4 through the EB-2011-0025 Settlement Agreement approved by the Board and the
5 revised settled DSM budgets included in this Settlement Agreement (the “DSM
6 Settlement Rate Impacts”) will be determined in conjunction with Union’s upcoming
7 application to clear 2011 DSM related and other variances. Parties will be free to argue
8 in that upcoming application the appropriate mechanism for disposition of the DSM
9 Settlement Rate Impacts.”
10

11 The 2012 DSM Settlement rate impact variances by rate class are identified at Exhibit A, Tab
12 3, Schedule 5, column (c). These variances represent the difference between the 2012 DSM
13 budgets included in current approved rates and the revised 2012 DSM budgets approved in
14 EB-2011-0327. Union proposes to dispose of the variances by rate class as part of the 2011
15 Deferral disposition. This approach ensures the timely true-up of 2012 DSM budgets within
16 2012.
17

18 **DISPOSITION OF 2011 DEFERRAL ACCOUNT BALANCES, MARKET TRANSFORMATION INCENTIVE,**
19 **2011 INCREMENTAL LOW-INCOME INCENTIVE, 2011 EARNINGS SHARING AND 2012 DSM**
20 **SETTLEMENT RATE IMPACT AMOUNTS**

21 For general service M1, M2, Rate 01 and Rate 10 customers Union proposes to dispose of 2011
22 deferral account balances, market transformation incentive, 2011 incremental Low-income
23 incentive, 2011 earnings sharing and 2012 DSM Settlement rate impact amounts prospectively,
24 over the October 1, 2012 to March 31, 2013 time period. The prospective refund / recovery

1 approach over six months proposed for M1, M2, Rate 01 and Rate 10 customers is consistent with
2 how Union refunded / recovered 2010 deferral account and earnings sharing balances in EB-2011-
3 0038.

4
5 For in-franchise contract and ex-franchise rate classes, Union is proposing to dispose of net 2011
6 delivery-related deferral account, 2011 earnings sharing and 2012 DSM Settlement rate impact
7 amounts as a one-time adjustment with October 2012 bills customers receive in November 2012.
8 This approach is consistent with the methodology used for the disposition of 2010 deferral account
9 and earnings sharing balances in EB-2011-0038.

10
11 **GENERAL SERVICE BILL IMPACTS**

12 General Service customer impacts are presented at Tab 3, Schedule 3. For a residential
13 customer in Union South with annual consumption of 2,600 m³, the credit for the period
14 October 1, 2012 to March 31, 2013 is \$2.58. This \$2.58 credit consists of a delivery-related
15 credit of \$2.44 (line 9, column (c)) and a commodity-related credit of \$0.14 (line 10, column
16 (c)).

17
18 For a residential customer in Union North with annual consumption of 2,600 m³, the credit for
19 the period October 1, 2012 to March 31, 2013 is \$20.83. This \$20.83 credit consists of a
20 delivery-related credit of \$8.35 (line 1, column (c)) and a gas transportation-related credit of
21 \$12.48 (line 3, column (c)).

UNION GAS LIMITED
Allocation of 2011 Deferral Account Balances, Market Transformation Incentive, Incremental Low-income Incentive,
2011 Earnings Sharing, and 2012 DSM Settlement Rate Impact Amounts to Rate Classes

Line No.	Particulars	Acct No.	Northern and Eastern Operations Area						Southern Operations Area											Total (1) (\$000's)		
			Rate 01 (\$000's)	Rate 10 (\$000's)	Rate 20 (\$000's)	Rate 77 (\$000's)	Rate 100 (\$000's)	Rate 25 (\$000's)	M1 (\$000's)	M2 (\$000's)	M4 (\$000's)	M5A (\$000's)	M7 (\$000's)	M9 (\$000's)	M10 (\$000's)	T1 (\$000's)	T3 (\$000's)	M12 (\$000's)	M13 (\$000's)		C1 (\$000's)	M16 (\$000's)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)
<u>Gas Supply Related Deferrals:</u>																						
1	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(4,221)	(1,351)	(163)	-	-	-	(125)	(20)	(1)	(1)	-	-	(0)	-	-	-	-	-	-	(5,882)
<u>Storage Related Deferrals:</u>																						
2	Short-Term Storage and Other Balancing Services	179-70	541	173	21	-	28	-	1,476	483	166	12	117	12	1	975	141	-	-	-	-	4,145
3	Long-Term Peak Storage Services	179-72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Total Gas Supply & Storage Related Deferrals		(3,680)	(1,178)	(142)	-	28	-	1,351	462	166	11	117	12	1	975	141	-	-	-	-	(1,737)
<u>Delivery Related Deferrals:</u>																						
5	Deferred Customer Rebates/Charges	179-26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Lost Revenue Adjustment Mechanism	179-75	253	121	33	-	85	-	573	510	98	224	43	-	-	70	-	-	-	-	-	2,009
7	Unbundled Services Unauthorized Storage Overrun	179-103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	Demand Side Management Variance Account (3)	179-111	299	(1,106)	(735)	-	(1,278)	-	2,494	146	(1,403)	2,104	(320)	-	-	2,880	-	-	-	-	-	3,081
9	Gas Distribution Access Rule (GDAR) Costs	179-112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Late Payment Penalty Litigation	179-113	419	4	0	0	0	0	1,388	10	0	0	0	0	0	0	0	-	-	-	-	1,822
11	Shared Savings Mechanism	179-115	241	103	321	-	852	-	855	506	550	1,012	669	-	-	4,556	-	-	-	-	-	9,664
12	Carbon Dioxide Offset Credits	179-117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Average Use Per Customer	179-118	(1,280)	(2,847)	-	-	-	-	(705)	(273)	-	-	-	-	-	-	-	-	-	-	-	(5,105)
14	IFRS Conversion Costs	179-120	59	6	4	0	6	1	176	17	7	3	3	0	0	18	2	24	0	7	0	335
15	Cumulative Under-recovery - St. Clair Transmission Line	179-121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Impact of Removing St. Clair Transmission Line from Rates	179-122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	Conservation Demand Management	179-123	(21)	(18)	(13)	-	(20)	-	(68)	(28)	(23)	-	(9)	-	-	(14)	-	-	-	-	-	(215)
18	Harmonized Sales Tax	179-124	(89)	(10)	(11)	(0)	18	(5)	(332)	17	2	7	2	1	(0)	(55)	(6)	(170)	(0)	(33)	1	(664)
19	Total Delivery-Related Deferrals		(119)	(3,746)	(400)	(0)	(339)	(4)	4,381	903	(768)	3,350	389	1	(0)	7,454	(4)	(147)	(0)	(26)	1	10,927
20	Total 2011 Deferral Account Disposition (Line 4 + Line 19)		(3,799)	(4,924)	(542)	(0)	(310)	(4)	5,731	1,365	(603)	3,361	506	13	1	8,430	136	(147)	(0)	(26)	1	9,190
<u>Other Items:</u>																						
21	2011 Market Transformation Incentive		71	-	-	-	-	-	429	-	-	-	-	-	-	-	-	-	-	-	-	500
22	2011 Incremental Low-income Incentive		79	-	-	-	-	-	465	-	-	-	-	-	-	-	-	-	-	-	-	544
23	Total 2011 Deferrals plus Other Items (Line 20 + Line 21 + Line 22)		(3,649)	(4,924)	(542)	(0)	(310)	(4)	6,625	1,365	(603)	3,361	506	13	1	8,430	136	(147)	(0)	(26)	1	10,234
24	2011 Earnings Sharing (2)		(2,859)	(528)	(274)	(0)	(362)	(123)	(6,684)	(1,016)	(271)	(166)	(168)	(14)	(1)	(824)	(99)	(3,245)	(3)	(12)	(4)	(16,652)
25	Total (Line 23 + Line 24)		(6,508)	(5,452)	(816)	-	(672)	(126)	(58)	349	(874)	3,195	338	(1)	(0)	7,606	37	(3,392)	(3)	(38)	(2)	(6,418)
26	2012 DSM Settlement Rate Impacts (4)		(537)	(118)	(14)	-	303	-	(2,834)	224	216	1,195	236	-	-	1,330	-	-	-	-	-	0
27	Grand Total (Line 25 + Line 26)		(7,045)	(5,571)	(830)	-	(370)	(126)	(2,892)	574	(658)	4,390	574	(1)	(0)	8,936	37	(3,392)	(3)	(38)	(2)	(6,418)

Notes:
(1) EB-2012-0087, Exhibit A, Tab 1, Schedule 1.
(2) EB-2012-0087, Exhibit A, Tab 3, Schedule 1, page 2.
(3) EB-2012-0087, Exhibit A, Tab 1, Schedule 3, Column (c).
(4) EB-2012-0087, Exhibit A, Tab 3, Schedule 5, Column (c).

UNION GAS LIMITED
General Service Unit Rates for Prospective Recovery/(Refund) - Delivery
2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing Mechanism (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	Forecast Volume (10 ³ m ³) (1) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	Small Volume General Service	01	422	71	79	(2,859)	(537)	(2,825)	692,752	(0.4077)
2	Large Volume General Service	10	(3,573)	-	-	(528)	(118)	(4,220)	237,256	(1.7785)
3	Small Volume General Service	M1	5,857	429	465	(6,684)	(2,834)	(2,767)	2,251,574	(0.1229)
4	Large Volume General Service	M2	1,386	-	-	(1,016)	224	594	756,509	0.0785

Notes:

(1) Forecast volume for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED

General Service Unit Rates for Prospective Recovery/(Refund) - Gas Supply Transportation

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing Mechanism (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	Forecast Volume (10 ³ m ³) (1) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	Small Volume General Service	01	(4,221)	-	-	-	-	(4,221)	692,752	(0.6093)
2	Large Volume General Service	10	(1,351)	-	-	-	-	(1,351)	236,801	(0.5705)

Notes:

(1) Forecast volume for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED

Unit Rates for Prospective Recovery/(Refund) - Gas Supply Commodity

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing Mechanism (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	Forecast Volume (10 ³ m ³) (1) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	North Sales Service	-	-	-	-	-	-	626,508	-
2	South Sales Service	(147)	-	-	-	-	(147)	2,043,985	(0.0072)

Notes:

(1) Forecast volume for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED

Contract Unit Rates for One-Time Adjustment - Delivery

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	2011 Actual Volume (10 ³ m ³) (g)	Unit Rate (cents/m ³) (h) = (f/g)*100
<u>Northern and Eastern Operations Area:</u>										
1	Medium Volume Firm Service (1)	20	(94)	-	-	(48)	(3)	(145)	111,535	(0.1300)
2	Medium Volume Firm Service (2)	20T	(329)	-	-	(225)	(12)	(566)	520,888	(0.1087)
3	Large Volume High Load Factor (2)	100T	(315)	-	-	(362)	303	(374)	1,892,682	(0.0198)
4	Wholesale Service	77	(0)	-	-	(0)	-	(1)	-	
5	Large Volume Interruptible	25	(4)	-	-	(123)	-	(126)	157,090	(0.0805)
<u>Southern Operations Area:</u>										
6	Firm Com/Ind Contract	M4	(602)	-	-	(271)	216	(657)	442,313	(0.1485)
7	Interruptible Com/Ind Contract	M5	3,361	-	-	(166)	1,195	4,390	510,499	0.8599
8	Special Large Volume Contract	M7	506	-	-	(168)	236	574	257,391	0.2230
9	Large Wholesale	M9	13	-	-	(14)	-	(1)	60,100	(0.0023)
10	Small Wholesale	M10	1	-	-	(1)	-	(0)	192	(0.0592)
11	Contract Carriage Service	T1	8,430	-	-	(824)	1,330	8,936	4,541,959	0.1967
12	Contract Carriage- Wholesale	T3	136	-	-	(99)	-	37	264,032	0.0140

Notes:

- (1) Sales and Bundled-T customers only.
(2) T-service customers only.

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Contract Unit Rates for One-Time Adjustment - Gas Supply Transportation and Bundled Storage

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	Billing Units	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	2011 Actual Volume/Demand (g)	Unit Volumetric/Demand Rate (h) = (f/g)*100
	<u>Gas Supply Transportation (cents/m³)</u>										
1	Medium Volume Firm Service	20	10 ³ m ³	(163)	-	-	-	-	(163)	6,055	(2.6912)
	<u>Storage (\$/GJ)</u>										
2	Bundled-T Storage Service	20T/100T	GJ	49	-	-	-	-	49	155,904	0.315

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Storage and Transportation Service Amounts for Disposition

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars (\$000's) (1)	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)
1	Storage and Transportation	M12	(147)	-	-	(3,245)	-	(3,392)
2	Local Production	M13	(0)	-	-	(3)	-	(3)
3	Short-Term Cross Franchise	C1	(26)	-	-	(12)	-	(38)
4	Storage Transportation Service	M16	1	-	-	(4)	-	(2)

Notes:

(1) Exfranchise M12, M13, M16 and C1 customer specific amounts determined using approved deferral account allocation methodologies.

UNION GAS LIMITED
General Service Bill Impacts

Line No.	Particulars	Rate Component	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (1) (a)	Volume (m ³) (2) (b)	Bill Impact (\$) (c) = (a x b) / 100	
1	Rate 01	Delivery	(0.4077)	2,048	(8.35)	
2		Commodity	-	2,048	-	
3		Transportation	(0.6093)	2,048	(12.48)	
4			<u>(1.0170)</u>		<u>(20.83)</u>	
5	Rate 10	Delivery	(1.7785)	66,961	(1,190.89)	
6		Commodity	-	66,961	-	
7		Transportation	(0.5705)	66,961	(382.01)	
8			<u>(2.3490)</u>		<u>(1,572.90)</u>	
9	Rate M1	Delivery	(0.1229)	1,984	(2.44)	
10		Commodity	(0.0072)	1,984	(0.14)	
11			<u>(0.1301)</u>		<u>(2.58)</u>	
12	Rate M2	Delivery	0.0785	55,772	43.78	
13		Commodity	(0.0072)	55,772	(4.02)	
14			<u>0.0713</u>		<u>39.77</u>	

Notes:

(1) EB-2012-0087 Exhibit A, Tab 3, Schedule 2, Pages 1-3.

(2) Average consumption, per customer, for the period October 1, 2012 to March 31, 2013.