January 3, 2013

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 – Undertaking Response

Please find attached Union's response to the undertaking from the hearing for EB-2012-0087.

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

UNION GAS LIMITED

Undertaking of Mr. DeRose
To Ms. Elliott

To provide breakdown between in-franchise and ex-franchise on an annual basis.

Attachment 1 shows the breakdown between in-franchise customers and ex-franchise customers of the variance in the cost of compressor fuel and unaccounted for gas between the amount approved in rates and the actual 2011 costs.

Rates approved in 2007 for in-franchise customers were designed to recover the forecast of $16.027 million of compressor fuel and $20.820 million of unaccounted for gas. Changes in cost of gas through to 2011 reduced the approved cost level recovered from in-franchise customers by $6.463 million for compressor fuel and $7.616 million for unaccounted for gas, to $9.564 million and $13.204 million respectively. Actual costs in 2011 for compressor fuel and unaccounted for gas attributed to in-franchise customers were below the approved forecast by $5.470 million and $11.812 million respectively. The favourable variance in these costs has been included in 2011 utility earnings subject to sharing.

As described in the response at Exhibit K2.3 to FRPO question 1 the compressor fuel forecast embedded in 2007 rates did not include any fuel related to the C1 transportation exchange services now subject to deferral. It is appropriate to include in Deferral Account 179-30 both the revenue and costs associated with providing FT-RAM related transportation exchange services as Union is proposing. To do otherwise (i.e. only reflect transportation exchange revenue) results in sales service and North bundled direct purchase customers receiving the full benefit of the transportation exchange revenue while Union bears a disproportionate share of the costs.

The favourable variance in the cost of compressor fuel for in-franchise customers is the result of changes in capacity and operation of the Dawn Parkway system over the past several years, also described in Union’s December 20, 2012 submission, that resulted in a greater allocation to and recovery of fuel from ex-franchise services. The increased ex-franchise Dawn to Parkway activity has resulted in ex-franchise customers being allocated more fuel and UFG costs, which benefits in-franchise customers.

UNION GAS LIMITED
Utility Compressor Fuel and Unaccounted For Gas Volumes and Costs
Years Ending December 31

		2007 Board-Approved						2011 Actual									
		Compressor Fuel			Unaccounted For Gas			Compressor Fuel			Unaccounted For Gas			Estimated Gas Cost		Variance	
		Volume		Cost	Volume		Cost	Volume		Cost	Volume		Cost	Compressor Fuel	Unaccounted For Gas	Compressor Fuel	Unaccounted For Gas
Line No.	Particulars	(10^3m^3)		($000's)	(10^3m^3)		($000's)	(10^3m^3)		($000's)	(10^3m^3)		($000's)	($000's)	($000's)	($000's)	($000's)
		(a)		(b)	(c)		(d)	(e)		(f)	(g)		(h)	(i)	(j)	(k)	(l)
1	Ex-Franchise transportation	104,572	69%	37,172	75,044	56%	26,676	113,781	84%	24,121	25,107	77%	5,660	(14,990)	(9,758)	1,939	(11,258)
2	Excess utility storage	1,137	1%	404	1,381	1%	491	2,178	2%	462	1,513	5%	341	(163)	(180)	221	30
3	In-Franchise transportation and storage	45,086	30%	16,027	58,571	43%	20,820	19,230	14%	4,094	6,174	19%	1,392	(6,463)	(7,616)	(5,470)	(11,812)
4	Total	150,795	100%	53,603	134,996	100%	47,987	135,189	100%	28,677	32,794	100%	7,393	(21,616)	(17,554)	(3,310)	(23,040)