

November 26, 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 – Response to Decision and Order on Preliminary Issue

On April 13, 2012, Union Gas Limited (“Union”) filed an application for its 2011 Earnings Sharing & Disposition of Deferral Accounts and Other Balances. The Board assigned file number EB-2012-0087 to the Application.

In Procedural Order No. 3, dated August 15, 2012, the Board determined that it would address the issue of Union’s treatment of upstream transportation revenues in 2011 as a distinct issue in this proceeding. The Board decided that it would hear this single issue as a Preliminary Issue in this proceeding and would issue a decision on it prior to holding a Settlement Conference.

The Board issued its Decision and Order on Preliminary Issue on November 19, 2012 ordering Union to file the following information by November 26, 2012:

- 1) Confirmation of the amount of FT-RAM net revenue that shall flow to ratepayers as a gas cost reduction (minus a 10% incentive to Union);
 - 2) To inform the Board which gas supply related deferral account(s) will record FT-RAM net revenue and to file a draft accounting order;
 - 3) To inform the Board as to how the FT-RAM optimization net revenues will be allocated to customers;
 - 4) An updated earnings sharing calculation.
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- 1) Confirmation of the Amount of FT-RAM Net Revenue that Shall Flow to Ratepayers as a Gas Cost Reduction (Minus a 10% Incentive to Union)

The FT-RAM net revenue cited in the Board’s EB-2012-0087 Decision and Order on the Preliminary Issue of \$22.0 million, less the 10% incentive to Union, is not the amount that should flow to ratepayers as a cost of gas reduction.

As indicated by Union at the EB-2012-0087 Technical Conference, to generate the net FT-RAM revenue of \$22.0 million, Union incurred approximately \$2.2 million of O&M costs which must be deducted before attributing the revenue to gas costs. (Technical Conference Transcript, August 21, 2012, p.30). The costs referenced during the Technical Conference were for compressor fuel and unaccounted for gas (“UFG”) incurred by Union on its system as part of facilitating the exchange.

The compressor fuel and UFG amount of \$2.2 million was derived from Exhibit J6.1 and Exhibit J6.2 from EB-2011-0210. Line 2, column (b) of Exhibit J6.2 provides the compressor and UFG costs related to all exchange activity (FT-RAM and “base” exchanges) for 2011. Line 2, column (b) of Exhibit J6.1 provides compressor fuel and UFG associated with “base” exchanges only. The difference in costs in Exhibit J6.1, line 2, column (b) of \$7.792 million and Exhibit J6.2, line 2, column (b) of \$9.965 million equals \$2.173 million which reflects the variable compressor and UFG costs attributable to exchanges supported by FT-RAM.

As part of responding to the Board’s request to confirm the amount of FT-RAM revenue that will flow to ratepayers as a cost of gas reduction, Union determined that the compressor and UFG costs in Exhibit J6.1 were understated by approximately \$1.225 million. As a result the compressor fuel and UFG attributable to FT-RAM exchanges is \$0.948 million. Accordingly, the amount of FT-RAM net revenue that shall flow to ratepayers is \$18.947 million. This is 90% of FT-RAM revenue net of third party costs, compressor fuel and UFG (\$22.0 million - \$0.948 million) X 90%). The calculation of FT-RAM net revenue is provided at Appendix A. The derivation of the compressor fuel and UFG deduction is provided at Appendix B. An updated Tab 1, Schedule 1 (Deferral Account Balances and Market Transformation Incentive and Incremental Low-income Incentive) is provided at Appendix C.

2) To Inform the Board which Gas Supply Related Deferral Account(s) will Record FT-RAM Net Revenue and to File a Draft Accounting Order

Union is proposing to establish a new gas supply deferral account, the Upstream Transportation FT-RAM Optimization deferral account (No. 179-130), to record all FT-RAM revenue for Union North and Union South.

Union is proposing a separate deferral account to track net FT-RAM revenue rather than include these revenues in existing gas supply deferral accounts because:

1. It is consistent with the Board’s 2013 Cost of Service application (EB-2011-0210) Decision and Order. Union will be proposing a separate deferral account to track net revenues related to all upstream optimization activity as part of the EB-2011-0210 draft Rate Order;
2. The existing gas supply deferral accounts capture cost variances. They do not capture revenues; and
3. Through the QRAM process, final orders have already been issued in respect of Union’s 2011 gas supply deferral account balances.

The FT-RAM revenues will be disposed of to South sales service customers and North sales service and bundled direct purchase customers as part of the annual disposition of Union's deferral accounts.

The draft accounting order is provided at Appendix D.

3) Allocation of FT-RAM Optimization Net Revenues

Union proposes to allocate FT-RAM net revenues between Union North and Union South based on the upstream transportation contracts used to serve each delivery area. FT-RAM net revenues generated using upstream transportation long-haul contracts and STS contracts designed to serve Union North (with delivery points of SSMDA, WDA, NDA, NCDA and EDA) have been allocated to Union North. FT-RAM net revenues generated using upstream transportation long-haul contracts designed to serve Union South (the CDA delivery point) have been allocated to Union South. Specifically, with respect to capacity assignments, the revenue from each capacity assignment was attributed to either the North or South based on the delivery point. With respect to FT-RAM optimization, the total revenue earned from all optimization was allocated based on the quantity of transportation capacity optimized, either North or South.

The allocation of FT-RAM between Union North and Union South is provided at Appendix E.

Union proposes that the portion of the balance in the Upstream Transportation FT-RAM Optimization deferral account (No. 179-130) related to Union North be allocated to rate classes in proportion to the allocation of 2007 Board-approved TCPL FT transportation demand costs. This approach ensures that the gas supply optimization margin is allocated to North rate classes consistent with the manner in which FT transportation demand costs are recovered in approved gas supply transportation rates (i.e. North sales service and bundled direct purchase customers).

The portion of the balance in the Upstream Transportation FT-RAM Optimization (No. 179-130) related to Union South is applicable to sales service customers only. Accordingly, Union proposes to allocate the portion of the balance related to Union South to sales service customers based on sales service volumes. This approach is consistent with the manner in which Union allocates the Unabsorbed Demand Cost ("UDC") Variance Account balance applicable to Union South to sales service customers.

Union has provided the 2011 allocation of the Upstream Transportation FT-RAM Optimization deferral account (No. 179-130) at Appendix F.

4) Updated Earnings Sharing Calculation

An updated earnings sharing calculation which removes the gas supply related upstream transportation FT-RAM net revenues and recalculates the amount to be shared with ratepayers is provided at Appendix G.

Storage and transportation revenue has been reduced by \$22.000 million for FT-RAM revenue less third party costs. Cost of gas has been reduced by \$0.948 million for compressor fuel and UFG. When grossed up for income taxes, the amount of earnings sharing for 2011 is \$2.456 million.

Union has also provided updated allocation schedules (all tab 3 schedules) including the allocation of earnings sharing to rate classes at Appendix F.

If you have any questions please contact me at (519) 436-5473.

Yours truly,

[Original Signed by]

Karen Hockin
Manager, Regulatory Initiatives

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

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APPENDIX A

UNION GAS LIMITED
2011 Net FT-RAM Revenue

Line No.	Particulars (\$000s)		
1	FT-RAM Revenue (net of third party costs)	22,000	(1)
2	Less Compressor Fuel and UFG related to FT-RAM		(2)
		<u>948</u>	
3	Net FT-RAM Revenue	21,052	(3)
4	Less 10% Union Incentive Payment	<u>2,105</u>	(4)
5	Ratepayer Portion	<u><u>18,947</u></u>	(5)

Notes

- (1) EB-2011-0210, Exhibit J.C-4-7-9, Attachment 2, Line 5.
- (2) Appendix B.
- (3) Line 1 - Line 2.
- (4) Line 3 * 10%.
- (5) Line 3 - Line 4.

APPENDIX B

Union Gas Limited
Summary of Compressor Fuel and UFG Costs Related to FT-RAM Optimization
For the Year Ended December 31, 2011

Line No.	Particulars	Jan (a)	Feb (b)	Mar (c)	Apr (d)	May (e)	Jun (f)	Jul (g)	Aug (h)	Sep (i)	Oct (j)	Nov (k)	Dec (l)	Total (m)
	<u>FT-RAM Exchange Volumes (GJ's)</u>													
	Paths With FT-RAM Related Compressor Fuel and UFG:													
1	Dawn to TCPL Iroquois (Waddington)	79,131	106,782	591,655	438,709	87,464	416,310	522,009	86,274	10,973	147,288	1,026,772	1,310,541	4,823,908
2	Dawn to TCPL Niagara	2,624,186	1,296,184	167,436	-	-	132,862	81,134	-	-	9,648	85,458	33,235	4,430,143
3	Dawn to Enbridge CDA	644,360	674,944	880,782	-	-	-	-	-	-	-	896,254	802,400	3,898,740
4	Dawn to Enbridge EDA	-	-	216,909	583,995	455,297	10,000	-	-	-	-	18,037	1,676	1,285,914
5	Dawn to East Hereford	-	-	-	-	96,917	49,236	332,760	9,073	11,306	-	31,652	-	530,944
6	Dawn to Chippawa	98,187	58,025	-	-	-	6,169	-	-	-	-	-	-	162,381
7	Dawn to Napierville	-	-	-	-	-	-	-	-	-	-	65	11,513	11,578
8	Dawn to TCPL Cornwall	-	-	7,914	-	-	-	-	-	-	-	-	-	7,914
9	Dawn to KPUC EDA	-	-	-	750	-	-	-	-	-	-	-	-	750
10	Total Volume Subject to Compressor Fuel and UFG	3,445,864	2,135,935	1,864,696	1,023,454	639,678	614,577	935,903	95,347	22,279	156,936	2,058,238	2,159,365	15,152,272
	Total Volume Subject to UFG Only:													
11	Parkway to Enbridge CDA	539,507	480,206	630,550	-	-	-	-	-	-	-	-	-	1,650,263
	Dawn to Parkway Actual Fuel Rates:													
12	Compressor Fuel	0.935%	1.041%	0.805%	0.548%	0.479%	0.508%	0.575%	0.346%	0.554%	0.641%	0.538%	0.729%	
13	UFG	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	0.328%	
	Compressor Fuel and UFG For FT-RAM Exchanges:													
14	Compressor Fuel (Line 10 x Line 12)	32,209	22,236	15,007	5,607	3,066	3,124	5,380	330	123	1,005	11,083	15,737	114,907
15	UFG ((Line 10 + Line 11) x Line 13)	13,072	8,581	8,184	3,357	2,098	2,016	3,070	313	73	515	6,751	7,083	55,112
16	Total Fuel Volumes	45,281	30,817	23,192	8,964	5,164	5,139	8,449	643	197	1,520	17,834	22,820	170,019
17	Approved WACOG (\$/GJ)	5.370	5.370	5.370	5.890	5.890	5.890	6.114	6.114	6.114	5.808	5.808	5.808	
18	Total Fuel Costs (\$) (Line 16 x Line 17)	243,157	165,487	124,539	52,795	30,416	30,271	51,659	3,930	1,202	8,829	103,582	132,536	948,405

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 (\$000s)	(1)
<u>Gas Supply Accounts:</u>				
1	179-108	Unabsorbed Demand Costs (UDC) Variance Account	(5,882)	(2)
2	179-130	Upstream Transportation FT-RAM Optimization	(18,947)	(4)
3	Total Gas Supply Accounts (Lines 1 + 2)		(24,829)	
<u>Storage Accounts:</u>				
4	179-70	Short-Term Storage and Other Balancing Services	4,145	(3)
5	179-72	Long-Term Peak Storage Services	-	
6	Total Storage Accounts (Lines 4 + 5)		4,145	
<u>Other:</u>				
7	179-26	Deferred Customer Rebates/Charges	-	
8	179-75	Lost Revenue Adjustment Mechanism	2,009	
9	179-103	Unbundled Services Unauthorized Storage Overrun	-	
10	179-111	Demand Side Management Variance Account	3,081	
11	179-112	Gas Distribution Access Rule (GDAR) Costs	-	
12	179-113	Late Payment Penalty Litigation	1,822	
13	179-115	Shared Savings Mechanism	9,664	
14	179-117	Carbon Dioxide Offset Credits	-	
15	179-118	Average Use Per Customer	(5,105)	
16	179-120	IFRS Conversion Cost	335	
17	179-121	Cumulative Under-recovery – St. Clair Transmission Line	-	
18	179-122	Impact of Removing St. Clair Transmission Line from Rates	-	
19	179-123	Conservation Demand Management	(215)	
20	179-124	Harmonized Sales Tax	(664)	
21	Total Other Accounts (Lines 7 through 20)		10,927	
22	Total Deferral Account Balances (Lines 3 + 6 + 21)		(9,757)	
23	Market Transformation Incentive		500	
24	Incremental Low-income Program		544	
25	Total Deferral Account Balances and Market Transformation and Low-Income Incentives (Lines 22 + 23 + 24)		(8,713)	

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) and FT-RAM (No. 179-130), 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.
- (4) Deferral account ordered per the Board decision in EB-2012-0087 to accumulate the ratepayer portion of net revenues related to upstream transportation FT-RAM optimization.

UNION GAS LIMITED

**Accounting Entries for
Upstream Transportation FT-RAM Optimization
Deferral Account No. 179-130**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 579 Miscellaneous Operating Revenue
Credit	-	Account No. 179-130 Other Deferred Charges – Upstream Transportation FT-RAM Optimization

To record as a credit in Deferral Account No. 179-130 the ratepayer portion of net revenues related to FT-RAM optimization as ordered by the Board in EB-2012-0087. Net revenue is defined as FT-RAM optimization revenue less related third party and fuel costs to provide FT-RAM optimization transportation services.

Debit	-	Account No. 323 Other Interest Expense
Credit	-	Account No. 179-130 Other Deferred Charges – Upstream Transportation FT-RAM Optimization

To record, as a credit in Deferral Account No. 179-130, interest on the balance in Deferral Account No. 179-130. Simple interest will be computed monthly upon finalization of the year- end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

APPENDIX E

UNION GAS LIMITED
Allocation of Net FT-RAM Revenue to Union North and Union South

Line No.	Particulars (\$Millions)	Union South	Union North					Total (g)
		CDA (a)	NCDA (b)	SSMDA (c)	EDA (d)	NDA (e)	Union North (f)	
1	Capacity Assignments	9.3	0.8	0.0	2.9	1.5	5.1	14.4
2	FT-RAM Optimization	2.5	0.8	2.2	4.0	0.0	7.1	9.6
3	Other	0.1	(0.2)	(0.7)	(1.5)	0.3	(2.1)	(2.0)
4	FT-RAM Revenue (net of third party costs)	11.9	1.4	1.4	5.4	1.8	10.1	22.0
5	Compressor Fuel and UFG Costs	(0.5)	(0.1)	(0.1)	(0.2)	(0.1)	(0.4)	(0.9)
6	Net FT-RAM Revenue	<u>11.4</u>	<u>1.4</u>	<u>1.4</u>	<u>5.2</u>	<u>1.7</u>	<u>9.6</u>	<u>21.0</u>
7	Less 10% Union Incentive Payment							<u>2.1</u>
8	Ratepayer Portion							<u>18.9</u>

APPENDIX F

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)
<u>Gas Supply Related Deferrals:</u>																						
1	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(4,221)	(1,351)	(163)	-	-	-	(123)	(22)	(1)	(1)	-	-	(0)	-	-	-	-	-	-	(5,882)
2	Upstream Transportation FT-RAM Optimization (5)	179-130	(5,409)	(2,200)	(925)	-	-	(164)	(8,573)	(1,510)	(96)	(68)	-	-	(0)	-	-	-	-	-	-	(18,947)
3	Total Gas Supply Related Deferrals		(9,630)	(3,551)	(1,088)	-	-	(164)	(8,696)	(1,531)	(97)	(69)	-	-	(0)	-	-	-	-	-	-	(24,828)
<u>Storage Related Deferrals:</u>																						
4	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
5	Long-Term Peak Storage Services	179-72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Storage Related Deferrals		541	173	21	-	28	-	1,476	483	166	12	117	12	1	975	141	-	-	-	-	4,145
<u>Delivery Related Deferrals:</u>																						
7	Deferred Customer Rebates/Charges	179-26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Lost Revenue Adjustment Mechanism	179-75	253	121	33	-	85	-	573	510	98	224	43	-	-	70	-	-	-	-	-	2,009
9	Unbundled Services Unauthorized Storage Overrun	179-103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	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
11	Gas Distribution Access Rule (GDAR) Costs	179-112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Late Payment Penalty Litigation	179-113	419	4	0	0	0	0	1,388	10	0	0	0	0	0	0	0	-	-	-	-	1,822
13	Shared Savings Mechanism	179-115	241	103	321	-	852	-	855	506	550	1,012	669	-	-	4,556	-	-	-	-	-	9,664
14	Carbon Dioxide Offset Credits	179-117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Average Use Per Customer	179-118	(1,280)	(2,847)	-	-	-	-	(705)	(273)	-	-	-	-	-	-	-	-	-	-	-	(5,105)
16	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
17	Cumulative Under-recovery - St. Clair Transmission Line	179-121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Impact of Removing St. Clair Transmission Line from Rates	179-122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Conservation Demand Management	179-123	(21)	(18)	(13)	-	(20)	-	(68)	(28)	(23)	-	(9)	-	-	(14)	-	-	-	-	-	(215)
20	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)
21	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
22	Total 2011 Deferral Account Disposition (Line 3 + Line 6 + Line 21)		(9,208)	(7,124)	(1,467)	(0)	(310)	(168)	(2,840)	(146)	(699)	3,292	506	13	0	8,430	136	(147)	(0)	(26)	1	(9,757)
<u>Other Items:</u>																						
23	2011 Market Transformation Incentive		71	-	-	-	-	-	429	-	-	-	-	-	-	-	-	-	-	-	-	500
24	2011 Incremental Low-income Incentive		79	-	-	-	-	-	465	-	-	-	-	-	-	-	-	-	-	-	-	544
25	Total 2011 Deferrals plus Other Items (Line 22 + Line 23 + Line 24)		(9,058)	(7,124)	(1,467)	(0)	(310)	(168)	(1,946)	(146)	(699)	3,292	506	13	0	8,430	136	(147)	(0)	(26)	1	(8,713)
26	2011 Earnings Sharing (2)		(422)	(78)	(40)	(0)	(53)	(18)	(986)	(150)	(40)	(24)	(25)	(2)	(0)	(122)	(15)	(479)	(0)	(2)	(1)	(2,456)
27	Total (Line 25 + Line 26)		(9,480)	(7,202)	(1,508)	-	(364)	(186)	(2,932)	(295)	(739)	3,268	481	11	0	8,308	122	(625)	(1)	(28)	1	(11,169)
28	2012 DSM Settlement Rate Impacts (4)		(537)	(118)	(14)	-	303	-	(2,834)	224	216	1,195	236	-	-	1,330	-	-	-	-	-	0
29	Grand Total (Line 27 + Line 28)		(10,017)	(7,321)	(1,522)	-	(61)	(186)	(5,766)	(71)	(523)	4,463	717	11	0	9,638	122	(625)	(1)	(28)	1	(11,169)

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).
(5) EB-2012-0087, Exhibit A, Tab 3, Schedule 1, page 3.

UNION GAS LIMITED
Allocation of 2011 Earnings Sharing Amounts to Rate Classes

Line No.	Particulars	Rate Class	C2007 Return on Equity Allocation (1) (\$000's) (a)	2011 Earnings Sharing (\$000's) (b)
<u>Northern & Eastern Operations Area</u>				
1	Small Volume General Firm Service	01	44,549	(422)
2	Large Volume General Firm Service	10	8,234	(78)
3	Medium Volume Firm Service	20	4,263	(40)
4	Large Volume High Load Factor Firm Service	100	5,641	(53)
5	Large Volume Interruptible Service	25	1,913	(18)
6	Wholesale Transportation Service	77	8	(0)
7	Total Northern & Eastern Operations Area		<u>64,608</u>	<u>(612)</u>
<u>Southern Operations Area</u>				
8	Small Volume General Service Rate	M1	104,130	(986)
9	Large Volume General Service Rate	M2	15,828	(150)
10	Firm Industrial and Commercial Contract Rate	M4	4,220	(40)
11	Interruptible Industrial & Commercial Contract Rate	M5A	2,587	(24)
12	Special Large Volume Industrial & Commercial Contract Rate	M7	2,617	(25)
13	Large Wholesale Service Rate	M9	219	(2)
14	Small Wholesale Service Rate	M10	10	(0)
15	S & T Rates for Contract Carriage Customers	T1	12,835	(122)
16	S & T Rates for Contract Carriage Customers	T3	1,546	(15)
<u>Storage and Transportation</u>				
17	Cross Franchise Transportation Rates	C1	186	(2)
18	Storage & Transportation Rates	M12	50,557	(479)
19	Transportation of Locally Produced Gas	M13	39	(0)
20	Storage & Transportation Services - Transportation Charges	M16	55	(1)
21	Total Southern Operations Area		<u>194,830</u>	<u>(1,844)</u>
22	Total		<u>259,438</u>	<u>(2,456)</u> (2)

Notes:

- (1) Allocated costs per 2007 Decision in EB-2005-0520.
(2) EB-2012-0087, Exhibit A, Tab 2, Appendix B, Schedule 1, column (d), line 35.

UNION GAS LIMITED
Allocation of Ratepayer Portion of 2011 Gas Supply Optimization Margin

Line No.	Particulars	Union North FT Demand Allocation Units TRANSALLO (1) (\$000's) (a)	Union North Margin (2) (\$000's) (b)	Forecast Sales Service Volumes (3) (10 ³ m ³) (c)	Union South Margin (4) (\$000's) (d)	Total Margin (\$000's) (e) = (b + d)
	<u>Union North</u>					
1	Rate 01	27,667	(5,409)			(5,409)
2	Rate 10	11,252	(2,200)			(2,200)
3	Rate 20	4,731	(925)			(925)
4	Rate 25	839	(164)			(164)
5	Rate 100	-	-			-
6	Total Union North	<u>44,489</u>	<u>(8,699)</u>			<u>(8,699)</u>
	<u>Union South</u>					
7	Rate M1			508,469	(8,573)	(8,573)
8	Rate M2			89,545	(1,510)	(1,510)
9	Rate M4			5,679	(96)	(96)
10	Rate M5A			4,048	(68)	(68)
11	Rate M7			-	-	-
12	Rate M9			-	-	-
13	Rate M10			11	(0)	(0)
14	Rate T1			-	-	-
15	Rate T3			-	-	-
16	Total Union South			<u>607,752</u>	<u>(10,247)</u>	<u>(10,247)</u>
17	Total Ratepayer Portion of 2011 Gas Supply Optimization Margin (line 6 + line 16)					<u>(18,946)</u>

Notes:

- (1) EB-2005-0520, Exhibit G3, Tab 5, Schedule 25, Page 1, updated for EB-2005-0520 Board Decision.
- (2) Allocated using column (a).
- (3) Forecast Sales Service volumes for the period April 1, 2013 to September 30, 2013.
- (4) Allocated using 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	(422)	(537)	(387)	175,996	(0.2199)
2	Large Volume General Service	10	(3,573)	-	-	(78)	(118)	(3,769)	82,732	(4.5558)
3	Small Volume General Service	M1	5,857	429	465	(986)	(2,834)	2,931	656,466	0.4464
4	Large Volume General Service	M2	1,386	-	-	(150)	224	1,460	208,905	0.6990

Notes:

(1) Forecast volume for the period April 1, 2013 to September 30, 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) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	Small Volume General Service	01	(9,630)	-	-	-	-	(9,630)	175,996 (1)	(5.4719)
2	Large Volume General Service	10	(3,551)	-	-	-	-	(3,551)	82,454 (1)	(4.3071)
3	Small Volume General Service	M1	(8,573)	-	-	-	-	(8,573)	508,469 (2)	(1.6861)
4	Large Volume General Service	M2	(1,510)	-	-	-	-	(1,510)	89,545 (2)	(1.6861)

Notes:

- (1) Forecast volume for the period April 1, 2013 to September 30, 2013.
(2) Forecast sales service volumes for the period April 1, 2013 to September 30, 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	-	-	-	-	-	-	173,028	-
2	South Sales Service	(147)	-	-	-	-	(147)	607,752	(0.0242)

Notes:

(2) Forecast sales service volumes for the period April 1, 2013 to September 30, 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)	-	-	(7)	(3)	(104)	111,535	(0.0931)
2	Medium Volume Firm Service (2)	20T	(329)	-	-	(33)	(12)	(374)	520,888	(0.0719)
3	Large Volume High Load Factor (2)	100T	(315)	-	-	(53)	303	(66)	1,892,682	(0.0035)
4	Wholesale Service	77	(0)	-	-	(0)	-	(0)	-	-
5	Large Volume Interruptible	25	(4)	-	-	(18)	-	(22)	157,090	(0.0138)
<u>Southern Operations Area:</u>										
6	Firm Com/Ind Contract	M4	(602)	-	-	(40)	216	(426)	442,313	(0.0963)
7	Interruptible Com/Ind Contract	M5	3,362	-	-	(24)	1,195	4,532	510,499	0.8877
8	Special Large Volume Contract	M7	506	-	-	(25)	236	717	257,391	0.2786
9	Large Wholesale	M9	13	-	-	(2)	-	11	60,100	0.0176
10	Small Wholesale	M10	1	-	-	(0)	-	0	192	0.2381
11	Contract Carriage Service	T1	8,430	-	-	(122)	1,330	9,638	4,541,959	0.2122
12	Contract Carriage- Wholesale	T3	136	-	-	(15)	-	122	264,032	0.0461

Notes:

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

UNION GAS LIMITED

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)	2011 Market Transformation Incentive (\$000's)	2011 Incremental Low Income Program (\$000's)	2011 Earnings Sharing (\$000's)	2012 DSM Settlement Rate Impacts (\$000's)	Balance for Disposition (\$000's)	2011 Actual Volume/ Demand	Unit Volumetric/ Demand Rate
				(a)	(b)	(c)	(d)	(e)	(f) = (a+b+c+d+e)	(g)	(h) = (f/g)*100
<u>Gas Supply Transportation (cents/m³)</u>											
<u>Northern and Eastern Operations Area:</u>											
1	Medium Volume Firm Service	20	10 ³ m ³ /d	(1,088)	-	-	-	-	(1,088)	6,055	(17.9757)
2	Large Volume Interruptible	25	10 ³ m ³	(164)	-	-	-	-	(164)	157,090	(0.1044)
<u>Southern Operations Area:</u>											
2	Firm Com/Ind Contract	M4	10 ³ m ³	(96)	-	-	-	-	(96)	5,679	(1.6861)
3	Interruptible Com/Ind Contract	M5	10 ³ m ³	(68)	-	-	-	-	(68)	4,048	(1.6861)
4	Small Wholesale	M10	10 ³ m ³	(0)	-	-	-	-	(0)	11	(1.6861)
<u>Storage (\$/GJ)</u>											
5	Bundled-T Storage Service	20T/100T	GJ/d	49	-	-	-	-	49	155,904	0.315

UNION GAS LIMITED

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)	-	-	(479)	-	(625)
2	Local Production	M13	(0)	-	-	(0)	-	(1)
3	Short-Term Cross Franchise	C1	(26)	-	-	(2)	-	(28)
4	Storage Transportation Service	M16	1	-	-	(1)	-	1

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	<u>Rate 01</u>	Delivery	(0.2199)	553	(1.21)	
2		Commodity	-	553	-	
3		Transportation	(5.4719)	553	(30.23)	
4			<u>(5.6918)</u>		<u>(31.44)</u>	
5	Sales Service				(31.44)	
6	Direct Purchase Bundled T				(31.44)	
7	<u>Rate 10</u>	Delivery	(4.5558)	26,039	(1,186.31)	
8		Commodity	-	26,039	-	
9		Transportation	(4.3071)	26,039	(1,121.55)	
10			<u>(8.8629)</u>		<u>(2,307.85)</u>	
11	Sales Service				(2,307.85)	
12	Direct Purchase Bundled T				(2,307.85)	
13	<u>Rate M1</u>	Delivery	0.4464	616	2.75	
14		Commodity	(0.0242)	616	(0.15)	
15		Transportation	(1.6861)	616	(10.39)	
16			<u>(1.2639)</u>		<u>(7.79)</u>	
17	Sales Service				(7.79)	
18	Direct Purchase				2.75	
19	<u>Rate M2</u>	Delivery	0.6990	17,228	120.42	
20		Commodity	(0.0242)	17,228	(4.17)	
21		Transportation	(1.6861)	17,228	(290.48)	
22			<u>(1.0113)</u>		<u>(174.23)</u>	
23	Sales Service				(174.23)	
24	Direct Purchase				120.42	

Notes:

- (1) EB-2012-0087 Exhibit A, Tab 3, Schedule 2, Pages 1-3.
(2) Average consumption, per customer, for the period April 1, 2013 to September 30, 2013.

APPENDIX G

UNION GAS LIMITED
Earnings Sharing Calculation
Year Ended December 31

Line No.	Particulars (\$000s)	2011 (a)	Non-Utility Storage (b)	Adjustments (c)	2011 Utility (d)=(a)-(b)+(c)
Operating Revenues:					
1	Gas Sales and distribution	1,484,768	-	(2,030) i	1,482,738
2	Storage & Transportation	310,109	116,314	(22,190) ii	171,605
3	Other	34,226	-	(11,146) iv	23,080
4		<u>1,829,103</u>	<u>116,314</u>	<u>(35,366)</u>	<u>1,677,423</u>
Operating Expenses:					
5	Cost of gas	755,265	(215)	(1,290) iii	754,190
6	Operating and maintenance expenses	384,773	14,716	(587) v	369,470
7	Depreciation	204,344	8,731	(136) i	195,477
8	Other financing	-	-	343 vi	343
9	Property and capital taxes	62,057	1,358	-	60,699
10		<u>1,406,439</u>	<u>24,590</u>	<u>(1,670)</u>	<u>1,380,179</u>
Other					
11	Gain / (Loss) on sale of assets	6,322	(115)	(6,402) vii	35
12	Other / HTLP	(1,165)	(1,165)	-	-
13	Gain / (Loss) on foreign exchange	701	27	-	674
14		<u>5,858</u>	<u>(1,253)</u>	<u>(6,402)</u>	<u>709</u>
15	Earning Before Interest and Taxes	<u>428,522</u>	<u>90,471</u>	<u>(40,098)</u>	<u>297,953</u>
Financial Expenses:					
16	Long-term debt				142,509
17	Unfunded short-term debt				<u>1,312</u>
18					<u>143,821</u>
19	Utility income before income taxes				<u>154,132</u>
20	Income taxes				<u>25,320</u>
21	Preferred dividend requirements				<u>3,075</u>
22	Utility earnings				<u>125,737</u>
23	Long term storage premium subsidy (after tax)				-
24	Short term storage premium subsidy (after tax)				<u>8,075</u>
25					<u>8,075</u>
26	Earnings subject to sharing				<u>133,812</u>
27	Common equity				1,289,973
28	Return on equity (line 26 / line 27)				10.37%
29	Benchmark return on equity				10.10%
30	50% Earnings sharing % (line 28 - line 29, maximum 1%)				0.27%
31	90% Earnings sharing to ratepayer % (if line 30 = 1% then line 28 - line 29 - line 30)				0.00%
32	50% Earnings sharing \$ (line 27 x line 30 x 50%)				1,762
33	90% Earnings sharing to ratepayer \$ (line 27 x line 31 x 90%)				<u>-</u>
34	Total earnings sharing \$ (line 32 + line 33)				<u>1,762</u>
35	Pre-tax earnings sharing (line 34 / (1 minus tax rate))				\$ <u>2,456</u>

Notes:

- i) Impact of Removing St. Clair Transmission Line from rates
- ii) Impact of Removing St. Clair Transmission Line from rates
Removal of FT-RAM optimization revenue (net of TCPL cost)
- iii) Impact of Removing St. Clair Transmission Line from rates
Fuel costs related to FT-RAM optimization
- iv) Shared Savings Mechanism
Market Transformation Incentive
Low Income Incentive
CDM / HPNC
Cash Distribution from DGLP
- v) Donations
- vi) Customer deposit interest
- vii) Cumulative Under-recovery St. Clair Transmission Line