

July 20, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, ON
M4P 1E4

Re: EB-2007-0598 – Corrections to Schedules

Dear Ms. Walli:

Union discovered a coding error in its DSM tracking system that misclassified 2005 and 2006 DSM volumes for Rate M5A to M4. The error affected the calculations for the LRAM amounts attributable to 2005 and 2006 DSM activity and the allocation of the SSMVA balance. To correct for the error requires revisions to the following exhibits:

- Exhibit A, Tab 1, Schedule 1, page 2 Corrected – This reflects a \$0.107 million increase in the LRAM deferral account balance described below. The total of the deferral account balances for recovery also increased by the same amount.
- Exhibit A, Tab 1, Schedule 2, pages 1, 4 and 5 Corrected – In pages 4 and 5, the DSM volumes for 2005 and 2006 DSM activity for Rate M4 were reclassified into Rates M4 and M5A. This resulted in a total increase in the LRAM amounts for 2005 and 2006 DSM activity of \$0.107 million. Page 1 is a summary page that reflects the changes made to pages 4 and 5.
- Exhibit A, Tab 1, Schedule 3 Corrected – The reclassification of the 2005 and 2006 DSM volumes described above also results in changes in the SSMVA amounts allocated to the M4 and M5A rate classes. The total SSMVA balance does not change.
- Exhibit A, Tab 2, Schedule 1, Corrected – This reflects the corrected balance and allocation of the LRAM deferral account and the corrected allocation of the SSMVA balance.

If you have any questions, please contact me at (519) 436-5476.

Yours truly,

Chris Ripley
Manager, Regulatory Applications

cc Michael Penny (Torys)
Vincent Cooney (OEB)
Michael Millar (OEB)
EB-2005-0520 Intervenors

UNION GAS LIMITED
Deferral Account Balances
Year Ending December 31, 2006
(\$000's)

Line No.	Account Number	Account Name	Balance	(1)
		<u>Other:</u>		
19	179-26	Deferred Customer Rebates/Charges	-	
20	179-56	Comprehensive Customer Information Program	-	
21	179-60	Direct Purchase Revenue and Payments	(171)	
22	179-75	Lost Revenue Adjustment Mechanism	4,088	
23	179-102	Intra-period WACOG Changes	15,742	
24	179-103	Unbundled Services Unauthorized Storage Overrun	-	
25	179-110	Storage Rights Compensation Costs	511	
26	179-111	Demand Side Management Variance Account	7,213	
27	179-112	Gas Distribution Access Rule Costs	-	
28	179-113	Late Payment Penalty Litigation	303	
29	179-114	Incremental OEB Cost Assessment	1,541	
30	179-115	Shared Savings Mechanism Variance Account	7,000	
31	179-116	Interest on the Gain on the 2004 Cushion Gas Disposition	(896)	(3)
32		Total Other Accounts (Lines 19 through 31)	35,331	
33		Total Deferral Account Balances (Lines 12 + 18 + 32)	\$ (179,462)	
34		Total Deferral Account Balances for Recovery/(Refund)	\$ 16,123	(4)

Notes:

- (1) Account balances include interest to December 31, 2006.
- (2) With the exception of UDC (No. 179-108) and Heating Value (No. 179-89) accounts, all gas supply-related deferral account balances are recovered through the QRAM process.
- (3) The balance of the Interest on the Gain on the 2004 Cushion Gas Disposition (No. 179-116) will be disposed of in a future proceeding.

- (4) Breakdown of the deferral account balances for recovery/(refund):

Total Deferral Account Balances (Line 33)		\$ (179,462)	
Less Total Gas Supply-related balances recovered through the QRAM process			
Total Gas Supply-related balances (Line 12)	\$	(197,803)	
Less: Balance of Unabsorbed Demand Costs Account (No. 179-108) (Line 3)		(708)	
Balance of Heating Value Account (No. 179-89) (Line 7)		(2,405)	(194,690)
Net Amount			15,228
Less: Balance of the Interest on the Gain on the 2004 Cushion Gas Disposition Account (No. 179-116) (Line 31).			(896)
Total Amount for Recovery/(Refund)		\$	<u>16,123</u>

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
Breakdown of 2006 LRAM Deferral Account Balance

Line No.	Particulars	Amounts by DSM Plan Year				Total Amount in LRAM Deferral Account (e)
		2003 ⁽¹⁾ (a)	2004 ⁽²⁾ (b)	2005 ⁽³⁾ (c)	2006 ⁽⁴⁾ (d)	
	<u>South</u>					
1	M2 Residential	\$35,981	\$100,981	\$376,190	\$387,335	\$900,487
2	M2 Commercial	(\$353,409)	\$9,388	\$897,125	\$477,616	\$1,030,721
3	M2 Industrial	\$0		\$74,100	\$31,199	\$105,299
	<u>Industrial</u>					
4	M4	\$23,421	\$21,054	\$76,670	\$21,032	\$142,176
5	M5	\$0	\$64,466	\$158,889	\$69,128	\$292,483
6	M7	\$8,291	(\$5,917)	\$20,468	\$3,524	\$26,366
7	T1	(\$10,342)	(\$3,298)	\$9,476	\$7,779	\$3,616
8		<u>(\$296,058)</u>	<u>\$186,674</u>	<u>\$1,612,919</u>	<u>\$997,614</u>	<u>\$2,501,148</u>
	<u>North</u>					
9	Residential 01	\$121,376	\$62,107	\$230,716	\$139,286	\$553,485
10	Commercial 01	\$57,632	\$5,841	\$214,739	\$237,362	\$515,574
11	Commercial 10	(\$27,022)	\$108,779	\$214,771	\$47,727	\$344,255
12	Industrial 10	\$0	\$0	\$56,210	\$17,784	\$73,995
	<u>Industrial</u>					
13	Rate 20	\$246	\$3,799	\$43,994	\$2,382	\$50,422
14	Rate 100	(\$1,610)	\$17,071	\$21,151	\$12,117	\$48,729
15		<u>\$150,621</u>	<u>\$197,596</u>	<u>\$781,582</u>	<u>\$456,659</u>	<u>\$1,586,459</u>
16	Total	<u>(\$145,436)</u>	<u>\$384,270</u>	<u>\$2,394,500</u>	<u>\$1,454,273</u>	<u>\$4,087,608</u>

Notes:

- (1) EB-2007-0598, Exhibit A, Tab 1, Schedule 2, page 2 of 5, column (n)
- (2) EB-2007-0598, Exhibit A, Tab 1, Schedule 2, page 3 of 5, column (n)
- (3) EB-2007-0598, Exhibit A, Tab 1, Schedule 2, page 4 of 5 Corrected, column (l)
- (4) EB-2007-0598, Exhibit A, Tab 1, Schedule 2, page 5 of 5 Corrected, column (d)

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
2005 Actual - Audited

Line No.	Particulars	2005		Delivery Rates		Lost Revenues			Net Revenue Impact		LRAM Deferral Account Balance Disposed of in EB-2006-0057 ⁽⁴⁾	Interest	Net LRAM Deferral Account Balance Proposed for Disposition Including Interest
		Audited Volumes ⁽¹⁾ 10 ³ m ³	Lost Revenues in Rates ⁽²⁾ (\$)	2005 Rates \$/10 ³ m ³	2006 Rates \$/10 ³ m ³	2005 ⁽³⁾	50%	(f) = (a) x (c)	(g) = (e - (b))	(h) = (f) - (b)	(i)	(j)	(l) = (i) - (j) + (k)
		(a)	(b)	(c)	(d)	(e) = (a) x 50% x (c)		(f) = (a) x (d)	(\$)	(\$)	(\$)	(\$)	(\$)
1	South												
2	M2 Residential	3,703	-	67,316	66,158	124,643		244,998	124,643	244,998	369,641	6,550	376,190
3	M2 Commercial	11,661	-	51,167	50,009	296,337		583,169	296,337	583,169	881,506	15,619	897,125
	M2 Industrial	1,262	-	39,246	38,068	24,757		48,053	24,757	48,053	72,810	1,290	74,100
4	Industrial												
5	M4	6,154	-	8,692	7,963	26,747		49,008	26,747	49,008	75,755	915	76,670
6	M5	6,741	-	15,777	15,399	53,180		103,812	53,180	103,812	156,992	1,897	158,889
7	M7	4,681	-	3,115	2,739	7,291		12,821	7,291	12,821	20,111	356	20,468
8	T1	7,227	-	1,011	0,763	3,653		5,658	3,653	5,658	9,311	165	9,476
		41,429	-			538,607		1,047,519	538,607	1,047,519	1,586,126	26,793	1,612,919
9	North												
10	Residential 01	1,359	-	111,186	111,186	75,567		151,133	75,567	151,133	226,700	4,017	230,716
11	Commercial 01	1,340	-	104,976	104,976	70,334		140,667	70,334	140,667	211,001	3,739	214,739
12	Commercial 10	2,170	-	64,820	64,820	70,344		140,688	70,344	140,688	211,032	3,739	214,771
	Industrial 10	621	-	58,311	59,311	18,411		36,821	18,411	36,821	55,232	979	56,210
13	Industrial												
14	Rate 20	10,887	-	2,647	2,647	14,410		28,819	14,410	28,819	43,229	766	43,994
15	Rate 100	6,987	-	1,983	1,983	6,928		13,855	6,928	13,855	20,783	368	21,151
		23,965	-			255,992		511,963	255,992	511,963	767,975	13,607	781,582
16	Total	64,794	-			794,599		1,559,502	794,599	1,559,502	2,354,100	40,400	2,394,500

Notes:

- (1) Summary of the Results of the 2005 Evaluation Report Audit, page 4 (submitted by Union to the OEB Secretary on December 28, 2006 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements).
 (2) 2005 rates did not reflect forecast volumes lost due to DSM activities.
 (3) The 50% factor is in accordance with the Board's ruling in RP-2001-0029 Decision with Reasons at paragraph 2.171 which requires that 50% of volume savings should be reflected in the first year in which the DSM measure is undertaken.
 (4) Union did not propose the disposition of lost revenues due to 2005 DSM activities as stated in EB-2006-0057 Exhibit A, Tab 1, Page 9.

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
2006 Forecast

Line No.	Particulars	Annualized Impact			Impact for 2006 Revenues (\$) (d) = (c) x 50% ⁽²⁾
		Net Volume Savings ⁽¹⁾ 10 ³ m ³ (a)	2006 Delivery Rates ⁽²⁾ \$/10 ³ m ³ (b)	Total Revenue Impact (\$) (c) = (a) x (b)	
	<u>South</u>				
1	M2 Residential	11,709	66.158	774,670	387,335
2	M2 Commercial	19,101	50.009	955,233	477,616
3	M2 Industrial	1,638	38.088	62,398	31,199
	<u>Industrial</u>				
4	M4	5,282	7.963	42,063	21,032
5	M5	8,978	15.399	138,257	69,128
6	M7	2,573	2.739	7,049	3,524
7	T1	19,870	0.783	15,558	7,779
8		<u>69,153</u>		<u>1,995,227</u>	<u>997,614</u>
	<u>North</u>				
9	Residential 01	2,505	111.186	278,572	139,286
10	Commercial 01	4,522	104.976	474,724	237,362
11	Commercial 10	1,473	64.820	95,454	47,727
12	Industrial 10	600	59.311	35,569	17,784
	<u>Industrial</u>				
13	Rate 20	1,800	2.647	4,765	2,382
14	Rate 100	12,221	1.983	24,234	12,117
15		<u>23,121</u>		<u>913,319</u>	<u>456,659</u>
16	Total	<u>92,274</u>		<u>2,908,546</u>	<u>1,454,273</u>

Notes:

(1) Based on unaudited 2006 DSM revaluation results

(2) The Year One Impact net volume savings are based on the Board's ruling in RP-2001-0029 Decision with Reasons at paragraph 2.170 that 50% savings should be reflected in the first year in which the DSM measure is undertaken.

UNION GAS LIMITED
Shared Savings Mechanism Variance Account
2005 Audited and 2006 Unaudited Results

Line No.	Particulars	SSM Incentives			
		2005 Amount			Total for 2005 and 2006
		2005 Amount ⁽¹⁾	Interest	Total for 2005	
		(\$)	(\$)	(\$)	(\$)
		(a)	(b)	(c) = (a) + (b)	(e) = (c) + (d)
	<u>South</u>				
1	M2 Residential	143,432	4,514	147,947	567,070
2	M2 Commercial	1,197,199	37,681	1,234,880	1,870,263
3	M2 Industrial	26,405	831	27,237	71,546
4	<u>Industrial</u>				
5	M4	260,241	6,995	267,236	435,314
6	M5	290,221	7,801	298,022	570,737
7	M7	300,582	9,461	310,042	375,970
8	T1	276,220	8,694	284,914	899,381
9		<u>2,494,300</u>	<u>75,978</u>	<u>2,570,278</u>	<u>4,790,280</u>
	<u>North</u>				
10	Residential 01	91,501	2,880	94,381	190,827
11	Commercial 01	123,380	3,883	127,264	277,356
12	Commercial 10	328,946	10,353	339,299	376,708
13	Industrial 10	9,295	293	9,587	23,903
	<u>Industrial</u>				
14	Rate 20	595,436	18,741	614,177	671,995
15	Rate 100	336,204	10,582	346,786	668,673
16		<u>1,484,762</u>	<u>46,732</u>	<u>1,531,494</u>	<u>2,209,463</u>
17	Total	<u>3,979,062</u>	<u>122,710</u>	<u>4,101,772</u>	<u>6,999,743</u>

Notes:

- (1) 2005 audited amount of SSM incentives calculated using the mechanism approved by the Board in EB-2005-0211. The allocation of the amount is based on 2005 TRC results achieved by rate class.
- (2) 2006 unaudited amount of SSM incentives calculated using the mechanism approved by the Board in EB-2005-0507. The allocation of the amount is based on 2006 TRC results achieved by rate class.

UNION GAS LIMITED
Allocation of 2006 Deferral Account Balances and 2006 Earnings Sharing to Rate Classes

Line No.	Particulars	Northern and Eastern Operations Area										Southern Operations Area							Total (1) (\$'000's) (t)
		Rate 01 (\$'000's) (b)	Rate 10 (\$'000's) (c)	Rate 20 (\$'000's) (d)	Rate 77 (\$'000's) (e)	Rate 100 (\$'000's) (f)	Rate 25 (\$'000's) (g)	M2 (\$'000's) (h)	M4 (\$'000's) (i)	M5A (\$'000's) (j)	M7 (\$'000's) (k)	M8 (\$'000's) (l)	M10 (\$'000's) (m)	T1 (\$'000's) (n)	T3 (\$'000's) (o)	M12 (\$'000's) (p)	M13 (\$'000's) (q)	C1 (\$'000's) (r)	M16 (\$'000's) (s)
1	Gas Supply Transportation-Related Deferrals:																		
2	Unabsorbed Demand Cost (UDC) Variance	(874)	(261)	(59)	-	-	-	481	5	-	-	-	0	-	-	-	-	-	-
	Heating Value	(1,655)	(750)																
3	Storage and Transportation-Related Deferrals:																		
4	Balancing & Short Term Storage Services	(157)	(47)	(11)	-	(7)	-	(630)	(63)	(3)	(68)	(4)	(0)	(199)	(41)	(2,648)	-	(126)	-
5	Long-Term Peak Storage Services	(2,860)	(854)	(194)	-	(129)	-	(10,957)	(1,098)	(53)	(1,181)	(61)	(3)	(3,462)	(711)	-	-	-	(4,004)
6	Other S&T Services	1,234	369	84	-	56	-	4,750	476	23	512	27	1	1,501	308	-	-	-	(21,565)
7	Other Direct Purchase Services	(52)	(15)	(3)	-	(2)	-	(198)	(20)	(1)	(21)	(1)	(0)	(63)	(13)	-	-	-	9,341
8	Total Gas Supply Transportation-Related	(4,412)	(1,574)	(187)	-	(65)	-	(6,744)	(715)	(35)	(779)	(40)	(2)	(2,283)	(469)	(2,648)	-	(126)	(390)
																			(373)
																			(20,104)
9	Delivery-Related Deferrals:																		
10	Deferred Customer Rebates/Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Comprehensive Customer Information Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Direct Purchase Revenue and Payments	179-56	418	50	-	49	-	2,037	(11)	(0)	(8)	(1)	(0)	(23)	(10)	-	-	-	(171)
13	Lost Revenue Adjustment Mechanism (2)	2,247	532	130	-	848	-	8,211	990	800	1,268	47	1	4	-	-	183	429	55
14	Unbundled Services Unauthorized Storage Overrun	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Storage Rights Compensation Costs	54	16	4	-	3	-	299	17	7	13	2	-	77	19	-	-	-	511
16	Demand Side Management Variance Account	1,262	292	278	-	278	-	3,992	278	278	278	-	-	278	-	-	-	-	7,213
17	Gas Distribution Access Rule Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Late Payment Penalty Litigation	68	3	0	-	0	0	231	-	0	-	-	-	-	-	-	-	-	-
19	Incremental OEB Cost Assessment	273	27	11	-	21	7	933	30	19	26	1	0	64	8	118	-	3	303
20	Shared Savings Mechanism Variance Account	488	400	672	-	688	-	2,508	436	572	376	-	-	-	-	-	-	-	1,541
21	Total Delivery-Related	5,441	1,689	1,146	0	1,866	7	18,093	1,884	1,968	1,979	49	1	1,299	17	-	-	-	7,000
																			36,226
22	Total 2006 Deferral Account Disposition	1,029	115	959	0	1,781	7	11,349	1,165	1,933	1,200	8	(1)	(984)	(452)	(2,530)	183	306	55
23	Earnings Sharing for 2006	(2,458)	(402)	(131)	(0)	(331)	(124)	(6,028)	(242)	(149)	(212)	(9)	(1)	(443)	(70)	(2,240)	(2)	(32)	(3)
24	Grand Total	(1,429)	(287)	828	(0)	1,450	(117)	5,320	923	1,783	988	(1)	(1)	(1,427)	(522)	(4,770)	181	274	52
																			3,246

Notes:
(1) EB-2007-0598, Tab 1, Schedule 1
(2) Per Exhibit A, Tab 1, Schedule 2, Page 1 of 5, column (e)