

**IGUA'S FURTHER QUESTIONS TO UNION GAS
RE: DEFERRED TAXES**

13. In that the NGEIR Decision has no impact on Union's 2006 Rates and, as a result, services Union provided to its ex-franchise customers in 2006 remain rate-regulated throughout that year, on what facts does Union rely to conclude that its sale of ex-franchise storage services ceased to be regulated during the year ending December 31, 2006?
14. Since the storage assets supporting Union's "utility" and "non-utility" storage services are integrated and physically inseparable, Union cannot possibly transfer the assets supporting "non-utility" storage services to an arm's length third party or to an affiliate. In these circumstances, please answer the following question

(a) On what facts does Union rely to justify its classification of the deferred tax liability associated with Union's provision of "non-utility" storage services as a "utility" rather than a "non-utility" liability.

15. Please confirm the following facts:

- (a) The accumulated deferred tax liability grossed-up for taxes of \$16.475M built up year by year over the 10 year period from 1997 to 2006 inclusive.
- (b) Assuming that the deferred tax liability is rounded at \$17M and that the build-up occurred equally in each year, then the accumulated deferred tax liability in each year would be as follows:

		\$M
1.	1997	\$1.7
2.	1998	2.4
3.	1999	5.1
4.	2000	6.8
5.	2001	8.5
6.	2002	10.2
7.	2003	11.9
8.	2004	13.6
9.	2005	15.3
10.	2006	17.0
	TOTAL	\$92.5M

(c) Had normalized accounting been applicable in each of the years 1997 to 2006 inclusive, then, under the rate-making approach the Board applies, there would have been a reduction in Rate Base in each of those years by the amount of the accumulated deferred tax balance in each year.

16. Using the assumed accumulated deferred tax balances in each of the years 1997 to 2006 inclusive shown in Question 15(b) above, please calculate the rate reductions that would have prevailed in each of the years 1997 to 2006 inclusive, by multiplying the

Board approved overall return on Rate Base in each years, grossed-up for taxes, by the accumulated deferred tax balance in each year and provide a cumulative total for the period 1997 to 2006, excluding interest.

17. Please add interest to the Table to the provided in response to Question 16 for each year at the average of the Board approved short term interest rates for the 10 year period, 1997 to 2006 inclusive and provide a cumulative total for the period 1997 to 2006, including interest.

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