

UNION GAS LIMITED

Undertaking of Union Gas
To Schools Energy Coalition ("SEC")

Produce the tables excluding everything prior to 2008 and GST.

The GST is a sales tax on consumption that is effective on final sales to consumers. For Union's customers, this means that households receive the full benefit of the recent 1% GST cut for any purchases made after January 1, 2008.

Although the GST cut does not affect core inflation, it does have a negative effect on the CPI (-0.6%) and on the GDPIPIFDD (-0.4%) for 2008.

For businesses, including Union, changes in the GST have little or no impact on their input costs because GST paid on inputs is fully credited. Thus, this aspect of the recent federal tax changes puts significant downward pressure on Union's rates through the operation of the price cap index but Union experiences no corresponding reduction in its costs.

Union's price cap for 2009 will be reduced by the effect of the GST on the GDPIPIFDD for 2008, households will receive a benefit over and above the amount of their 2008 GST reduction and Union's business customers will have a windfall benefit.

It is therefore important that the impact of GST reductions (or increases) on the GDPIPIFDD be taken into account when determining whether Z factor treatment is warranted.

Please see the attached tables from which the GST impacts have been removed, as requested.

Question: April 8, 2008
Answer: April 10, 2008
Docket: EB-2007-0606 / EB-2007-0615

Table 1
Schools Request
Impact of Tax Changes on Union Gas without Anticipatory Effects

Line No.			<u>2008</u> (a)	<u>2009</u> (b)	<u>2010</u> (c)	<u>2011</u> (d)	<u>2012</u> (e)
<u>Tax Change Impact on GDP IPI FDD</u>							
1	2000-2001		-0.02%	-0.02%	-0.02%	-0.01%	0.00%
2	2001-2002		-0.05%	-0.04%	-0.03%	-0.03%	-0.02%
3	2002-2003		-0.01%	0.00%	0.00%	0.00%	0.00%
4	2003-2004		-0.07%	-0.05%	-0.04%	-0.03%	-0.03%
5	2004-2005		-0.02%	-0.02%	-0.01%	-0.01%	-0.01%
6	2005-2006		-0.08%	-0.11%	-0.09%	-0.07%	-0.06%
7	2006-2007		-0.04%	-0.21%	-0.28%	-0.24%	-0.19%
8	2000-2007 Tax Changes		-0.28%	-0.45%	-0.48%	-0.40%	-0.31%
9	2007-2008			-0.02%	-0.10%	-0.13%	-0.11%
10	2008-2009				0.00%	-0.02%	-0.03%
11	2009-2010					-0.01%	-0.03%
12	2010-2011						-0.01%
14	2007-2011 Tax Changes		0.00%	-0.02%	-0.10%	-0.15%	-0.18%
15	Total Tax Change Impact on GDP IPI FDD	L8 + L14	-0.28%	-0.47%	-0.58%	-0.56%	-0.49%
16	Base Revenue Requirement (\$ millions)	Rate Order Working Papers	873.20	873.20	873.20	873.20	873.20
<u>Revenue Requirement Impact Associated with Tax Rate Change</u>							
17	Tax Change Impact (\$ millions)	Exhibit E3.1.1	-8.29	-10.05	-16.75	-21.56	-23.86
18	Cumulative Tax Change Impact (\$ millions)	From L17	-8.29	-18.34	-35.09	-56.65	-80.51
<u>Rate Impact Associated with GDP IPI FDD Change</u>							
2007-2011 Tax Changes:							
19	Price Change Impact (\$ millions)	L14 * L16	0.00	-0.17	-0.89	-1.35	-1.55
20	Annual Rate Impact (\$ millions)	From L19	0.00	-0.17	-1.06	-2.41	-3.96
21	Cumulative Rate Impact (\$ millions)	From L20	0.00	-0.17	-1.24	-3.65	-7.61
22	Cumulative Difference (\$ millions)	L18 - L21	-8.29	-18.17	-33.85	-53.00	-72.90
2000-2011 Tax Changes:							
23	Price Change Impact (\$ millions)	L15 * L16	-2.45	-4.11	-5.10	-4.88	-4.27
24	Annual Rate Impact (\$ millions)	From L23	-2.45	-6.56	-11.66	-16.54	-20.81
25	Cumulative Rate Impact (\$ millions)	From L24	-2.45	-9.01	-20.67	-37.21	-58.02
26	Cumulative Difference (\$ millions)	L18 - L25	-5.84	-9.33	-14.42	-19.44	-22.49

Notes: Distributed lags apply to business taxes. GST impacts appear fully at the time of implementation.
GST impact of 0.2% removed from Line 7, Column (a) and of 0.4% removed from Line 9, Column (b)

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Answer: April 10, 2008

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Table 2
Schools Request
Impact of Tax Changes on Union Gas with Anticipatory Effects

Line No.			<u>2008</u> (a)	<u>2009</u> (b)	<u>2010</u> (c)	<u>2011</u> (d)	<u>2012</u> (e)
	<u>Tax Change Impact on GDP IPI FDD</u>						
1	2000-2001		-0.02%	0.00%	0.00%	0.00%	0.00%
2	2001-2002		-0.06%	-0.05%	0.00%	0.00%	0.00%
3	2002-2003		-0.01%	-0.01%	0.00%	0.00%	0.00%
4	2003-2004		-0.08%	-0.06%	-0.05%	-0.04%	0.00%
5	2004-2005		-0.02%	-0.02%	-0.01%	-0.01%	-0.01%
6	2005-2006		-0.10%	-0.13%	-0.11%	-0.09%	-0.07%
7	2006-2007		-0.05%	-0.26%	-0.35%	-0.30%	-0.23%
8	2000-2007 Tax Changes		-0.35%	-0.53%	-0.53%	-0.44%	-0.31%
9	2007-2008			-0.02%	-0.12%	-0.16%	-0.14%
10	2008-2009				0.00%	-0.02%	-0.03%
11	2009-2010					-0.01%	-0.04%
12	2010-2011						-0.01%
14	2007-2011 Tax Changes		0.00%	-0.02%	-0.12%	-0.19%	-0.22%
15	Total Tax Change Impact on GDP IPI FDD	L8 + L14	-0.35%	-0.56%	-0.66%	-0.63%	-0.53%
16	Base Revenue Requirement (\$ millions)	Rate Order Working Papers	873.20	873.20	873.20	873.20	873.20
	<u>Revenue Requirement Impact Associated with Tax Rate Change</u>						
17	Tax Change Impact (\$ millions)	Exhibit E3.1.1	-8.29	-10.05	-16.75	-21.56	-23.86
18	Cumulative Tax Change Impact (\$ millions)	From L17	-8.29	-18.34	-35.09	-56.65	-80.51
	<u>Rate Impact Associated with GDP IPI FDD Change</u>						
	2007-2011 Tax Changes:						
19	Price Change Impact (\$ millions)	L14 * L16	0.00	-0.21	-1.09	-1.66	-1.91
20	Annual Rate Impact (\$ millions)	From L19	0.00	-0.21	-1.31	-2.97	-4.88
21	Cumulative Rate Impact (\$ millions)	From L20	0.00	-0.21	-1.52	-4.49	-9.37
22	Cumulative Difference (\$ millions)	L18 - L21	-8.29	-18.13	-33.57	-52.16	-71.14
	2000-2011 Tax Changes:						
23	Price Change Impact (\$ millions)	L15 * L16	-3.02	-4.87	-5.75	-5.52	-4.64
24	Annual Rate Impact (\$ millions)	From L23	-3.02	-7.89	-13.64	-19.16	-23.80
25	Cumulative Rate Impact (\$ millions)	From L24	-3.02	-10.91	-24.55	-43.71	-67.51
26	Cumulative Difference (\$ millions)	L18 - L25	-5.27	-7.43	-10.54	-12.94	-13.00

Notes: Distributed lags apply to business taxes. GST impacts appear fully at the time of implementation.
GST impact of 0.2% removed from Line 7, Column (a) and of 0.4% removed from Line 9, Column (b)

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Table 3
Schools Request
Impact of Tax Changes on Union Gas without Anticipatory Effects and with Longer Lags

Line No.			2008 (a)	2009 (b)	2010 (c)	2011 (d)	2012 (e)
<u>Tax Change Impact on GDP IPI FDD</u>							
1	2000-2001		-0.02%	-0.02%	-0.01%	-0.01%	-0.01%
2	2001-2002		-0.04%	-0.03%	-0.03%	-0.03%	-0.02%
3	2002-2003		-0.01%	0.00%	0.00%	0.00%	0.00%
4	2003-2004		-0.06%	-0.05%	-0.04%	-0.03%	-0.03%
5	2004-2005		-0.02%	-0.01%	-0.01%	-0.01%	-0.01%
6	2005-2006		-0.07%	-0.10%	-0.08%	-0.06%	-0.05%
7	2006-2007		-0.04%	-0.19%	-0.26%	-0.22%	-0.17%
8	2000-2007 Tax Changes		-0.25%	-0.41%	-0.43%	-0.36%	-0.29%
9	2007-2008			-0.02%	-0.09%	-0.12%	-0.10%
10	2008-2009				0.00%	-0.02%	-0.02%
11	2009-2010					-0.01%	-0.03%
12	2010-2011						-0.01%
14	2007-2011 Tax Changes		0.00%	-0.02%	-0.09%	-0.14%	-0.16%
15	Total Tax Change Impact on GDP IPI FDD	L8 + L14	-0.25%	-0.42%	-0.53%	-0.50%	-0.45%
16	Base Revenue Requirement (\$ millions)	Rate Order Working Papers	873.20	873.20	873.20	873.20	873.20
<u>Revenue Requirement Impact Associated with Tax Rate Change</u>							
17	Tax Change Impact (\$ millions)	Exhibit E3.1.1	-8.29	-10.05	-16.75	-21.56	-23.86
18	Cumulative Tax Change Impact (\$ millions)	From L17	-8.29	-18.34	-35.09	-56.65	-80.51
<u>Rate Impact Associated with GDP IPI FDD Change</u>							
2007-2011 Tax Changes:							
19	Price Change Impact (\$ millions)	L14 * L16	0.00	-0.16	-0.80	-1.22	-1.40
20	Annual Rate Impact (\$ millions)	From L19	0.00	-0.16	-0.95	-2.17	-3.57
21	Cumulative Rate Impact (\$ millions)	From L20	0.00	-0.16	-1.11	-3.28	-6.85
22	Cumulative Difference (\$ millions)	L18 - L21	-8.29	-18.18	-33.98	-53.37	-73.66
2000-2011 Tax Changes:							
23	Price Change Impact (\$ millions)	L15 * L16	-2.21	-3.70	-4.59	-4.39	-3.94
24	Annual Rate Impact (\$ millions)	From L23	-2.21	-5.91	-10.49	-14.89	-18.82
25	Cumulative Rate Impact (\$ millions)	From L24	-2.21	-8.11	-18.61	-33.50	-52.32
26	Cumulative Difference (\$ millions)	L18 - L25	-6.08	-10.23	-16.48	-23.15	-28.19

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