uniongas
A Spectra Energy Company

December 30, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON, M4P 1E4

Dear Ms. Walli:

Re: Response to Interrogatories – Union Gas
EB-2008-0106

Please find attached Union's interrogatory responses for EB-2008-0106.

Please note that the interrogatory responses labelled Exhibit IR8 are interrogatories from the Gas Marketer Group (Direct Energy Marketing Limited, Ontario Energy Savings L.P., Summitt Energy Management Inc. and Superior Energy Management Gas L.P.).

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

Sincerely,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc: Crawford Smith, Torys
All EB-2008-0106 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Utility Policies

Question:

Would each utility please provide a statement of policy which summarizes the periodic rate adjustment mechanism each of them proposes to apply to reflect changes in the commodity price of "12 month" gas. Please include in these policy statements a brief description of the following items:

a) *The trading point at which changes in the commodity price of "12 month" gas will be measured.*

b) *The information and methodology that will be used to measure changes in the commodity price of "12 month" gas at that point.*

c) *A list of each of the components of utility rates that will be affected by a change in the commodity price of "12 month" gas at that trading point, such as, for example, the following:*

- *gas commodity charge*
- *the carrying cost of gas in inventory, including an identification of the particular component of regulated rates in which that gas-related cost is recovered, i.e. the regulated transportation charge, the load balancing/storage charge and/or commodity charge*
- *unaccounted for gas, including the identification of the component of rates in which that item of gas-related costs is recovered*
- *compressor fuel, including an identification of the component rate in which that item of gas-related cost is recovered*
- any other gas-related costs and the components of the rates affected thereby

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Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

Response:

a) The trading point at which changes in commodity price are measured in the QRAM is Empress.

b) Please see response at Exhibit IR8.1(a).

c) The components of utility rates that are currently affected by the QRAM are:

- Gas Commodity & Fuel Rate
- South Gas Transportation Rate

If Union's proposal to eliminate the Intra-Period WACOG deferral account is approved by the Board, the following utility rates will also be affected:

- In-Franchise distribution rates
- Ex-Franchise transportation rates

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Method for Calculating the Reference Price

Question:

Would each utility please describe the precise meaning it ascribes to the phrase "Reference Price".

Response:

A reference price is any approved price to which actual or forecast prices are compared when calculating deferral account balances.

In the context of the QRAM, the following reference prices are:

i) Alberta Border Reference Price: Used in determining the amounts to be recorded in the North Purchased Gas Variance Account (Deferral Account No. 179-015) and the upstream fuel portion of the TCPL Tolls and Fuel – Northern and Eastern Operations area deferral account (Deferral Account No. 179-100).

ii) Ontario Landed Reference Price: Used in determining the amounts to be recorded in the South Purchased Gas Variance Account (Deferral Account No. 179-106) and the Spot Gas Variance Account (Deferral Account No. 179-107).

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Utility Products or Services Sold in Competitive Markets

Question:

Would each utility please describe the regulated products or services it provides in competition with unregulated gas commodity sellers.

Response:

Gas commodity sellers offer gas supply and transportation services to Ontario which is comparable to Union's sales service option.

Union does not have any products that compete directly with gas marketers. Union provides a default commodity supply that is offered pursuant to the Board approved QRAM. This is the only commodity supply offering Union is permitted to offer. Gas marketers typically offer service for a fixed price terms of 3 to 5 years.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Utility Products or Services Sold in Competitive Markets

Question:

Would each utility please produce any advertising materials they have in their possession which reveal how unregulated gas sellers compete with the regulated products and/or services utilities offer in competition with unregulated gas sellers.

Response:

Union does not have any advertising materials which reveal how unregulated gas sellers compete with the regulated products and/or services utilities offer in competition with unregulated gas sellers. Please refer to Energyshop.com for a detailed analysis of the services both utilities and unregulated sellers provide.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Filing Requirements

Question:

Would each utility please provide, in point form, a complete step by step summary of the process each of them proposes to follow to periodically update regulated rates to reflect changes in the commodity price of "12 month" gas. Please attach to the step by step summary description of the process each utility proposes to follow a sample of the gas cost schedules and other schedules each utility proposes to file with the Board.

Response:

Union has not yet created the schedules that would be filed in support of a quarterly change to delivery rates as part of the QRAM.

The following steps describe the process Union would follow to determine changes to regulated rates (i.e. distribution rates) on a quarterly basis:

1. Identify the unit price variance between the Ontario Landed Reference Price underpinning current approved delivery rates and the Ontario Landed Reference Price in the proposed QRAM.
2. Apply the unit price variance to the 2007 Board approved Compressor Fuel and Unaccounted for Gas volumes by rate class.
3. Apply the unit price variance to the 2007 Board approved Average Gas in Inventory by rate class. Multiply the rate class amounts by the current approved Composite Rate of Return to determine the change in carrying costs of Gas in Inventory by rate class.
4. Add the total dollar amounts by rate class calculated in Steps 2 and 3 above to determine the change in the revenue requirement for each rate class.
5. On a rate class basis, divide the change in the revenue requirement by the approved annual distribution volumes by rate class to establish the unit volumetric distribution rate change.

Question: December 5, 2008
Answer: December 30, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Filing Requirements

Question:

Using the schedules attached to the response to the previous question, please illustrate each of the changes that will occur in the line items of each schedule with an assumed $1/GJ change in the commodity price of "12 month" gas at Empress.

Response:

As noted in Exhibit IR5.5, Union has not prepared schedules that detail the changes to delivery rates on a quarterly basis as a result of eliminating the Intra-Period WACOG deferral account. The table below is an illustrative example of the impact of a $1/GJ change in commodity price on the M4 rate class.

Rate M4	2007 Approved Quantity (10^3m^3)	Price Variance of $1/GJ or 37.62 $/$10^3m^3$	Composite Rate of Return	Impact ($000's)
Compressor Fuel	1,989	37.62	n/a	74.826
Unaccounted for Gas	2,644	37.62	n/a	99.467
Carrying Cost of Gas in Inventory	11,891	37.62	9.30%	41.603
Δ in Revenue Requirement				215.896
Board Approved Rate Class Delivery Volume (10^3m^3)				479,238
Unit Delivery Rate Change (cents/m^3)				0.0450

Question: December 5, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Filing Requirements

Question:

Using the response to the previous question, please describe and attach schedules to show how changes in the utility cost of gas arising from an assumed $1/GJ change in the commodity cost of "12 month" gas at Empress are affected by the cost allocation process and, in particular, describe and attach schedules to show how the utility cost of gas is allocated between commodity costs, transportation costs, and storage and/or load balancing costs.

Response:

Please see response at Exhibit IR5.6.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issues A – QRAM Review

Ref: November 27, 2008 Technical Conference Transcript, pages 65 to 83

Other Revenue Requirement Items

Question:

Would each utility please provide a step by step description of the manner in which a change in the commodity cost of "12 month" gas at the reference point affects the other gas-related revenue requirement items in rates such as the carrying cost of gas and inventory, unaccounted for gas, compressor fuel, etc. Please attach schedules to the response to illustrate how a $1/GJ change in the commodity cost of gas affects each of these components of rates.

Response:

Please see response at Exhibit IR5.6.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issue B – Load Balancing Review

Ref: November 27, 2008 Technical Conference Transcript, pages 123 to 138

Utility Policies

Question:

Would each utility please provide a statement of policy which summarizes the load balancing services they propose to provide to direct purchasers using bundled delivery services. Please include in these policy statements a concise description of the manner each utility proposes to establish and re-establish the Daily Contract Quantity ("DCQ") or the Mean Daily Volume ("MDV") of direct purchasers acquiring bundled delivery services from each utility.

Response:

Union is not proposing to make any changes to the services it currently provides. Customers/marketers have available to them a range of transactional services that allow them to meet their load balancing obligations should actual consumption and deliveries vary from forecast.

The specific balancing transactions Union offers to customers purchasing bundled delivery services are attached and can be found at:
http://www.uniongas.com/unionline/balancingtypes.asp

The manner in which Union establishes and re-establishes the Daily Contract Quantity ("DCQ") for customers in Union's South is identified in the "Policy" section of the "Setting new, and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas South" policy is attached and can be viewed at:
http://www.uniongas.com/aboutus/policies/pdf/Policy_South_DCQ_Posted_Dec_2007.pdf

The manner in which Union establishes and re-establishes the Daily Contract Quantity (DCQ) for customers in Union's North is identified in the "Policy" section of the "Setting new, and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas North" policy which is attached and can be viewed at:
http://www.uniongas.com/aboutus/policies/pdf/NoDCQ.pdf

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

uniongas

Types of Balancing Transaction Services

Transactional Services are used by Direct Purchase (DP) customers (Bundled-T, Rate T1/T3, T-Service, and Unbundled) to assist in balancing their storage and banked gas accounts.

A customer's request should be made at least three (3) business days in advance of the effective date of the transaction. Transactions submitted via Unionline can be processed with only one (1) business day's notice. Requests made with shorter notice will be evaluated on a reasonable efforts basis.

Transactions that involve two direct purchase contracts must be accepted for each contract before the transaction is executed.

The transaction must be fully executed before the transaction will occur.

For Rate T1 or T3 customers, the net result of the balancing transaction and other storage activity will determine injection/withdrawal charges. If the net storage activity results in storage injection or withdrawal overrun, the overrun is deemed unauthorized unless approved in advance by Union Gas.

In-franchise Transfer (IFT)	Ex-Franchise Transfer (EFT)
Underground In-Franchise Transfer (UIFT)	DCQ Assignment
Suspension	Diversion
Incremental Supply	Short Term Storage
Loan	Fee schedule
Discretionary Gas Supply Service (DGSS)	

1. In-Franchise Transfer (IFT) (Service available to Southern BT, Northern BT, Rate T1, Rate T3 customers)

An In-Franchise Transfer (IFT) is a transaction that move gas from one in-franchise contract that is "long" (over delivered) to an in-franchise contract that is "short" (over consumed). IFT's are allowed between customers in any delivery area and are paid for by the "from" party.

		TO		
		South BT ($)	South T1/T3 ($)	North BT (any delivery area) ($)
FROM	South BT	.067/GJ	.067/GJ	.100/GJ
	South T1/T3*	.003/GJ	.003/GJ	.036/GJ
	North BT	1.467/GJ	1.467/GJ	.067/GJ

*** Rate T1 and T3 customers also pay for storage injection/withdrawal**

2. Ex-Franchise Transfer (EFT) (Service available to Southern BT, Northern BT, Rate T1/T3 customers)

An Ex-Franchise Transfer (EFT) is a transaction that allows a customer to move a quantity of gas from a Bundled-T contract's BGA or a T1/T3 contract's storage to a third party who will not consume the gas within Union's franchise area. The location for this transaction is Dawn.

An EFT can also be used to facilitate an inter-franchise transfer of gas to a customer's BGA in Enbridge's franchise area.

Southern T1/T3 customer at Dawn	$ 0.036/GJ
Southern BT customer at Dawn	$ 0.100/GJ
Northern BT customer at Dawn	$ 1.731/GJ

* Rate T1 and T3 customers also pay for storage withdrawal, where applicable.

3. Underground In-Franchise Transfer (UIFT) (Service available to Rate T1/T3 customers)

An Underground In-Franchise Transfer (UIFT) is a transaction that transfers gas underground at Dawn storage between eligible Rate T1 and Rate T3 in-franchise contracts. The transfer can occur between contracts with different parties or between contracts for the same party.

Please note:

- The transfer is limited to storage accounts with equal percentage deliverability or from a higher percentage deliverability account to a lower percentage deliverability account.
- The transfer amount is limited by the lower quantity firm entitlement of the two parties or contracts.
- The amount transferred is limited to and counts toward the daily firm (cost-based and market-based) storage injection or withdrawal entitlements for both parties.

Fees: "From" party pays $0.003/GJ. Rate T1/T3 customers do not pay for storage injection/withdrawal for eligible UIFT transactions.

4. DCQ Assignment (Service available to Southern BT, Rate T1/T3 customers)

A DCQ assignment is a transaction where the obligation (i.e. Daily Contract Quantity at a receipt point) and/or the upstream capacity of a Southern Direct Purchase contract is transferred to another in-franchise contract for a specified time frame. Customers cannot assign more than their DCQ at the receipt point.

Fees: "From" party pays $0.003/GJ

5. Suspension
(Service available to Southern BT, Rate T1/T3 customers)

A suspension is a transaction that allows a Southern Direct Purchase customer, with contracted DCQ at Ontario receipt points, to deliver less than the contracted DCQ. A Western DCQ cannot be suspended. Nominations need to reflect that suspended gas does not arrive on Union's system.

Authorization is not required for unbundled contracts but unbundled Parkway DCQ is subject to a Parkway call-back.

Fees: There is no charge for a suspension.

6. Diversion
(Service available to Southern BT, Rate T1/T3 customers)

A diversion is a transaction that allows a Southern Direct Purchase customer to reduce their contracted DCQ. Although the customer will still deliver the gas to Union's system, instead of adding this gas to their BGA or Storage account, it is provided to a third party at the point of receipt.

The third party cannot consume the gas within Union's franchise area.

Authorization is not required for Unbundled contracts, however Unbundled Parkway DCQ is subject to a Parkway call-back.

Diverted quantities cannot be greater than the DCQ on a daily basis.

Diversion requires a nomination change.

Fees: From party pays $0.003/GJ

7. Incremental Supply
(Service available to Southern BT, Northern BT, Rate T1/T3, and Unbundled customers (U2))

Incremental supply is a transaction that allows a Direct Purchase customer (Bundled and Unbundled) to bring in incremental deliveries at one of Union's points of receipt. Incremental supply is interruptible and non-obligated.

Incremental supply can also be used to facilitate an inter-franchise transfer of gas from a customer's BGA in Enbridge's franchise area. The location for inter-franchise transfers is Dawn.

Transaction must be nominated.

Fees: There is no charge for incremental supply. Rate T1/ Rate T3 and Northern T-service customers pay for storage injection where applicable.

8. Loan
(Service available to Southern BT, Northern BT, Rate T1/T3 customers)

A loan is a transaction that allows a Direct Purchase customer to obtain gas from Union for a period of time. The service is subject to availability, with the price and term negotiated.

Fees: Negotiated

9. Short Term Storage
(Service available to Southern BT, Northern BT, Rate T1/T3 customers)

Storage is a transaction that allows a Direct Purchase customer to obtain storage from Union Gas. The service is subject to availability, with the price and term negotiated.

Fees: Negotiated

10. Discretionary Gas Supply Service (DGSS)
(Service available to Southern BT, Rate T1/T3 customers)

DGSS is a supplementary supply service that allows Southern Direct Purchase customers to buy a specific quantity of gas from Union that is above and beyond their obligated supply arrangements. The service is to be used to supplement a customer's gas portfolio.

Fees: Gas supply administration charge of $0.084/GJ plus supply cost.

POLICIES & GUIDELINES

Policy #: 05-DP-DCQS-009

Subject:	**Effective:**
Setting new, and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas South	**January 1, 2008**

Applies to:

All new or existing Bundled-T (BT), T-Service (T1/T3) and Unbundled (U2, U5, U7, U9) direct purchase customers in Union Gas's Southern operations area that are not eligible for Firm Billing Contract Demand (*policy in development*).

Purpose:

This policy will ensure consistent and fair treatment for setting and changing (either increases or decreases) a customer's Daily Contract Quantity (DCQ).

Background: *(Not to limit the applicability of the policy)*
The direct purchase contract identifies the obligated DCQ for the term of the contract. This policy addresses situations where either a new contract requires a DCQ to be set or a change in obligated DCQ is requested by a customer and/or their agent, or a change in obligated DCQ is required at the time of contract renewal or contract amendment.

Once a customer has received a Vertical Slice allocation, all future end use location transfers from Union Gas's sales service will result in an allocation of Vertical Slice.

A U2 customer is a customer, or an agent, who is authorized to service residential and non-contract commercial and industrial end-users paying for a Monthly Fixed Charge and Delivery Charge under Rate M1 or M2.

West of Dawn – Customers' end-use locations served by the PanHandle 16 and 20 inch lines as well as the Sarnia Industrial line.

East of Dawn – Customers' end-use locations served by the Dawn to Trafalgar transmission line.

Parkway Call – Between November 1st and March 31st, Union Gas has the right to require Unbundled Customers to deliver 100% of their Parkway DCQ at Parkway for the number of days listed in Schedule 1 of their Contract. Except for the Parkway Call, the customer has no obligation to deliver any quantities at any location, on any day. Nominations to a secondary receipt point are interruptible.

Policy:

When initiating a contract, the DCQ will be set to reflect the historical and/or forecasted consumption for the contract term. At contract renewal/amendment, the DCQ may be increased or decreased, to reflect the historical and/or forecasted consumption for the contract term. The DCQ for BT, T1, and T3 contracts is obligated. The DCQ for unbundled contracts is not obligated but subject to Parkway Call when requested by Union Gas.

DCQ (GJ/day) is equal to 12 months consumption of end use locations underlying the direct purchase contract / 365 days * Heat Value (GJ/m^3). If the contract has a term greater than 12 months, the DCQ is calculated by dividing the historical consumption for the term of the contract by the number of days in the contract term. The consumption of general service end-use locations is weather normalized.

Setting the DCQ when initiating a new Direct Purchase contract

Non-telemetered General Service end-use locations served under Rate

- End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as

M1 or M2 with new consumption	defined in Union Gas's Vertical Slice Policy. Any new contract with a DCQ less than 300GJ per day will be managed pursuant to Union Gas's < 300 GJ policy. ▪ End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract.
Telemetered General Service (M2) and Contract end-use locations served under rates: M4, M5, M7, M9, T1, T3, U5, U7, or U9 with new consumption	▪ End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy . Any new contract with a DCQ less than 300GJ per day will be managed pursuant to Union Gas's < 300 GJ policy. ▪ End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract, unless otherwise agreed to by the two contracting parties. ▪ New end-use locations, not previously served by Union Gas's sales service, will be allocated: • If located **East of Dawn,** the DCQ will be managed through Ontario deliveries made at Parkway. • If located **West of Dawn,** the DCQ will be managed through Ontario deliveries made at Dawn or Parkway at the customer's option.
Increasing an existing Direct Purchase DCQ parameter	
Non-telemetered General Service end-use locations served under Rate M1 or M2	▪ End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy.. Any new contract with a DCQ increase of less than 300GJ per day will be managed pursuant to Union Gas's < 300 GJ policy. ▪ End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract. ▪ Any DCQ increases due to consumption, for contracts that currently have Ontario deliveries, will be managed through Ontario deliveries at Parkway. ▪ Any DCQ increases due to consumption, for contracts that do not currently have Ontario deliveries, will be managed through an allocation of TCPL capacity, if available. If TCPL capacity is not available, or if the customer requests it, the DCQ increase will be managed though Ontario deliveries at Parkway.
Telemetered General Service (M2) and Contract end-use locations served under rates: M4, M5, M7, M9, T1, T3, U5, U7, or U9	▪ End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy. Any new contract with a DCQ increase of less than 300GJ per day will be managed pursuant to Union Gas's < 300 GJ policy. ▪ End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract, unless otherwise agreed to by the two contracting customers. ▪ New end-use locations that were not previously served by Union Gas's sales service that are being added to an existing Direct Purchase arrangement will receive an allocation as follows:

	• If located **East of Dawn,** the DCQ increase will be managed through Ontario deliveries made at Parkway. • If located **West of Dawn,** the DCQ increase will be managed through Ontario deliveries made at Dawn or Parkway at the customer's option. ▪ Any increases in DCQ due to consumption will receive an allocation as follows • If located **East of Dawn,** the DCQ increase will be managed through Ontario deliveries made at Parkway. • If located **West of Dawn,** the DCQ increase will be managed through Ontario deliveries made at Dawn or Parkway at the customer's option.
Decreasing an existing Direct Purchase DCQ parameter	
Non-telemetered General Service end-use locations served under Rate M1 or M2	▪ DCQ decreases as a result of consumption will be managed by first decreasing Ontario Points of Receipt. ▪ Where the customer has multiple Ontario Points of Receipt, the decrease will be applied at the Point of Receipt last increased where it can be determined. If the last point of receipt cannot be determined then the decrease will be prorated. Reductions in upstream arrangements allocated/assigned by Union Gas to the customer will be adjusted accordingly. ▪ All other decreases to DCQ, including a transfer to Union Gas's sales service, will be prorated evenly across the contract's then current Points of Receipt and associated upstream arrangements will be reduced proportionately.
Telemetered General Service (M2) and Contract end-use locations served under rates: M4, M5, M7, M9, T1, T3, U5, U7, or U9	▪ DCQ decreases will be managed by first decreasing Ontario Points of Receipt. ▪ Once all of the Ontario Points of Receipt have been exhausted, upstream arrangements allocated/assigned by Union Gas to the customer will then be reduced. ▪ Where the customer has multiple Ontario Points of Receipt, the decrease will be applied at the Point of Receipt last increased where it can be determined. If the last point of receipt cannot be determined then the decrease will be prorated. Reductions in upstream arrangements allocated/assigned by Union Gas to the customer will be adjusted accordingly.

Procedures

1) Union Gas will calculate or recalculate DCQ under the following circumstances:
   a. Upon contract renewal, or
   b. Upon the addition or deletion of end-use locations to/from the contract based on an effective date that is other than the contract renewal date. End-use locations may be added or deleted to the contract pursuant to the Gas Distribution Access Rule Electronic Business Transactions Standard. An amendment to the contract in this event is created at Union Gas's discretion.

2) For direct purchase contracts comprised of telemetered general service and contract rate end-use locations, the DCQ calculation at contract renewal, the calculation will be based on information available approximately 80 days prior to contract renewal. In addition:
   a. Union Gas will issue a Contract Parameters Report summarizing forecast consumption, changes in

obligated DCQ, and corresponding changes in upstream transportation allocation consistent with the above policy approximately 70 days prior to the contract's renewal date.

b. Customer may propose and Union Gas may accept an alternative forecast (with a resulting change in obligated DCQ) provided the contract holder provides justification acceptable to Union Gas for the increase or decrease - a forecast of expected consumption to support the requested obligated DCQ must be provided no later than 54 days before the contract's renewal date. Requests received after this date will be dealt with on a reasonable efforts basis.

c. If Customer's consumption is predominately in a single season, Union Gas will consider a seasonal DCQ where mutually agreed upon.

d. Customer will sign back the Contract Parameters Report approximately 54 days prior to the contract's renewal date.

3) Union Gas will issue a final Contract Parameters Report and contract amendment (reflecting obligated DCQ changes consistent with the above policy, and the resulting balancing requirements) approximately 35 days before the effective date of the amendment for customer signature.

4) Customer will sign and return the contract amendment to Union Gas at least 25 days before the effective date of the amendment.

5) Union Gas will sign the contract amendment and provide a copy to the customer approximately 1 week after receiving the signed amendment from customer.

6) Union Gas will prepare and Union Gas/customer will sign and execute temporary assignment paperwork for upstream pipelines, as necessary, in accordance with their respective schedules.

7) Customer will nominate deliveries to Union Gas reflecting the above contract amendment.

POLICIES & GUIDELINES

Policy #: 05-DP-DCQN-008

Subject:	**Effective**:
Setting new and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas North	**July 24, 2008**

Applies to:

All new or existing Bundled-T (BT) direct purchase customers in Union Gas's Northern and Eastern operations area. It excludes those situations where Union Gas's nominations to the customers are adjusted periodically during the term of the contract to reflect a planned zero Banked Gas Account (BGA) balance at the end of the contract year.

Purpose:

This policy will ensure consistent and fair treatment for setting and changing (either increases or decreases) a customer's Daily Contract Quantity (DCQ).

Background: *(Not to limit the applicability of the policy)*

The direct purchase contract identifies the obligated DCQ for the term of the contract. This policy addresses situations where either: a new contract requires a DCQ to be set; or a change in obligated DCQ is requested by a customer and/or their agent; or a change in obligated DCQ is required at the time of contract renewal or contract amendment.

Upstream Load Factor reflects the percent utilization of upstream assets contracted to serve a Union Gas Delivery Area. The load factor is determined by dividing the forecasted annual utilization of upstream assets for a delivery area by the annual contracted quantity for upstream assets to serve the Delivery Area. Currently the load factors in the Northern and Eastern operations area are 100%.

Policy:

When initiating a contract, the DCQ will be set to reflect the historical and/or forecasted consumption for the contract term. At contract renewal/amendment, the DCQ may be increased or decreased, to reflect the historical and/or forecasted consumption for the contract term. The DCQ for BT contracts is obligated.

Union Gas will determine the obligated DCQ based on the most recent 12 months of actual firm consumption of end use locations underlying the direct purchase contract / 365 days * Heat Value (GJ/m^3)/load factor. If the contract has a term greater than 12 months, the DCQ is calculated by dividing the historical consumption for the term of the contract by the number of days in the contract term. The consumption of general service end-use locations is weather normalized.

Setting the DCQ when initiating a new Direct Purchase contract

Non-telemetered General Service end-use locations served under Rate 01 and Rate 10 with new consumption	▪ End-use locations either transferring from Union Gas's sales service or transferring from an existing direct purchase contract will receive an allocation of Union Gas's Western upstream transportation arrangements.
Telemetered Contract end-use locations served under Rate 20 and Rate 100 with new consumption	▪ End-use locations either transferring from Union Gas's sales service or transferring from an existing direct purchase contract will receive an allocation of Union Gas's Western upstream transportation arrangements.

Increasing an existing Direct Purchase DCQ parameter	
Non-telemetered General Service end-use locations served under Rate 01, and Rate 10	▪ Any DCQ increases: due to end-use locations transferring from Union Gas's sales service; or due to end-use locations transferring from an existing direct purchase contract; or due to consumption increases will receive an allocation of Union Gas's Western upstream transportation arrangements,
Telemetered Contract end-use locations served under Rate 20 and Rate 100.	▪ Any DCQ increases: due to end-use locations transferring from Union Gas's sales service; or due to end-use locations transferring from an existing direct purchase contract; or due to consumption increases will receive an allocation of Union Gas's Western upstream transportation arrangements.
Decreasing an existing Direct Purchase DCQ parameter	
Non-telemetered General Service end-use locations served under Rate 01, Rate 10	▪ Any DCQ decreases: due to end-use locations transferring to Union Gas's sales service; or due to end-use locations transferring to an existing direct purchase contract; or due to consumption decreases will be managed by decreasing the Customer's Western DCQ.
Telemetered Contract end-use locations served under Rate 20 and Rate 100	▪ Any DCQ decreases: due to end-use locations transferring to Union Gas's sales service; or due to end-use locations transferring to an existing direct purchase contract; or due to consumption decreases will be managed by decreasing the Customer's Western DCQ.

Procedures

1) Union Gas will calculate or recalculate DCQ under the following circumstances:
   a. Upon contract renewal, or
   b. Upon the addition or deletion of end-use locations to/from the contract based on an effective date that is other than the contract renewal date. End-use locations may be added or deleted to the contract pursuant to the Gas Distribution Access Rule Electronic Business Transactions Standard. An amendment to the contract in this event is created at Union Gas's discretion.

2) For direct purchase contracts comprised of telemetered general service and contract rate end-use locations, the DCQ calculation at contract renewal, the calculation will be based on information available approximately 80 days prior to contract renewal. In addition:
   a. Union Gas will issue a Contract Parameters Report summarizing forecast consumption, changes in obligated DCQ, and corresponding changes in upstream transportation allocation consistent with the above policy approximately 70 days prior to the contract's renewal date.
   b. Customer may propose and Union Gas may accept an alternative forecast (with a resulting change in obligated DCQ) provided the contract holder provides justification acceptable to Union Gas for the increase or decrease - a forecast of expected consumption to support the requested obligated DCQ must be provided no later than 54 days before the contract's renewal date. Requests received after this date will be dealt with on a reasonable efforts basis.
   c. Customer will sign back the Contract Parameters Report approximately 54 days prior to the contract's

renewal date.

3) Union Gas will issue a final Contract Parameters Report and contract amendment (reflecting obligated DCQ changes consistent with the above policy) approximately 35 days before the effective date of the amendment for customer signature.

4) Customer will sign and return the contract amendment to Union Gas at least 25 days before the effective date of the amendment.

5) Union Gas will sign the contract amendment and provide a copy to the customer approximately 1 week after receiving the signed amendment from customer.

6) Union Gas will prepare and Union Gas/customer will sign and execute temporary assignment paperwork for upstream pipelines, as necessary, in accordance with their respective schedules.

7) Customer will nominate deliveries to Union Gas reflecting the above contract amendment.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issue C – Cost Allocation Review

Ref: November 28, 2008 Technical Conference Transcript, pages 18 to 27

Methodology for Identifying and Allocating Costs between System Gas Customers and Direct Purchasers

Question:

Would each utility please provide a concise description of the cost allocation methodology it proposes to apply to determine the charges to be recovered from system gas customers as a System Gas Administration Fee and the charges to be recovered from direct purchasers as a Direct Purchase Administration Fee.

Response:

The gas supply administration fee recovers the incremental costs related to providing gas supply purchase services to sales service customers. It includes the direct salaries and benefits of Union employees actually engaged in the purchase and administration of system supply (gas acquisitions, nominations, invoicing and payment processing and reporting), the investment carrying costs on gas purchase working capital and an allowance for bad debt. The forecast allowance for uncollectible accounts is split between gas supply (system) and delivery in proportion to revenue.

The direct purchase administration fee recovers incremental costs (direct salaries and benefits) associated with contract administration, gas management and billing and reporting. Union's DPAC only applies to administering direct purchase services for the general service market (rate classes M1, M2, R01 and R10). Costs to support direct purchase for the large commercial and industrial rate classes are included in the respective delivery rate because the vast majority of large commercial and industrial customers are on direct purchase agreements.

Please also see response at Exhibit IR5.11.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issue C – Cost Allocation Review

Ref: November 28, 2008 Technical Conference Transcript, pages 18 to 27

Methodology for Identifying and Allocating Costs between System Gas Customers and Direct Purchasers

Question:

Please list each of the activities or resources that is considered when applying the cost allocation methodology described in response to the previous question and provide a step by step description of the manner in which the costs of each activity or resource attributable to system gas customers and to direct purchasers are identified and allocated.

Response:

Listed below are departments and activities considered when determining the costs to be included in the gas supply administration fee and direct purchase administration fees. Each department is asked to provide the percentage of time spent on each activity. The time spent on each activity is then multiplied by the average salary and benefits for the positions required (eg. analyst, technical, manager) to arrive at the cost associated with each activity.

Gas Management Services

- Nominate, balance and schedule system supply and transportation activities on Union's upstream pipeline contract
- Receive/enter/validate nominations and schedule customer supplies 365 days per year
- Support daily allocation reporting on Unionline
- Monthly reporting and reconciling Union's physical and financial inventory
- Monthly validation of quantities on invoices for upstream transportation activity
- Receive/validate and report interconnecting pipeline measurements during all business days (365 days/year)
- Respond to customer inquiries

Gas Supply Planning

- Annual five year forecast of gas supply volumes/costs
- Forecast seasonal pipe requirements for system supply customers

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

- Identify peak day asset requirements for Union North
- Monthly reporting of system supply purchases to government bodies
- Provide storage outlook for system supply customers

Capacity Management and Utilization
- Review, monitor and forecast the supply position for system supply
- Review/monitor and forecast the supply position for direct purchase, non T-service
- Recommend whether Union purchases (spot) or turns off supply (UDC)

Acquisitions
- Propose monthly planned purchases
- Track pipeline capacities and system gas purchase requirements as they change over time
- Send request for proposals to gas suppliers, analyze responses, selective bidders
- Obtain natural gas suppliers at all contracted pipeline receipt points
- Adjust gas supply requirements for changing seasonal or monthly compressor fuel requirements for each pipeline
- Manage vertical slice program
- Direct Purchase upstream policy development and enforcement
- Utilize tools available to remain abreast of gas pricing and supply trends
- Administers the system gas cost deferral model and prepares QRAM submissions

Revenue & Gas Accounting
- Recording and verification of entries into the General Ledger for both system, DP and ABC customers
- Review credit requirements for both system and contract customers
- Report monthly cost of gas and gas inventory
- Payment of invoices for system gas and review payment process

Contract Billing & Operational Support
- Establishment of contract parameters for non-general and general service contracts
- Follow up on credit exposures
- Processing and execution of balancing transactions
- Contract compliance enforcement
- Customer issue resolution
- Validation of quantities nominated versus quantities contracted
- Handling of customer calls/requests
- Unionline access/administration
- Support/maintenance/enhancement of Unionline screens
- Customer profile administration
- All billing and reporting for direct purchase
- Monthly reporting

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Issue C – Cost Allocation Review

Ref: November 28, 2008 Technical Conference Transcript, pages 18 to 27

Methodology for Identifying and Allocating Costs between System Gas Customers and Direct Purchasers

Question:

Would each utility please specify how frequently they propose to update their System Gas Administration and Direct Purchase Administration Fees.

Response:

Union is not proposing any change to the gas supply administration fee or the Direct Purchase Administration Fees ("DPAC") at this time. Typically these fees are changed in a cost of service proceeding.

If Union determined that it was necessary to change the gas supply administration fee or the DPAC prior to the next cost of service proceeding, Union would file an application and supporting evidence.

Question: December 5, 2008
Answer: December 30, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener ("Kitchener")

Ref: Exhibit E2, Pages 13 – 21

Examination of Possible Alternatives to Price-Setting Forecast and Disposition Periods

Ref: Technical Conference Transcript, November 27, 2008
Page 97, line 24 thru Page 99, line 2

Issues 2.3 / 2.4

Question:

Is a quarterly price adjustment appropriate for the regulated gas supply option? If not, what alternative frequency or frequencies should be used by natural gas distributors?

a) Please prepare and present an alternative scenario analysis (#4) which assumes November 1 and April 1 rate filings based on a 12 month outlook of prices. Please illustrate and comment on the balance between price stability and market price sensitivity indicated by this less frequent alternative scenario relative to the status quo and the three alternative scenarios presented by Union.

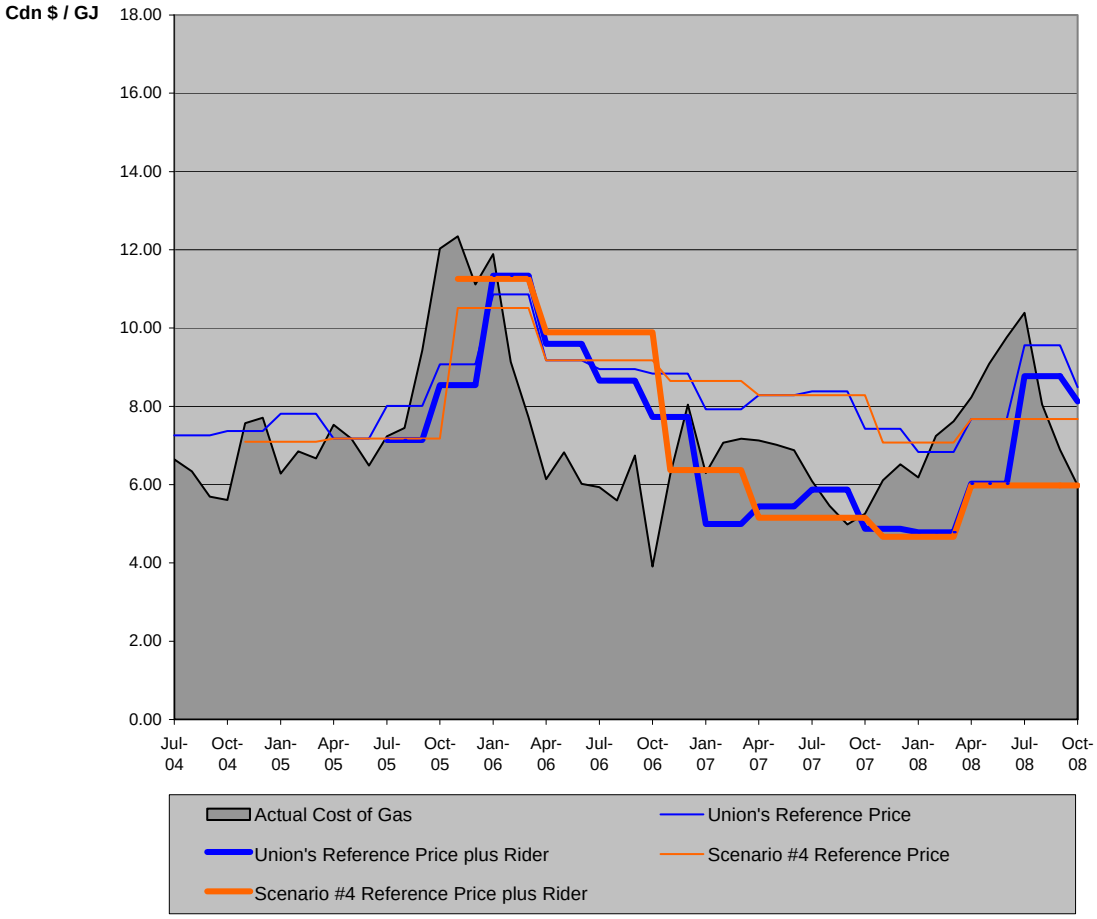
Response:

Scenario #4 – The illustration attached shows the result of a seasonal rate update (April 1 and November 1) with a 12-month outlook period and a 12-month deferral disposition period. This scenario results in less stable rates (volatility of $2.44/GJ) and slightly less accuracy to the actual cost of gas (average variance of $2.03) when compared to the current QRAM methodology. This scenario would require Union to adjust its gas supply commodity charges and reference amounts twice a year on April 1st and November 1st.

In Union's view the current quarterly process is known and understood by customers and provides the appropriate balance of stability and market price sensitivity. Accordingly, Union does not see any advantage that would support moving to a less frequent process for setting gas supply commodity charges.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

SCENARIO #4
Seasonal Filing using 12 Month Outlook and 12 Month Disposition



Comparison to Current Pricing Methodology including Rate Rider Impacts ($/GJ)
Period - Nov 2005 to Oct 2008

Filing Period over Outlook Period	STABILITY			ACCURACY		
	Volatility (1 Standard Deviation)	Stability Comparison to Current Pricing Methodology		Average Variance to Actual Cost of Gas	Accuracy Comparison to Current Pricing Methodology	
UNION (Q over Y)	$2.00			$1.98		
S#4 (Seasonal over Y)	$2.44	22%	Less Stable	$2.03	-2%	Less Accurate

Question: December 5, 2008
Answer: December 30, 2008
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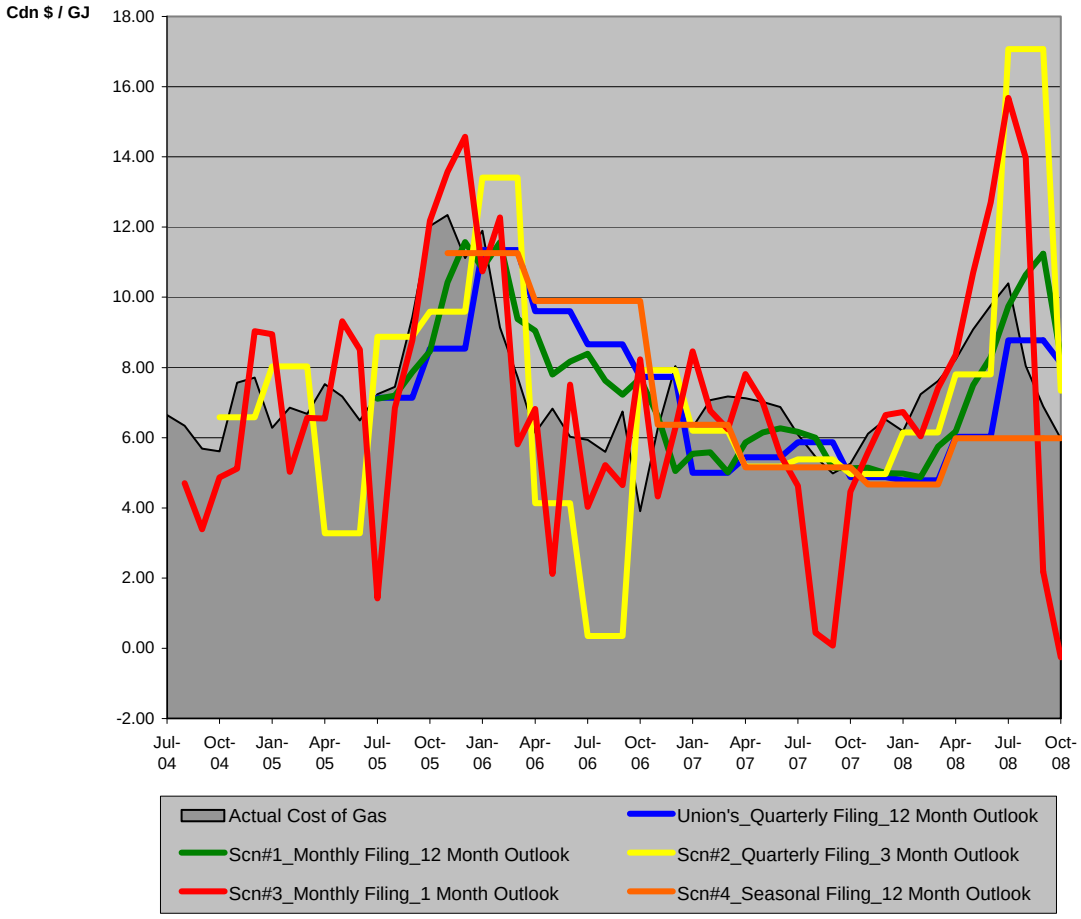
SUMMARY COMPARISON
Reference Prices Including Rate Rider Impacts



Comparison to Current Pricing Methodology including Rate Rider Impacts ($/GJ)
Period - July 2005 to Oct 2008

Filing Period over Outlook Period	STABILITY			ACCURACY		
	Volatility (1 Standard Deviation)	Stability Comparison to Current Pricing Methodology		Average Variance to Actual Cost of Gas	Accuracy Comparison to Current Pricing Methodology	
UNION (Q over Y)	$2.00			$1.98		
S#1 (M over Y)	$2.04	2%	Less Stable	$1.55	21%	More Accurate
S#2 (Q over Q)	$4.07	103%	Less Stable	$2.41	-22%	Less Accurate
S#3 (M over M)	$3.97	98%	Less Stable	$2.11	-7%	Less Accurate
S#4 (Seasonal over Y)	$2.44	22%	Less Stable	$2.03	-2%	Less Accurate

Please note: Scenario #4 period begins Nov05 when full impact of rate rider could be incorporated into pricing.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener ("Kitchener")

Ref: Exhibit E2, Page 66, lines 5 thru 26

Sub-Issue 8.1

Question:

What are the costs and benefits to ratepayers, gas marketers and natural gas distributors of the current load balancing mechanisms used by each of Union and Enbridge?
Page 2 of 2

a) Please confirm, in its integrated supply plan for the winter of 2008 / 2009, if Union continues to hold 29.5 PJ of balancing inventory to manage the forecast imbalance between the supply and demand of all Bundled-T contracts.
b) Please reconcile the amount of balancing inventory in part (a) with the 100 PJ cap on storage for Union's in-franchise market per the NGEIR Decision by identifying and quantifying each of the remaining major components in its integrated supply plan for the winter of 2008 / 2009, i.e. balancing inventory for system gas customers, contract storage for semi-unbundled and unbundled customers, system integrity (disaggregated by component), and unutilized storage available for in-franchise use in excess of allocated amounts or ex-franchise use.

Response:

a) Union holds 28.6 PJs of balancing inventory in the supply plan for the winter of 2008/2009 to manage bundled customer forecast imbalances.

b) The 100 PJ cap is the amount of storage space that Union is required to reserve at cost-based rates for current and future in-franchise customers. The make-up of in-franchise storage space in the gas supply plan for the winter 2008/2009 is as follows:

Sales Service	33.8
BT/ABC-T	26.4
System Integrity Full	6.0
System Integrity Empty	3.7
Semi-Unbundled & Unbundled	21.2
M13	0.2
Total In-franchise Allocation	91.3 PJs

The difference between the 100 PJs of capacity reserved for in-franchise growth and the 91.3 PJs storage requirement is available to be sold at market based rates.

Question: December 5, 2008
Answer: December 30, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener ("Kitchener")

Ref: ***Technical Conference Transcript, November 27, 2008***
Page 111, line 28 thru Page 112, line 3
Ref: ***Technical Conference November 27, 2008***
Enbridge Presentation

Issue B: ***Load Balancing Obligations***
Slide 9 – BGA Management "Tools" – see Note
Sub-Issue 8.1

Question:

Should there be standardized load balancing mechanisms for Union and Enbridge? What are the costs, benefits and implications to ratepayers, gas marketers and natural gas distributors of standardizing the load balancing mechanisms for Union and Enbridge?

a) Please explain, unlike Enbridge, why Union cannot accept – as firm - load balancing transactions from direct purchase customers such as make-ups, suspensions, transfers, etc. once scheduled.

Response:

Union's load balancing services are interruptible year-round in contrast to Enbridge which offers firm load balancing services during off peak periods only (i.e. Enbridge does not offer either firm or interruptible services during blackout periods when peak conditions are forecast).

Union plans for, and requires, obligated deliveries to meet the firm requirements of all customers. As well, Union does not know what the actual firm demands of all customers will be until the system is scheduled for a particular gas day based on nominations. Even then, because Union does not require Bundled T or T1/T3 customers to nominate their daily consumption needs, Union does not know what actual firm needs will be and must plan to be able to meet those full firm requirements. Therefore, a balancing transaction that results in a suspension of deliveries cannot be firm due the potential of jeopardizing Union's ability to meet the firm demands of all customers. Likewise, a balancing transaction that results in greater deliveries than the DCQ, during heavy injection periods, could jeopardize Union's ability to meet required space and injection needs.

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For most load balancing transactions required around specific balancing points, the likelihood of them being cut would be minimal. For example, if a customer/marketer needed to shed gas due to the fact they were going to exceed their September 30th checkpoint, the chance of a suspension or EFT being cut in the August/September time period would be low due to the counter-flow nature of the request. Likewise, in the winter preceding the February 28th checkpoint a customer needing to bring gas in so as not to be below the checkpoint would have a low probability of an incremental delivery being cut.

Union's overall system is designed to meet firm forecasted activity. The cost of planned load balancing is included in delivery rates. Unforecasted Bundled-T load balancing activity is not planned for, nor designed for, and therefore firm balancing transactions cannot be offered.

Question: December 5, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

Please provide an estimate of the incremental annual costs that would be incurred if the LDCs were required to move to a monthly price adjustment mechanism.

Response:

Please see response at Exhibit IR24.1.

Question: December 8, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

Please provide a detailed description of the potential benefits and costs associated with moving to a mechanism that would adjust the commodity cost of gas every six months. Would the LDCs be supportive of such an approach? If not, why not?

Response:

The potential benefits and costs of a process where the commodity rates would be updated every 6 months may include:

Benefits:

- Reduction in time invested by the LDC, the Board and other parties in the less frequent application process
- Fewer price changes for customers

Costs:

- Commodity rates that are less reflective of market price changes
- Increased out-of-period adjustments, collected through larger rate riders
- Decreased stability in rates due to the larger rate riders
- Assuming a 12-month outlook period and 12-month disposition of deferred balances as shown at Union's response at Exhibit IR6.1, decreased stability of rates (plus riders) of 22%, and decreased accuracy to the actual cost of gas of 2%. (Note: The scenario shown in Union's response at Exhibit IR6.1 assumes November and April rate applications, which would be a 5-month period followed by a 7-month period. Although this scenario is slightly different that that posed in this interrogatory response, the results on stability and accuracy would be similar.)

Union is not supportive of a mechanism adjusting commodity costs every six months because it would not provide the best combination of price stability and market sensitivity.

Question: December 8, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

Please discuss the pros and cons of determining the system gas fee and the DPAC on a fully allocated basis. What would be the impact of determining the fees this way on the competitive retail market?

Response:

Union does not see any advantage to determining the fees on a fully allocated basis. The disadvantages are:

- Neither the provision of the gas supply service to sales service customers nor the services related to facilitating direct purchase are considered part of Union's core business. Union's primary business is to provide distribution, transmission and storage services to in-franchise and ex-franchise customers including base level load balancing for in-franchise customers; and
- If Union determined the costs related to the gas supply administration fee on a fully allocated basis Union would be at risk of non recovery of the difference between the incremental and fully allocated costs should sales service activity levels decrease. By taking an incremental approach, Union eliminates the incentive to actively market the system supply option so as to maintain the recovery of the fully allocated cost.

Question: December 8, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

With respect to the QRAM process what changes could be made to create a more competitive market for energy consumers?

Response:

Energy consumers have the choice to select a gas supply option that best meets their needs. Union supports a market based on customer choice and is indifferent as to what option a customer selects.

Union is proposing to shorten the time between the close of the 21-day strip and the effective date of the rate updates. Such a change would increase the market sensitivity of Union's rates and reduce the size of the out-of-period adjustments that are disposed through the rate riders.

Please see response at Exhibit IR5.3.

Question: December 8, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

How can EGD and Union Gas ensure that the "commodity cost" as set out on their bills is comparable to the offerings provided by retail marketer? Are changes required? If, so please explain what changes should be made?

Response:

Union cannot ensure that the "commodity cost" as set out on sales service bills is comparable to the offerings provided by retail marketers. Marketers provide various service offerings over which Union has no control. Union is only permitted to offer commodity sales service pursuant to the Board approved QRAM process.

Please see response at Exhibit IR5.3.

Question: December 8, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

Please explain why a 21-day strip is the optimal way to undertake a gas cost forecast relative to other models.

Response:

The 21-day strip was adopted at Union in 2004 as an effective way to capture the average forward 12-month market prices. The 21 business day period spans a full month and reduces the likelihood of basing a forecast on any particular trading days where prices may be higher or lower than average.

Throughout the month gas prices are affected by the number of physical trades that occur. These trades are often spread unevenly through the month. Higher trading activity commonly takes place near the end of the month. It is best to capture the whole month of market prices so that the full range of prices is captured in the average.

A longer period, such as a 2-month strip, would reduce the market sensitivity of the rate, while a shorter period, such as a 2-week strip, would rely too heavily on a short period of the month and perhaps skew prices due to short term volatility in the market.

Question: December 8, 2008
Answer: December 30, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Question:

Please provide, to the extent possible, evidence that the 21-day strip approach is used in other jurisdictions. To the extent is not, what are the most common approaches applied?

Response:

Union has not completed a review of the extent to which the 21-day strip approach is used in other jurisdictions.

Question: December 8, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 8, Union's Current QRAM Methodology.

Question:

a) Please provide in the form of a formula the method by which the QRAM process takes place. In so doing, please explain how the QRAM reference price is calculated, what sub-components are involved, over what time period and on what triggers, if any, the sub-accounts are cleared; and what, if any, additional factors affect the QRAM process. In this explanation, please also indicate if there are any additional accounting or procedural rules which effect the reference price or any sub-components.

b) For each of the subcomponents which form the quarterly gas charge, including riders, please provide a full listing of what the price or account balances were on a monthly basis for the last three years. Please also indicate whether any portion of the monthly price or account balance was partly formed by a carry over from previous time periods.

Response:

a) The formula for the QRAM process includes:

1. the calculation of the reference prices,
2. the calculation of the gas supply-related rates,
3. submission of Union's rate application to the OEB and subsequent approval,
4. implementation of the new rate including customer notices.

The commodity reference price (the Alberta Border Reference Price) is calculated by:

- averaging over a 21-day period the forward monthly NYMEX market prices for each of the 12 months in the QRAM period. The 21-day period runs 21 consecutive business days, ending no more than 45 days prior to the effective date of the QRAM period.
- applying a forward Empress basis differential to these 12 NYMEX prices.
- converting the units to Cdn$/GJ.

Question: December 5, 2008
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- calculating a single 12-month weighted average price for the QRAM period by weighting the monthly prices by the expected purchases in each of the 12 months.

The commodity rate is determined by adding to the Alberta Border Reference Price an administration charge and the compressor fuel cost that is specific to each delivery area.

The gas price adjustment (or rider) is calculated by determining past actual cost variances to the reference price and setting a rate that will dispose of this cost or debit over the 12-month QRAM period.

This process is completed each quarter without triggers.

There are no additional accounting or procedural rules that affect the reference price or any sub-components.

b) Attachments 1 and 2 show the forecast gas price, gas cost deferral account clearing and the net gas price paid by sales service customers for both Union South and North.

Exhibit IR8.1(b)
Attachment #1

UNION SOUTH

		Calculation of Gas Supply Commodity Charge					Clearing of Deferral Account Balances (1)				
		Alberta Border Reference Price		Compressor Fuel Charge	Gas Supply Admin Charge	Gas Commodity & Fuel Rate	Firm PGVA	Inventory Revaluation	Spot Gas	Net Prospective Recovery	Total Commodity & Fuel Rate
	Month/Year	($/GJ)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)
		(a)	(b)	(c)	(d)	(e)= (b)+(c)+(d)	(f)	(g)	(h)	(i)=(f)+(g)+(h)	(j)=(e)+(i)
1	01/2006	10.859	40.8950	2.2431	0.2481	43.3862	1.9257	-3.6447	0.0053	-1.7137	41.6725
2	02/2006	10.859	40.8950	2.2431	0.2481	43.3862	1.9257	-3.6447	0.0053	-1.7137	41.6725
3	03/2006	10.859	40.8950	2.2431	0.2481	43.3862	1.9257	-3.6447	0.0053	-1.7137	41.6725
4	04/2006	9.173	34.5363	2.0938	0.2481	36.8782	1.3922	-3.2640	0.0022	-1.8696	35.0086
5	05/2006	9.173	34.5363	2.0938	0.2481	36.8782	1.3922	-3.2640	0.0022	-1.8696	35.0086
6	06/2006	9.173	34.5363	2.0938	0.2481	36.8782	1.3922	-3.2640	0.0022	-1.8696	35.0086
7	07/2006	8.954	33.7118	2.1078	0.2481	36.0677	-1.1782	-2.4502	0.0016	-3.6268	32.4409
8	08/2006	8.954	33.7118	2.1078	0.2481	36.0677	-1.1782	-2.4502	0.0016	-3.6268	32.4409
9	09/2006	8.954	33.7118	2.1078	0.2481	36.0677	-1.1782	-2.4502	0.0016	-3.6268	32.4409
10	10/2006	8.837	33.2536	2.1487	0.2481	35.6504	-3.0492	-1.0830	0.0012	-4.1310	31.5194
11	11/2006	8.837	33.2536	2.1487	0.2481	35.6504	-3.0492	-1.0830	0.0012	-4.1310	31.5194
12	12/2006	8.837	33.2536	2.1487	0.2481	35.6504	-3.0492	-1.0830	0.0012	-4.1310	31.5194
13	01/2007	7.926	29.8255	1.7619	0.3173	31.9047	-8.8137	1.7397	0.0003	-7.0737	24.8310
14	02/2007	7.926	29.8255	1.7619	0.3173	31.9047	-8.8137	1.7397	0.0003	-7.0737	24.8310
15	03/2007	7.926	29.8255	1.7619	0.3173	31.9047	-8.8137	1.7397	0.0003	-7.0737	24.8310
16	04/2007	8.288	31.0303	1.6211	0.3173	32.9687	-8.3026	1.2159	0.0001	-7.0866	25 8821
17	05/2007	8.288	31.0303	1.6211	0.3173	32.9687	-8.3026	1.2159	0.0001	-7 0866	25.8821
18	06/2007	8.288	31.0303	1.6211	0.3173	32.9687	-8.3026	1.2159	0.0001	-7.0866	25.8821
19	07/2007	8.379	31.3710	1.5856	0.3173	33.2739	-6.6684	0.8956	0.0000	-5.7728	27.5011
20	08/2007	8.379	31.3710	1.5856	0.3173	33.2739	-6.6684	0.8956	0.0000	-5.7728	27.5011
21	09/2007	8.379	31.3710	1.5856	0.3173	33.2739	-6.6684	0.8956	0.0000	-5.7728	27.5011
22	10/2007	7.426	27.8995	1.3055	0.3173	29.5223	-6.4210	1.8322	0.0000	-4.5888	24.9335
23	11/2007	7.426	27.8995	1.3055	0.3173	29.5223	-6.421	1.8322	0.0000	-4.5888	24.9335
24	12/2007	7.426	27.8995	1.3055	0.3173	29.5223	-6.421	1.8322	0.0000	-4.5888	24.9335
25	01/2008	6.834	25.6753	1.1982	0.3173	27.1908	-5.8711	1.4056	0.0001	-4.4654	22.7254
26	02/2008	6.834	25.6753	1.1982	0.3173	27.1908	-5.8711	1.4056	0.0001	-4.4654	22.7254
27	03/2008	6.834	25.6753	1.1982	0.3173	27.1908	-5.8711	1.4056	0.0001	-4.4654	22.7254
28	04/2008	7.677	28.8809	1.3215	0.3173	30.5197	-4.3812	1.2876	0.0000	-3.0936	27.4261
29	05/2008	7.677	28.8809	1.3215	0.3173	30.5197	-4.3812	1.2876	0.0000	-3.0936	27.4261
30	06/2008	7.677	28.8809	1.3215	0.3173	30.5197	-4.3812	1.2876	0.0000	-3.0936	27.4261
31	07/2008	9.562	35.9722	1.5414	0.3173	37.8309	-1.8805	0.7709	0.0000	-1.1096	36.7213
32	08/2008	9.562	35.9722	1.5414	0.3173	37.8309	-1.8805	0.7709	0.0000	-1.1096	36.7213
33	09/2008	9.562	35.9722	1.5414	0.3173	37.8309	-1.8805	0.7709	0.0000	-1.1096	36.7213
34	10/2008	8.489	31.9356	1.2585	0.3138	33.5079	-0.1070	1.6646	0.0000	1.5576	35.0655
35	11/2008	8.489	31.9356	1.2585	0.3138	33.5079	-0.1070	1.6646	0.0000	1.5576	35.0655
36	12/2008	8.489	31.9356	1.2585	0.3138	33.5079	-0.1070	1.6646	0.0000	1.5576	35.0655

Notes:
(1) Rate rider includes carry over from prior periods.

Exhibit IR8.1(b)
Attachment #2

UNION NORTH (Eastern Zone)

		Calculation of Gas Supply Commodity Charge					Clearing of Deferral Account Balances (1)					
		Alberta Border Reference Price		Compressor Fuel Charge	Gas Supply Admin Charge	Gas Commodity & Fuel Rate	Firm PGVA	Inventory Revaluation	Fuel	Spot Gas	Net Prospective Recovery	Total Commodity & Fuel Rate
	Month/Year	($/GJ)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)	(cents/m^3)
		(a)	(b)	(c)	(d)	(e)= (b)+(c)+(d)	(f)	(g)	(h)	(i)	(j)=(f)+(g)+(h)+(i)	(k)=(e)+(j)
1	01/2006	10.859	40.8950	2.2431	0.2923	43.4304	1.8315	-3.6447	0.8438	0.0053	-0.9641	42.4663
2	02/2006	10.859	40.8950	2.2431	0.2923	43.4304	1.8315	-3.6447	0.8438	0.0053	-0.9641	42.4663
3	03/2006	10.859	40.8950	2.2431	0.2923	43.4304	1.8315	-3.6447	0.8438	0.0053	-0.9641	42.4663
4	04/2006	9.173	34.5363	2.0938	0.2923	36.9224	1.4487	-3.2640	1.1007	0.0022	-0.7124	36.2100
5	05/2006	9.173	34.5363	2.0938	0.2923	36.9224	1.4487	-3.2640	1.1007	0.0022	-0.7124	36.2100
6	06/2006	9.173	34.5363	2.0938	0.2923	36.9224	1.4487	-3.2640	1.1007	0.0022	-0.7124	36.2100
7	07/2006	8.954	33.7118	2.1078	0.2923	36.1119	-2.2108	-2.4502	0.8885	0.0016	-3.7709	32.3410
8	08/2006	8.954	33.7118	2.1078	0.2923	36.1119	-2.2108	-2.4502	0.8885	0.0016	-3.7709	32.3410
9	09/2006	8.954	33.7118	2.1078	0.2923	36.1119	-2.2108	-2.4502	0.8885	0.0016	-3.7709	32.3410
10	10/2006	8.837	33.2536	2.1487	0.2923	35.6946	-3.8154	-1.0830	0.7544	0.0012	-4.1428	31.5518
11	11/2006	8.837	33.2536	2.1487	0.2923	35.6946	-3.8154	-1.0830	0.7544	0.0012	-4.1428	31.5518
12	12/2006	8.837	33.2536	2.1487	0.2923	35.6946	-3.8154	-1.0830	0.7544	0.0012	-4.1428	31.5518
13	01/2007	7.926	29.8255	1.7619	0.3173	31.9047	-11.5994	1.7397	0.0435	0.0003	-9.8159	22.0888
14	02/2007	7.926	29.8255	1.7619	0.3173	31.9047	-11.5994	1.7397	0.0435	0.0003	-9.8159	22.0888
15	03/2007	7.926	29.8255	1.7619	0.3173	31.9047	-11.5994	1.7397	0.0435	0.0003	-9.8159	22.0888
16	04/2007	8.288	31.0303	1.6211	0.3173	32.9687	-10.8893	1.2159	-0.2142	0.0001	-9.8875	23.0812
17	05/2007	8.288	31.0303	1.6211	0.3173	32.9687	-10.8893	1.2159	-0.2142	0.0001	-9.8875	23.0812
18	06/2007	8.288	31.0303	1.6211	0.3173	32.9687	-10.8893	1.2159	-0.2142	0.0001	-9.8875	23.0812
19	07/2007	8.379	31.3710	1.5856	0.3173	33.2739	-8.3400	0.8956	-0.1440	0.0000	-7.5884	25.6855
20	08/2007	8.379	31.3710	1.5856	0.3173	33.2739	-8.3400	0.8956	-0.1440	0.0000	-7.5884	25.6855
21	09/2007	8.379	31.3710	1.5856	0.3173	33.2739	-8.3400	0.8956	-0.1440	0.0000	-7.5884	25.6855
22	10/2007	7.426	27.8995	1.3055	0.3173	29.5223	-7.8722	1.8322	-0.2121	0.0000	-6.2521	23.2702
23	11/2007	7.426	27.8995	1.3055	0.3173	29.5223	-7.8722	1.8322	-0.2121	0.0000	-6.2521	23.2702
24	12/2007	7.426	27.8995	1.3055	0.3173	29.5223	-7.8722	1.8322	-0.2121	0.0000	-6.2521	23.2702
25	01/2008	6.834	25.6753	1.1982	0.3173	27.1908	-4.2622	1.4056	-0.2701	0.0001	-3.1266	24.0642
26	02/2008	6.834	25.6753	1.1982	0.3173	27.1908	-4.2622	1.4056	-0.2701	0.0001	-3.1266	24.0642
27	03/2008	6.834	25.6753	1.1982	0.3173	27.1908	-4.2622	1.4056	-0.2701	0.0001	-3.1266	24.0642
28	04/2008	7.677	28.8809	1.3215	0.3173	30.5197	-2.8176	1.2876	-0.2793	0.0000	-1.8093	28.7104
29	05/2008	7.677	28.8809	1.3215	0.3173	30.5197	-2.8176	1.2876	-0.2793	0.0000	-1.8093	28.7104
30	06/2008	7.677	28.8809	1.3215	0.3173	30.5197	-2.8176	1.2876	-0.2793	0.0000	-1.8093	28.7104
31	07/2008	9.562	35.9722	1.5414	0.3173	37.8309	-0.2417	0.7709	0.3446	0.0000	0.8738	38.7047
32	08/2008	9.562	35.9722	1.5414	0.3173	37.8309	-0.2417	0.7709	0.3446	0.0000	0.8738	38.7047
33	09/2008	9.562	35.9722	1.5414	0.3173	37.8309	-0.2417	0.7709	0.3446	0.0000	0.8738	38.7047
34	10/2008	8.489	31.9356	1.2585	0.3138	33.5079	1.9125	1.6646	0.2086	0.0000	3.7857	37.2936
35	11/2008	8.489	31.9356	1.2585	0.3138	33.5079	1.9125	1.6646	0.2086	0.0000	3.7857	37.2936
36	12/2008	8.489	31.9356	1.2585	0.3138	33.5079	1.9125	1.6646	0.2086	0.0000	3.7857	37.2936

Notes:
(1) Rate rider includes carry over from prior periods.

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Pages 16 - 19

Question:

In respect of the three graphs, please provide the numbers used as a base to express the monthly numbers for volatility. In addition, please provide additional graphs for each scenario which do the following:

a) Show volatility expressed through the monthly prices for each scenario multiplied by the monthly consumption assumed under the scenarios; and

b) Show volatility expressed through the monthly prices for each scenario multiplied by the monthly consumption assumed under the scenario and smoothed through the application of equal billing.

Response:

Attachment #1 identifies the numbers used to express volatility.

a) Please see Attachment #2.

b) Please see Attachment #2.

Question: December 5, 2008
Answer: December 30, 2008
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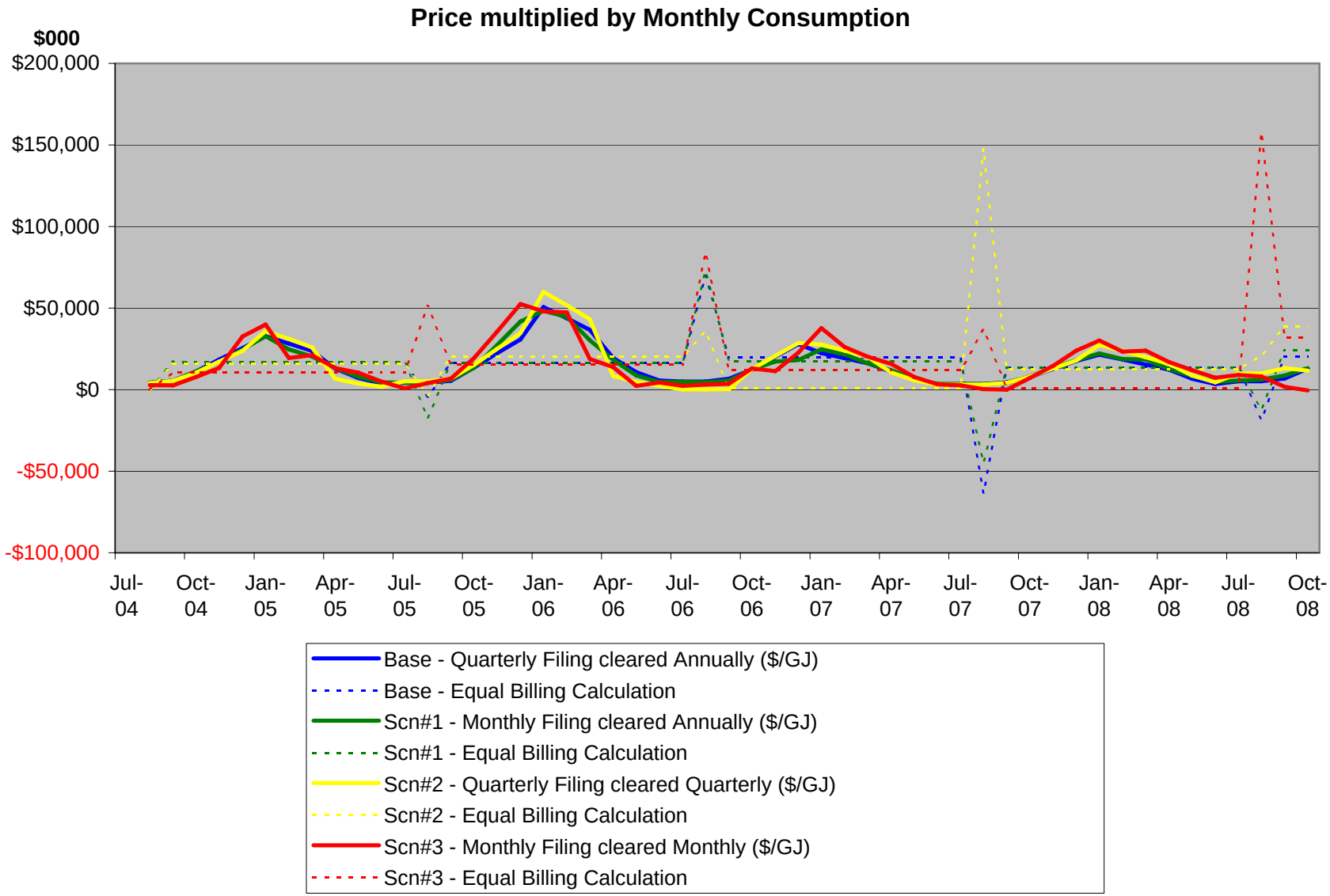
Monthly Prices Used in the Scenario G raphs

(Reference Price plus Rate Rider)

	Base - Quarterly Filing cleared Annually ($/GJ)	Scn#1 - Monthly Filing cleared Annually ($/GJ)	Scn#2 - Quarterly Filing cleared Quarterly ($/GJ)	Scn#3 - Monthly Filing cleared Monthly ($/GJ)
1-Jul-05	7.14	7.11	8.87	1.42
1-Aug-05	7.14	7.20	8.87	6.84
1-Sep-05	7.14	7.87	8.87	8.77
1-Oct-05	8.54	8.46	9.59	12.18
1-Nov-05	8.54	10.42	9.59	13.57
1-Dec-05	8.54	11.58	9.59	14.57
1-Jan-06	11.34	10.82	13.41	10.74
1-Feb-06	11.34	11.57	13.41	12.27
1-Mar-06	11.34	9.38	13.41	5.81
1-Apr-06	9.60	9.04	4.13	6.82
1-May-06	9.60	7.79	4.13	2.12
1-Jun-06	9.60	8.17	4.13	7.51
1-Jul-06	8.66	8.39	0.35	4.02
1-Aug-06	8.66	7.62	0.35	5.22
1-Sep-06	8.66	7.23	0.35	4.65
1-Oct-06	7.73	7.69	7.92	8.23
1-Nov-06	7.73	6.62	7.92	4.33
1-Dec-06	7.73	5.05	7.92	6.29
1-Jan-07	5.00	5.54	6.20	8.46
1-Feb-07	5.00	5.58	6.20	6.77
1-Mar-07	5.00	5.01	6.20	6.24
1-Apr-07	5.44	5.86	5.17	7.81
1-May-07	5.44	6.15	5.17	7.00
1-Jun-07	5.44	6.27	5.17	5.51
1-Jul-07	5.87	6.17	5.38	4.63
1-Aug-07	5.87	6.00	5.38	0.44
1-Sep-07	5.87	5.14	5.38	0.08
1-Oct-07	4.87	5.12	4.97	4.46
1-Nov-07	4.87	5.15	4.97	5.58
1-Dec-07	4.87	4.99	4.97	6.65
1-Jan-08	4.78	4.98	6.15	6.73
1-Feb-08	4.78	4.88	6.15	6.04
1-Mar-08	4.78	5.74	6.15	7.41
1-Apr-08	6.03	6.18	7.80	8.36
1-May-08	6.03	7.49	7.80	10.70
1-Jun-08	6.03	8.29	7.80	12.70
1-Jul-08	8.78	9.74	17.07	15.68
1-Aug-08	8.78	10.64	17.07	13.97
1-Sep-08	8.78	11.24	17.07	2.18
1-Oct-08	8.13	8.31	7.34	-0.25
VOLATILITY	2.00	2.04	4.07	3.97


Price multiplied by Monthly Consumption
$000
$200,000
$150,000
$100,000
$50,000
$0
-$50,000
-$100,000
Jul-04
Oct-04
Jan-05
Apr-05
Jul-05
Oct-05
Jan-06
Apr-06
Jul-06
Oct-06
Jan-07
Apr-07
Jul-07
Oct-07
Jan-08
Apr-08
Jul-08
Oct-08
Base - Quarterly Filing cleared Annually ($/GJ)
Base - Equal Billing Calculation
Scn#1 - Monthly Filing cleared Annually ($/GJ)
Scn#1 - Equal Billing Calculation
Scn#2 - Quarterly Filing cleared Quarterly ($/GJ)
Scn#2 - Equal Billing Calculation
Scn#3 - Monthly Filing cleared Monthly ($/GJ)
Scn#3 - Equal Billing Calculation

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 21, Conclusion: Examination of Possible Alternatives (to Price-Setting Forecast and Disposition Periods).

Question:

a) Please provide detailed examples of increased administration and communications costs to move to monthly rate setting. Please also provide cost estimates for implementing such a mechanism.

b) Please provide any and all research or other materials relating to customer confusion and negative customer reaction which Union is relying on to make the statement "...the cost implication and negative customer reaction outweigh any perceived benefit from a more accurate commodity rate."

c) Please provide examples as to how regulatory burden could be decreased or simplified in order to facilitate more frequent rate setting.

Response:

a) Please see response at Exhibit IR24.01.

b) Union has not completed research on the relationship between commodity rate accuracy and negative customer reaction. However, it is Union's view that customers favour rate stability as it allows them to more effectively budget for household expenses (i.e. frequent rate setting). The monthly customer bills resulting from a MRAM scenario would be more complex due to transparency and disclosure requirements. Union's experience shows that any change to the customer bill leads to increased call centre activity.

c) Under the current QRAM process, Union believes the regulatory burden is manageable for all stakeholders involved in the commodity rate setting process. Union believes the regulatory burden could be reduced under more frequent rate setting, if:

- Union is required to submit a letter informing the Board and other key stakeholders of a rate change;

Question: December 5, 2008
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- Upon receipt of Union's submission, the Board issues an order approving the rate change without stakeholder review; and,
- Rate change customer notices no longer require Board review and approval.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 23, Lines 14-21.

Question:

Please provide an explanation for Union's view that a utility 3-month or 1-month price would be an inappropriate price comparator to Direct Purchase 3 to 5 year annual prices.

Response:

In Union's view a utility 3-month price or a 1-month price would be an inappropriate price comparator to the direct purchase 3 to 5 year annual prices for the following reasons:

- Customers use the utility rates as a benchmark to which they compare their direct purchase options. Benchmarks are most useful when they offer a like comparison; in this case, Union's 12-month view of the forward market price of gas is a more relevant comparator than a shorter-term outlook.

- As demonstrated in the Scenario # 2 and #3 in Union's evidence (Exhibit E2 pp. 17-18), a 3-month price or a 1-month price would be significantly more volatile than the current 12-month price outlook and would reflect any short term market anomalies or seasonal price swings. These more volatile prices ranged from -$0.25/GJ in October '08, Scenario #3 to $17.07/GJ in the July '08, Scenario #2. Customers could not use these prices as a good estimate of their expected annual rate for comparison purposes to their direct purchase options which are an annual rate. For example, in July 2006, the 3-month utility price would have been $0.35/GJ. Any direct purchase 3 to 5 year price would look very unattractive to this low rate and could have resulted in customers making uninformed purchase decisions.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 24, Lines 21 through 25

Question:

a) Please provide the process steps, headcount requirements and number of days required for each step of the current mechanical QRAM process.

b) Please provide the process steps, headcount requirements and number of days required for each step of a mechanical MRAM process.

Response:

a), b) The attached table (Attachment #1) details the process steps and number of days required for each step of the current QRAM process. In addition to the publicly filed QRAM application there are a number of QRAM related activities that form an integral part of the QRAM process. Prior to each QRAM filing, Union:

i) determines the recovery variances related to each gas cost deferral account; and,
ii) generates the working papers supporting any approved change in TCPL tolls.

Immediately following each QRAM application, Union:

i) completes 32 customer notices for filing with the Board;
ii) updates the communication package, supporting schedules and bill history graphs for use by Union's Contact Center and Field Offices;
iii) supports Unionline and Factsline QRAM communication to customers; and,
iv) prepares materials for posting to Union's website.

If Union's proposal to make changes to quarterly distribution rates (in lieu of the annual Intra-period WACOG deferral account clearing) is accepted by the Board, additional time is required to update the relevant rate schedules and appendices. If Union was required to complete a monthly price, additional staff would be required due to the increased workload. Union has not estimated the cost associated with adding staff to accommodate a MRAM.

Question: December 5, 2008
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Current Mechanical QRAM and MRAM Process:

Gas Supply

Process Steps	Headcount Requirement	# of days	People Days
21 day strip calculation	1	0.25	0.25
Supply Forecast Analysis	2	0.25	0.50
Deferral Model Update	1	1.00	1.00
Schedule & Evidence Prep	1	0.25	0.25
Cost Forecast Analysis	2	0.25	0.50
			2.50 days

Rates & Pricing

Process Steps	Headcount Requirement	People Days
Model Updates	2	2.00
Schedule & Working Paper Prep	2	2.00
Evidence Prep	2	1.00
Bill Impacts	2	1.00
Rate Schedules & Appendices	2	1.40
Customer Notices (32 total)	3	3.50
Contact Centre and District Support Q&.	1	1.60
		12.50 days

Note: Analysis does not include Union's proposed elimination of the Intra-Period WACOG deferral account.

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 25, Item 5

Question:

Has Union asked its customers if they have an interest in a monthly gas commodity charge?

Response:

No. Union has not asked its customers if they have an interest in a monthly gas commodity charge.

However, if customers had interest in a monthly price, the competitive market place would offer a monthly price rather than 3 to 5 year fixed contracts.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 28, lines 1 - 3

Question:

Please prepare and file a comparison over the last five years of the monthly Union reference prices versus the market prices for the same frequency over the same time period. Please indicate which 'market price' is being used and any assumptions that are being made.

Response:

Please see attachment.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

Exhibit IR8.7
Attachment

Quarterly Rate Adjustment Mechanism (QRAM) Comparison

QRAM	Docket #	Alberta Border Reference Price (Cdn$/GJ)	EMPRESS Monthly Index CGPR (Cdn$/GJ)	VARIANCE
Jan-04	**EB- 2003-0287**	**$ 5.480**	$ 6.651	$ (1.171)
Feb-04		$ 5.480	$ 6.638	$ (1.158)
Mar-04		$ 5.480	$ 6.016	$ (0.536)
Apr-04	**EB-2004-0210**	**$ 6.320**	$ 6.071	$ 0.249
May-04		$ 6.320	$ 6.533	$ (0.213)
Jun-04		$ 6.320	$ 7.219	$ (0.899)
Jul-04	**EB-2004-0267**	**$ 7.260**	$ 6.785	$ 0.475
Aug-04		$ 7.260	$ 6.700	$ 0.560
Sep-04		$ 7.260	$ 5.956	$ 1.305
Oct-04	**EB-2004-0416**	**$ 7.373**	$ 5.501	$ 1.873
Nov-04		$ 7.373	$ 7.738	$ (0.365)
Dec-04		$ 7.373	$ 7.332	$ 0.041
Jan-05	**EB-2004-0499**	**$ 7.812**	$ 6.751	$ 1.061
Feb-05		$ 7.812	$ 6.318	$ 1.494
Mar-05		$ 7.812	$ 6.412	$ 1.400
Apr-05	**EB-2005-0232**	**$ 7.177**	$ 7.223	$ (0.046)
May-05		$ 7.177	$ 7.411	$ (0.234)
Jun-05		$ 7.177	$ 6.739	$ 0.438
Jul-05	**EB-2005-0290**	**$ 8.009**	$ 7.142	$ 0.867
Aug-05		$ 8.009	$ 7.322	$ 0.687
Sep-05		$ 8.009	$ 9.203	$ (1.194)
Oct-05	**EB-2005-0462**	**$ 9.075**	$ 11.091	$ (2.016)
Nov-05		$ 9.075	$ 12.231	$ (3.156)
Dec-05		$ 9.075	$ 10.364	$ (1.289)
Jan-06	**EB-2005-0531**	**$ 10.859**	$ 11.625	$ (0.766)
Feb-06		$ 10.859	$ 8.130	$ 2.729
Mar-06		$ 10.859	$ 6.985	$ 3.874
Apr-06	**EB-2006-0033**	**$ 9.173**	$ 6.417	$ 2.756
May-06		$ 9.173	$ 6.345	$ 2.828
Jun-06		$ 9.173	$ 5.406	$ 3.767
Jul-06	**EB-2006-0106**	**$ 8.954**	$ 5.607	$ 3.347
Aug-06		$ 8.954	$ 5.953	$ 3.001
Sep-06		$ 8.954	$ 5.934	$ 3.020
Oct-06	**EB-2006-0500**	**$ 8.837**	$ 4.318	$ 4.519
Nov-06		$ 8.837	$ 6.464	$ 2.373
Dec-06		$ 8.837	$ 7.621	$ 1.216
Jan-07	**EB-2006-0502**	**$ 7.926**	$ 7.027	$ 0.899
Feb-07		$ 7.926	$ 6.977	$ 0.949
Mar-07		$ 7.926	$ 7.537	$ 0.389
Apr-07	**EB-2007-0053**	**$ 8.288**	$ 7.126	$ 1.162
May-07		$ 8.288	$ 7.196	$ 1.092
Jun-07		$ 8.288	$ 6.966	$ 1.322
Jul-07	**EB-2007-0634**	**$ 8.379**	$ 6.252	$ 2.127
Aug-07		$ 8.379	$ 5.161	$ 3.218
Sep-07		$ 8.379	$ 4.868	$ 3.511
Oct-07	**EB-2007-0720**	**$ 7.426**	$ 5.087	$ 2.339
Nov-07		$ 7.426	$ 5.929	$ 1.497
Dec-07		$ 7.426	$ 6.359	$ 1.067
Jan-08	**EB-2007-0918**	**$ 6.834**	$ 6.212	$ 0.622
Feb-08		$ 6.834	$ 6.985	$ (0.151)
Mar-08		$ 6.834	$ 7.409	$ (0.575)
Apr-08	**EB-2008-0033**	**$ 7.677**	$ 8.193	$ (0.516)
May-08		$ 7.677	$ 9.018	$ (1.341)
Jun-08		$ 7.677	$ 9.679	$ (2.002)
Jul-08	**EB-2008-0109**	**$ 9.562**	$ 10.904	$ (1.342)
Aug-08		$ 9.562	$ 8.543	$ 1.019
Sep-08		$ 9.562	$ 7.140	$ 2.422
Oct-08	**EB-2008-0281**	**$ 8.489**	$ 6.008	$ 2.481
Nov-08		$ 8.489	$ 6.634	$ 1.855
Dec-08		$ 8.489	$ 6.920	$ 1.569

The data used in the comparison is effective January, 2004.

January, 2004 was the effective date of Union's current QRAM methodology.

"Market price" being used is the EMPRESS Monthly Index Price as published in the Canadian Gas Price Reporter (CGPR).

Exhibit IR8.7
Attachment

Quarterly Rate Adjustment Mechanism (QRAM) Comparison

QRAM	Docket #	Alberta Border Reference Price (Cdn$/GJ)	EMPRESS Monthly Index CGPR (Cdn$/GJ)	VARIANCE
Jan-04	**EB- 2003-0287**	**$ 5.480**	$ 6.651	$ (1.171)
Feb-04		$ 5.480	$ 6.638	$ (1.158)
Mar-04		$ 5.480	$ 6.016	$ (0.536)
Apr-04	**EB-2004-0210**	**$ 6.320**	$ 6.071	$ 0.249
May-04		$ 6.320	$ 6.533	$ (0.213)
Jun-04		$ 6.320	$ 7.219	$ (0.899)
Jul-04	**EB-2004-0267**	**$ 7.260**	$ 6.785	$ 0.475
Aug-04		$ 7.260	$ 6.700	$ 0.560
Sep-04		$ 7.260	$ 5.956	$ 1.305
Oct-04	**EB-2004-0416**	**$ 7.373**	$ 5.501	$ 1.873
Nov-04		$ 7.373	$ 7.738	$ (0.365)
Dec-04		$ 7.373	$ 7.332	$ 0.041
Jan-05	**EB-2004-0499**	**$ 7.812**	$ 6.751	$ 1.061
Feb-05		$ 7.812	$ 6.318	$ 1.494
Mar-05		$ 7.812	$ 6.412	$ 1.400
Apr-05	**EB-2005-0232**	**$ 7.177**	$ 7.223	$ (0.046)
May-05		$ 7.177	$ 7.411	$ (0.234)
Jun-05		$ 7.177	$ 6.739	$ 0.438
Jul-05	**EB-2005-0290**	**$ 8.009**	$ 7.142	$ 0.867
Aug-05		$ 8.009	$ 7.322	$ 0.687
Sep-05		$ 8.009	$ 9.203	$ (1.194)
Oct-05	**EB-2005-0462**	**$ 9.075**	$ 11.091	$ (2.016)
Nov-05		$ 9.075	$ 12.231	$ (3.156)
Dec-05		$ 9.075	$ 10.364	$ (1.289)
Jan-06	**EB-2005-0531**	**$ 10.859**	$ 11.625	$ (0.766)
Feb-06		$ 10.859	$ 8.130	$ 2.729
Mar-06		$ 10.859	$ 6.985	$ 3.874
Apr-06	**EB-2006-0033**	**$ 9.173**	$ 6.417	$ 2.756
May-06		$ 9.173	$ 6.345	$ 2.828
Jun-06		$ 9.173	$ 5.406	$ 3.767
Jul-06	**EB-2006-0106**	**$ 8.954**	$ 5.607	$ 3.347
Aug-06		$ 8.954	$ 5.953	$ 3.001
Sep-06		$ 8.954	$ 5.934	$ 3.020
Oct-06	**EB-2006-0500**	**$ 8.837**	$ 4.318	$ 4.519
Nov-06		$ 8.837	$ 6.464	$ 2.373
Dec-06		$ 8.837	$ 7.621	$ 1.216
Jan-07	**EB-2006-0502**	**$ 7.926**	$ 7.027	$ 0.899
Feb-07		$ 7.926	$ 6.977	$ 0.949
Mar-07		$ 7.926	$ 7.537	$ 0.389
Apr-07	**EB-2007-0053**	**$ 8.288**	$ 7.126	$ 1.162
May-07		$ 8.288	$ 7.196	$ 1.092
Jun-07		$ 8.288	$ 6.966	$ 1.322
Jul-07	**EB-2007-0634**	**$ 8.379**	$ 6.252	$ 2.127
Aug-07		$ 8.379	$ 5.161	$ 3.218
Sep-07		$ 8.379	$ 4.868	$ 3.511
Oct-07	**EB-2007-0720**	**$ 7.426**	$ 5.087	$ 2.339
Nov-07		$ 7.426	$ 5.929	$ 1.497
Dec-07		$ 7.426	$ 6.359	$ 1.067
Jan-08	**EB-2007-0918**	**$ 6.834**	$ 6.212	$ 0.622
Feb-08		$ 6.834	$ 6.985	$ (0.151)
Mar-08		$ 6.834	$ 7.409	$ (0.575)
Apr-08	**EB-2008-0033**	**$ 7.677**	$ 8.193	$ (0.516)
May-08		$ 7.677	$ 9.018	$ (1.341)
Jun-08		$ 7.677	$ 9.679	$ (2.002)
Jul-08	**EB-2008-0109**	**$ 9.562**	$ 10.904	$ (1.342)
Aug-08		$ 9.562	$ 8.543	$ 1.019
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The data used in the comparison is effective January, 2004.

January, 2004 was the effective date of Union's current QRAM methodology.

"Market price" being used is the EMPRESS Monthly Index Price as published in the Canadian Gas Price Reporter (CGPR).

December, 2008

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 30 -31, Issue 4.3 (Methodologies for disposal of deferral/ variance accounts)

Question:

a) Please provide the number of finalized accounts over an average 12 month period expressed both as a number and as a percentage of the total account base.

b) Please explain how a 12 month rolling clearance of deferral/ variance accounts better matches the recovery of such account balances (to those customers that have created the balance) for those customers that have finalized accounts during the 12 month recovery period.

c) Please advise if a specific rate class could be created for customers with large summer loads to avoid required gas cost variance recovery created by heat sensitive customers. If not, why not?

d) Please provide the number of large summer load customers referred to in this section both as a number and as a percentage of the total customer base.

Response:

a) , b) The number of finalized accounts over an average 12 month period is approximately 172,000. This represents about 13% of the total account base of approximately 1,300,000. In most cases the finalized accounts are simply customers moving from one premise to another. Since most of these finalized accounts will continue to use gas service, albeit at another address, the 12 month recovery period provides an appropriate match for customers that have finalized accounts.

c) Gas cost variance recovery, which only applies to sales service customers within any rate class, is not a sufficient criterion for creating a specific distribution rate class for customers with large summer loads. Type of service (sales or direct purchase) is not a basis for class ratemaking. A separate rate class is not necessary.

Union purchases gas for all sales service customers without regard to specific markets such as large summer loads. On an annual integrated supply plan basis it is

appropriate to dispose of gas cost variances to all sales service customers through the use of a matching 12 month recovery period.

d) The number of large summer load customers is approximately 1,500. This represents approximately 0.1% of the total customer base.

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 33, Lines 5-9

Question:

Considering both are "mechanical and formulaic", please explain why increased filings for delivery rates alluded to in this section will not increase the complexity (and hence effort and costs) for filing, while an increase in rate setting frequency would increase effort and costs.

Response:

As stated in Exhibit E2, page 33, changing delivery rates on a quarterly basis will require Union to create and file additional supporting schedules (i.e. in-franchise and ex-franchise rate schedules). However, since these delivery rate adjustments would be largely mechanical and formulaic, Union does not believe this change would have a "material impact" on the complexity of Union's QRAM process. In other words, updating delivery rates on a quarterly basis would simply add a mechanical and formulaic process to an existing QRAM process.

An increase in commodity rate setting frequency (i.e. move from QRAM to MRAM) would significantly increase both effort and costs. As noted above, updating delivery rates on a quarterly basis essentially adds an additional step to an already established process. However, moving to a monthly rate setting process will not only require the utility to update its delivery rates on a monthly basis, but also complete the entire commodity rate setting process 12 times per year rather than four.

Please see response at Exhibit IR24.1.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 34, Filing Requirements

Question:

Does Union support Enbridge's position to have the Board and Stakeholders determine which information should be presented by the Utilities in filing QRAM Applications? If not, why not?

Response:

Union supports the Board determining the information required for a QRAM filing. Union anticipates that following a Board Decision in this proceeding, key stakeholders (including the utilities and intervenors) will have an opportunity to file submissions as to what information is required for QRAM applications. Union further anticipates the Board will take these submissions into consideration when making a final determination on this matter.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 36, Lines 18-19.

"Union's current QRAM process is very mechanical. Union however believes the application and approval process can be improved such that it is completely mechanical."

Question:

Considering the above statements, please explain why a more frequent rate setting would cause increased costs as mentioned on Page 21.

Response:

Please see response at Exhibit IR24.1.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 38

Question:

a) Please explain the rationale for the lead time indicated (21 day strip ending 30 days prior to QRAM effective date), in light of recent volatility in the wholesale gas market.

b) Would Union agree that a price reported closer to the delivery time period would most likely be more reflective of the value of physical gas delivered under the period in question? If not, why not?

c) Would Union agree that Dawn is a liquid trading hub reflective of the cost of delivered gas (transportation adjusted to delivery in each utility franchise area)?

d) Does Union believe there should be a mechanistic approach using NYMEX contract settlement as the marker price and take mid month basis marks to adjust for the utility supply mix? If not, why not?

e) Is it possible to report the NYMEX settles as the prompt month expires (3 days) prior to flow?

f) Would Union agree that the primary drivers for using the current lead time are related to the timing of the regulatory approvals and notice periods in the current QRAM process?

Response:

a) The 30-day lead time from the last day of the 21-day strip to the QRAM price change implementation date is required to accommodate the following steps in the QRAM filing and approval process:
   i) Calculation of the reference prices and resulting rates
   ii) Preparation of the QRAM filing package, including customer notices
   iii) Issuance by the Board of the procedural order
   iv) Processing of comments and queries from intervenors

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v) Approval by the Board of the QRAM application
vi) Updating of the billing system for the new rates
vii) Issuance of final rate order and printing of the customer notices for inclusion in customers' bills

b) Generally, gas price forecasts made closer to the effective supply dates would tend to be more accurate than price forecasts made earlier.

c) Dawn is a liquid trading hub. A Dawn price is reflective of delivered gas to that location at a given time.

d) No. Prior to implementation of any commodity rate, whether it is for a 1-month price or a 12-month price, requires that the Board approve the rate. The NYMEX contract settlement for the near (prompt) month normally occurs on the 3rd last business day prior to the effective month. The remaining 2 business days in the month would not be sufficient time to prepare a rate application, have it reviewed and approved by the Board, provide the required customer notices and implement the rate prior to the effective date.

e) The NYMEX monthly settles are reported publicly each month when they expire.

f) Yes.

UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: General – Load Balancing

Question:

Does Union believe that more frequent balancing than those offered today, would provide greater efficiency in the system, matching supply more closely with demand and costs, by customer and retailer? If not, why not?

Response:

As outlined in the evidence, Bundled T customers already pay for the forecasted level of load balancing they require based on their consumption and delivery forecast. Although generally more frequent balancing may assist in supply and demand planning, having more frequent balancing points would cause a greater level of management responsibility for customers/marketers. This would increase the administrative burden on customers, marketers and Union.

The current load balancing requirements for Union are a balance between customer/marketer responsibility, customer/marketer flexibility, and Union overall system management.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 56, Lines 17-19

Question:

Please provide the data which supports Union's conclusion that consistent load balancing approaches between Enbridge and Union South and North would not be cost effective.

Response:

Consistent load balancing approaches between Union North, Union South and Enbridge would require system changes, contract changes/amendments and increased administration for Union and customers/marketers. These changes would drive increased costs without any corresponding benefits for ratepayers. Union does not have an estimate of the cost that would be incurred to implement a checkpoint-type mechanism for Union North.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: Page 57, Issue 8.3

Question:

a) Considering that DP customers deliver 60% of the supply volumes into the province, and Union controls whether a DP customer can suspend deliveries, please advise if it is possible for Union to draft DP supply.

b) Please advise if system customers, through Union, experience a benefit/ cost by balancing all customers. If not, why not?

Response:

a) Sales service customers do not draft DP supply.

b) Sales service customers experience no benefit/cost by Union balancing all customers.

As noted at Exhibit E2, pp. 43-45, in the South, direct purchase customers who are consuming less than forecast (excess supply) can take that gas off the system when operationally possible.

As noted at Exhibit E2, pp. 49 – 50, in the North, Union will ratchet down the obligated DCQ for direct purchase customers who are consuming less than forecast (excess supply) in order to balance the contract to zero by the contract year end.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: General – Billing Terminology

Question:

Does Union agree that harmonized billing terminology amongst natural gas distributors would provide customers province wide with a clearer understanding of materials presented to them from the OEB, Industry, or Media, in support of customer education?

Response:

Union does not agree.

The bill presentment and terminology used by Union and Enbridge is largely consistent. For this reason, Union believes that whatever value may be gained would not justify the significant effort and potential cost (i.e. major bill re-design) needed to harmonize billing terminology. There is also no evidence to suggest customers are uncomfortable with the current terminology on Union's bill.

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UNION GAS LIMITED

Answer to Interrogatory from
Gas Marketer Group ("GMG")
(Direct Energy Marketing Limited,
Ontario Energy Savings L.P., Summitt Energy Management Inc., and
Superior Energy Management Gas L.P.)

Ref: General

Question:

Please provide the split between Direct Purchase and System Supply deliveries by both volumetric and customer count for the last 3 years.

Response:

Please refer to the attachment.

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					Percentage		
Number of customers		2005	2006	2007	2005	2006	2007
General Service	System	781,827	775,240	825,626	63%	61%	64%
	Bundled-T	466,092	492,147	463,210	37%	39%	36%
General Service Total		1,247,919	1,267,387	1,288,836	100%	100%	100%
Contract Market	System	87	67	58			
	Bundled-T	330	305	306			
	T-Service	174	164	164			
Contract Total		591	536	528			
Grand Total		1,248,510	1,267,923	1,289,364			
Volumes - 10*6m*3							
General Service	System	2,868	2,607	2,847	54%	54%	54%
	Bundled-T	2,431	2,233	2,410	46%	46%	46%
General Service Total		5,299	4,840	5,257	100%	100%	100%
Contract Market	System	373	151	224			
	Bundled-T	2,120	1,966	1,752			
	T-Service	6,412	6,254	6,643			
Contract Total		8,906	8,371	8,619			
Grand Total		14,204	13,211	13,877			

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref: Exhibit E2, page 57, line 3-4 "Union supports a mechanism(s) for load balancing that supports the principle that those customers who cause the costs ought to bear them."

Question:

Please confirm that Union maintains one pool of inventory for system gas, load balancing and company used gas.

Response:

In the integrated gas supply plan, the sales service and Company used gas are currently maintained as one common pool. Union separately identifies gas used for the load balancing for direct purchase customers.

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UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref: Exhibit E2, page 57, line 3-4 "Union supports a mechanism(s) for load balancing that supports the principle that those customers who cause the costs ought to bear them."

Question:

Forecast of Functional Requirements

a) To meet the expected requirements for volumes of gas to get through the winter season, does Union forecast the monthly volume requirements of the respective functions of system gas, load balancing gas (both system and DP balancing) and company used gas separately?

b) How is the storage allocation for each function determined?

c) How is the allocation of system integrity space determined for each function?

d) Are the actual storage balances for each function maintained separately?

Response:

a) Union forecasts the monthly demand requirements of sales service, direct purchase demand and Company used gas separately. Sales service customers are not forecast to draft the system and thus are not forecast to use any balancing asset other then their allocated aggregate excess storage space and inventory.

b) For all bundled customers, the storage allocation is determined using the aggregate excess methodology.

c) System integrity storage space supports the integrity of Union's system as a whole and is not operationally allocated to each function. It provides the reserve capacity and operational balancing necessary to manage all of the services that Union offers and ensures the integrity of Union's storage, transmission and distribution systems on a day to day basis.

d) The storage balances for sales service and Company used gas are a combined pool. Company used gas is treated and considered to be a sales service customer. The direct purchase pool is separately identified for balancing purposes.

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UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref: Exhibit E2, page 57, line 3-4 "Union supports a mechanism(s) for load balancing that supports the principle that those customers who cause the costs ought to bear them."

Question:

Procurement and Allocation

a) Are the respective functional needs subsequently pooled for the purposes of procurement?

b) Is a flat delivery profile used for the monthly deliveries?

c) If not, how is the monthly delivery forecast determined?

d) To the extent that more gas is purchased in the winter months than summer months, how are the cost consequences captured for the respective functions?

Response:

a) The Company used gas and sales supply needs are currently pooled for procurement purposes. There is no gas forecast to be purchased for load balancing purposes.

b) On a planned basis, the delivery profile is largely a flat delivery profile but can vary monthly to balance the portfolio using UDC or planned Dawn purchases.

c) The delivery forecast is determined using Sendout which optimizes the transportation portfolio and storage assets to meet the required demands by month.

d) Union does not plan to purchase more gas in the winter than the summer. If on an actual basis Union does need to purchase additional winter gas, then the incremental costs would be captured in the Spot Gas deferral account (179-107). See response at Exhibit IR10.5b) for cost causality.

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UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref: Exhibit E2, page 57, line 3-4 "Union supports a mechanism(s) for load balancing that supports the principle that those customers who cause the costs ought to bear them."

Question:

System Gas Balancing

The dates of March 1st, March 31st and October 31st were provided as calendar checkpoints in Union's RP-2005-0520 D1 evidence referenced above.

a) Are these dates used as firm checkpoints (i.e., minimums or maximums must be maintained)?

b) What criteria are used to manage the integrated pool to determine if it is long or short?

c) If the integrated pool is short gas relative to forecast, how does Union determine which function has caused the apparent insufficiency?

d) Does Union have a published evidentiary protocol for handling the revenues and costs associated with variance to forecast for the integrated pool?

e) Is there discretion afforded management to determine the underlying source of difference to forecast?

Response:

a) Yes.

b) Forecasts are updated monthly throughout the year to determine the current forecasted position to the upcoming checkpoint (March 1, March 31 and October 31). Updated forecasts include estimated weather variances, supply variances and any other material variances identified during the month. The updated forecast includes actual month end inventories and updated demand reforecast information.

c) Union reviews the variances identified in b) to determine the source of the forecast variance.

d) Variances to the forecast will be managed through either the purchase of spot gas (if short to forecast) or through unabsorbed demand costs on pipeline capacity (if long to

forecast). Revenues or costs associated with these activities will accumulate in their respective deferral accounts until such time as their disposition is approved by the Board.

e) See response at 4c).

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref: Exhibit E2, page 57, line 3-4 "Union supports a mechanism(s) for load balancing that supports the principle that those customers who cause the costs ought to bear them."

Question:

Functionalization and Allocation of Balancing Costs

a) If gas is sold or purchased to meet the established criteria, how are the cost consequences of any discounts or premiums tracked?

b) If a deferral account is used, what criteria is in place to ensure the cost causality principle for the system gas program and the distribution functions?

c) Are those criteria published in evidence?

Response:

a) Union does not sell excess gas, but would plan to reduce the purchase of additional gas in order to balance. Reducing purchases may result in debits to the Unabsorbed Demand Cost deferral account (179-108). If gas is required to be purchased, the cost variance would be included in the Spot Gas deferral account (179-107).

b) Currently, Union does not differentiate spot gas purchases required for sales service and Company-use requirements as these storage balances are managed together in one integrated pool. The treatment is appropriate because Union treats company-used gas as if it was a sales service customer.

c) Yes. The reference is EB-2005-0520, Exhibit D1, Tab 1, Page 6 and 7.

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UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref: Exhibit E2, page 57, line 3-4 "Union supports a mechanism(s) for load balancing that supports the principle that those customers who cause the costs ought to bear them."

Question:

System Gas Transportation Implications

a) If the system gas program is long gas in the winter period, what is Union's planned approach to dealing with the transportation associated with the unneeded gas supply?

b) If UDC is incurred, does the system supply program pay for the cost or does it get paid for by a distribution or transportation account?

c) Was Union required to shed system supply gas in the winter of 2006-2007?

d) Was UDC incurred?

e) How was it paid?

f) Was the transport used by any other functional area of Union Gas?

g) If so, which area?

h) If not, did Union sell the rights in the secondary market and what were the resulting cost consequences?

Response:

a) Union's planned approach is to not mitigate for system gas length until after March 31. Union would reduce supplies through the summer in order to balance the October 31 target. Any unabsorbed demand charges, net of re-sale, would accumulate in the Unabsorbed Demand Cost deferral account (179-108).

b) Costs incurred for UDC are charged to the Unabsorbed Demand Cost deferral account and are annually disposed of to sales service customers in the South and sales service and Bundled-T customers in the North.

c) During 2007, Union experienced reduced demand caused by warmer than normal weather which resulted in Union shedding 3.24 PJs. (EB-2008-0034, Exhibit A, Tab 1, Table 1).

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d) Yes.

e) Costs incurred were charged to the Unabsorbed Demand Cost deferral account. This account was later cleared in the 2007 Deferral Disposition proceeding (EB-2008-0034, Exhibit A, Tab 1, Table 2) and was charged to the North bundled (sales service and direct purchase) customers and the South sales service customers.

f) No.

g) N/A

h) The resulting unfilled pipe capacity was sold for the then-current market prices which reduced UDC costs incurred to $ 1.185 million (EB-2008-0034, Exhibit A, Tab 1, Table 2).

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Ref. Exhibit E2, p. 44, line 20-22 "The checkpoint mechanism supports the principle of cost causality in that it clearly places more of the responsibility for balancing costs with BT customers. The Board supported this concept as noted at page 120 of its RP-2003-0063 Decision with Reasons.

Ref: EB-2005-0520 Exhibit D1, Tab 1, page 2,3,4, line 20-21, 16-20, 1-2 "Union's five-year Gas Supply Plan (2006 – 2010), completed during the summer of 2005, includes the following key inputs and assumptions: ....

***• 9.7 PJs of system integrity space as agreed to in the RP-1999-0017 ADR Settlement Agreement that was accepted by the Board. This storage space is used in a number of ways that include managing variances to plan of demand or gas supply for bundled customers. The Gas Supply Plan has 6.0 PJs of this space filled with system integrity molecules while the remaining 3.7 PJs is left empty. Union does not plan to use system integrity space, but rather, the space is held solely for the purpose of balancing* unplanned demand or supply variances that may occur throughout each year.**

Question:

Cost Impacts of Two Point Balancing

Union's evidence in the last rate case relies on the ADR settlement space agreed to prior to the 2004 implementation of two point balancing.

a) *Given that one of the prime reasons for space is the managing of variances to plan of demand or gas supply for bundled customers, please provide Union's rationale for maintaining a constant level of system integrity space after two point balancing implementation.*

b) *By way of comparison, please provide the cumulative DP storage position relative to forecast for Feb. 28 in the years 2002 through 2007.*

c) *Please provide the cumulative Nov. 1st to Feb. 28th degree days for each of those respective winter seasons.*

Response:

a) The introduction of load balancing checkpoints does not relieve Union of its obligation as a system operator. The checkpoints ensure that the bundled direct purchase customers meet their seasonal forecasted inventory positions at September

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30 and the last day of February. Union, as the system operator, is responsible to manage any unplanned daily variances for customers. Integrity space is used to maintain the operational integrity of its storage, transmission and distribution systems. Please see Attachment #1 and Attachment #2 for further clarity on system integrity space.

b) Prior to 2004 Union did not forecast the direct purchase storage position separately for operational purposes. Union has provided years 2004-2008 below.

	Feb-29 2004	Feb-28 2005	Feb-28 2006	Feb-28 2007	Feb-29 2008
1 Forecast DP Storage Positio	(18,824)	(19,958)	(19,187)	(15,693)	(16,264)
2 Actual DP Storage Position	(21,029)	(17,395)	(13,880)	(15,571)	(13,500)
3 Differential	(2,205)	2,563	5,307	122	2,764

c)

	Nov-Feb	Nov-Feb	Nov-Feb	Nov-Feb	Nov-Feb
Heating Degree Days	2,580	2,543	2,367	2,388	2,547

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Exhibit IR10.7
Attachment #1

Exhibit J5.61

UNION GAS LIMITED

Answer to Interrogatory
from the City of Kitchener

Reference: Issue D1.1 2004 Gas Supply Plan; Issue H.11 Utilization of Storage

Question

Please provide a breakdown of the amounts and functions of storage contingency space? How is the contingency space accounted for in the Gas Supply Plan? How much space was allocated to "seasonal fluctuations in weather" for 2002/03. How was that space used and what was the rate impact?

Answer

a) System Integrity storage space allows Union to manage weather variations, backstop supply failures and maintain operational integrity of the storage and transmission system.

   As presented in the Board Approved RP-1999-0017 Settlement Agreement (Section 1.3.4.), the System Integrity space is made up of the following components:

   3.3 Bcf – manage weather variance for non-daily metered customers
   2.3 Bcf – Backstop supply failures
   3.5 Bcf – Operational integrity

b) 8.5 Bcf is located at Dawn, the Hagar LNG facility makes up the remaining 0.6 Bcf.

c) Union utilizes all the system integrity space. As part of providing bundled service to its customer base over the 1999 through 2003 timeframe Union has managed storage in total. All contingency space has been used to perform Union's bundled balancing and deliverability responsibilities.

d) Please refer to RP-1999-0017 Decision with Reasons, para. 3.7. The cost allocation results from E.B.R.O. 499 area the basis upon which System Integrity Space is included in rate design.

Witness: Don Newbury / Bill Fay
Question: July 24, 2003
Answer: August 7, 2003
Docket: RP-2003-0063

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Reference: D1/T1/p3

Issue 3.1 - Is the proposed 2007 Gas Supply Expenses Forecast Appropriate?

Question:
Please provide evidence to support the need for the 9.7 PJs of system integrity space. What analysis has Union undertaken recently to assess the appropriate level of system integrity space? Please provide copies of any such analysis. What are the potential cost implications of increasing or reducing the level of system integrity space in the 2007 test year?

Response:

System integrity storage space (or contingency space) allows Union to manage daily and seasonal weather variations, backstop supply failures and maintain operational integrity of its distribution, storage and transmission system. Union's system integrity storage space requirement is comprised of the following components:

3.3 Bcf - manage weather variances for non-daily metered customers
1.7 Bcf - backstop supply failures
4.1 Bcf - operational integrity

Total – 9.1 Bcf (9.7 PJs)

Included in the 9.1 Bcf is 0.6 Bcf of system integrity space attributed to the North (0.3 Bcf to manage weather variances and 0.3 Bcf to backstop supply failures). Please also refer to Exhibit N19.3 (attached) from the RP-2003-0063 proceeding.

System integrity storage space supports the integrity of Union's system as a whole. It provides the reserve capacity and operational balancing necessary to manage all of the services that Union offers and ensures the integrity of Union's storage, transmission and distribution systems.

Witness: Drew Quigley/ Steve Poredos
Question: March 10, 2006
Answer: April 4, 2006
Docket: EB-2005-0520
Corrected: April 28, 2006

In the RP-2002-0130 proceeding, Union undertook a review and filed evidence confirming the need for the 3.3 Bcf portion of system integrity space required to manage weather variations.

Union continues to believe that the current level of system integrity space is appropriate. If Union were directed to forecast a change in its system integrity space, there could be cost and risk implications associated with such a change. For example, if the amount of system integrity space were to be arbitrarily reduced, this space could be sold ex-franchise. In this scenario, based on current regulatory approach and market conditions, in-franchise delivery rates would be reduced slightly. This would be offset by a disproportionately larger increase in the risk of a system integrity failure.

An arbitrary system integrity space increase would have the opposite effect.

Witness: Drew Quigley/ Steve Poredos
Question: March 10, 2006
Answer: April 4, 2006
Docket: EB-2005-0520
Corrected: April 28, 2006

UNION GAS LIMITED

Undertaking of Mr. McMahon
To Mr. Janigan

Please complement interrogatory J34.154, to provide a table with the cost recovered by each class for system-integrity costs and the principles associated with the allocation to each rate class.

Please refer to Exhibit J18.209 for the allocation of system integrity components and system integrity costs to rate classes based on the originally filed evidence. This same allocation is also found at Exhibit G3, Tab 2, Schedule 11, updated (October, 2003) reflecting the updated forecast.

System integrity related costs are not budgeted by contingency component.

The temperature risk component (3.0 Bcf) is required to manage daily weather-related variances. The allocation of this contingency component to the M2 Residential and M2 Commercial/Industrial customers is based on forecasted winter volumes.

The supply backstopping component (1.4 Bcf) is required for all in-franchise markets and is allocated to rate classes based on aggregate excess.

The linepack component (1.6 Bcf) is used to manage daily linepack variations on the Dawn-Trafalgar Transmission system for all storage customers. This contingency component is allocated in proportion to the Dawn-Trafalgar Transmission system usage.

Other operational integrity storage (2.5 Bcf) is used to manage variances related to unaccounted for gas, operating balancing agreements with interconnecting pipelines, and storage hysteresis. These contingency components are allocated to rate classes in proportion to volumes and storage space.

Once the system integrity space has been allocated, the percentage allocation per rate class is used to allocate the majority (88%) of net plant classified to system integrity. The remaining net plant is either directly assigned to Northern rate classes (8%) or assigned to rate classes using an indirect allocation factor based on overall plant allocation (4%).

The percentage allocation of system integrity space per rate class is also used to allocate the majority of working capital, accumulated deferred taxes and O&M expenses that are not directly assigned to Northern rate classes. All other expenses are allocated to rate classes using allocation factors that are based on overall expense allocations.

Witness: Pat McMahon
Question: November 3, 2003
Answer: November 10, 2003
Docket: RP-2003-0063

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Exhibit E2, page 59, line 5-6 "The DPAC recovers costs associated with contract administration, gas management and billing and reporting."

Question:

Level Playing Field between Administration Costs of System Gas and Retail
Union allocates direct purchase costs on an incremental basis. The above reference provides the scope of cost recovery for the DPAC.

a) Please provide the scope of recovery for the Agency, Billing and Collection (ABC) service for retailers who choose ABC.

b) Please provide the scope of recovery for the system gas management fee.

c) Please provide the current rates charged for each of the services.

d) Please provide a comparison to the gas supply administration fee that demonstrates the principle of level playing field between system gas customers and direct purchase customers who pay the DPAC and ABC charges.

Response:

a), b)

The fees recover costs associated with the following activities:

Activity	**Gas Supply Admin Fee**	**Direct Purchase Admin Charge**	**ABC Fee**
Gas acquisition	X		
Gas management	X	X	
Invoicing and payment processing	X		
Contract administration		X	
Billing and reporting		X	X
DP call centre		X	X
Customer care			X
Gas purchase working capital	X		
Bad debt	X		X
Billing costs (line on bill)			X

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c) The ABC fee is $1.35/bill. The gas supply administration fee is 0.3138 cents/m^3.

d) As can be seen in a) and b) above, the fees are not meant to recover identical costs. As a result it is not possible or appropriate to determine whether a "level playing field" exists.

d) The gas supply administration fee is intended to recover the costs associated with providing the default gas supply offering to customers in Union's franchise. The DPAC is meant to recover costs for facilitating direct purchase activity. The ABC fee recovers costs for billing and collection for commodity for direct purchase customers on behalf of energy marketers through Union's bill. These activities are distinct from one another and are not directly comparable.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Exhibit E2, page 60, line 3-6 "If Union determined the costs related to the gas supply administration fee on a fully allocated basis Union would be at risk of non recovery of the difference between the incremental and fully allocated costs should system sales activity levels decrease. By taking an incremental approach, Union eliminates the incentive to actively market the system supply option so as to maintain the recovery of the fully allocated cost."

Question:

Utility Risk of Under-Recovery

a) Please provide the total annualized cost of system gas for 2006 and 2007.

b) Please provide any recent cost study figure for the fully allocated and incrementally allocated cost of the gas supply administration fee.

c) If, after establishment of a QRAM price, system gas volumes decreased by 5% due to customer migration in that quarter relative to forecast yet the cost of gas was exactly the same as forecast leading to an under-recovery of about 5%, would Union Gas be at risk for non recovery of that amount?

Response:

a) Total annualized cost of system gas:
   - 2006: $778,029 million
   - 2007: $712,179 million

b) The most recent cost study figure for the gas supply administration fee is $9,342,000 from EB-2008-0281.

c) No. The gas would remain in inventory and Union would adjust forward purchases to reflect decreased demand.

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UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Ref: Exhibit E2, pages 32-33

Issues 5.1 and 5.2

Question:

a) Please provide the balances in the Intra-Period WACOG deferral account for the years 2005 to 2007 that were subject to the annual deferral account disposition. Please also provide an estimate of the 2008 year-end balance for the same deferral account.

b) For each of the balances in part (a), please provide the amount of the total that was, or will be, the responsibility of the contract rate classes.

c) Has Union discussed with its contract rate customers, its proposal to replace the annual disposition of the balance in the Intra-Period WACOG account with a quarterly resetting of distribution rates to update the delivery-related cost of gas items with the QRAM reference price? If yes, please summarize the feedback received from those customer discussions. If no, what are Union's plans for communicating with its customers on this proposal?

Response:

a) The balances in the Intra-Period WACOG deferral account for disposition for the years 2005 – 2008 are as follows:

- 2005: debit of $6.742 million – disposed on November 2006 contract bills
- 2006: debit of $16.467 million – disposed on February 2008 contract bills
- 2007: credit of $0.796 million – disposed on August 2008 contract bills
- 2008*: estimated debit of $0.083 million

* The actual 2008 year-end balance is subject to change.

b) For years 2005 to 2007 in response to (a) above, the responsibility of contract rate classes is as follows (in $ millions):

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Year	North Contract	South Contract	Total Contract	% of Total Balance
2005	0.383	1.251	1.634	24.2
2006	1.023	3.250	4.273	25.9
2007	(0.044)	(0.107)	(0.151)	19.0

c) Union has not formally communicated with contract rate customers regarding the elimination of the Intra-Period WACOG deferral account and the subsequent quarterly re-setting of distribution rates.

Union has held informal discussions with representatives of contract rate customers, informing them of the proposal to eliminate the deferral account. Eliminating the deferral account will respond to customer feedback following the 2006 deferral disposition proceeding. In February 2008, as part of EB-2007-0598, Union disposed of a debit balance of $16.467 million related to the Intra-Period WACOG account. At that time, customers expressed concern that the debit had grown to a significant amount and asked if the deferral account could be managed through the year to reduce the impact in the following year.

Union would communicate any changes to the Intra-Period WACOG deferral account following the Board's decision.

UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Issue 8.1

Ref: Exhibit E2, page 45

Question:

For the past two years, please provide the percentage of Southern Operations Area direct purchase contracts by number and volume that were long and short relative to forecast as of the end of February and end of September checkpoints.

Response:

In 2007, there were 4 contracts out of 647 (0.6%) that did not meet the February checkpoint for a total quantity of 6,081 GJs and 6 contracts out of 642 (0.9%) that did not meet the September checkpoint for a total quantity of 10,257 GJs.

In 2008, there were 14 contracts out of 666 (2.1%) that did not meet the February checkpoint for a total quantity of 51,276 GJs and 3 contracts out of 674 (0.5%) that did not meet the September checkpoint for a total quantity of 4,086 GJs.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 8

Question:

If Union were to purchase some of its system gas supply at a fixed price for any of the months included in the next 12 months, would this price and the associated volume be taken into account when setting the gas supply reference price? Please explain.

Response:

Union does not currently buy any fixed price system gas beyond the near month, therefore it does not include any such purchases in the setting of its reference prices in the QRAM since these prices are set 45 days prior to the start of the QRAM period.

If Union were to buy fixed price system gas for a term that included any of the 12 months in the QRAM period, Union would incorporate the price and volume into the reference price, similar to how Union included the price impacts of its past risk management activity. That is, a separate line on Schedule 1, Tab 1 of Union's QRAM application would show the price impact of such fixed purchases.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 10

Question:

How does Union determine volume for the next 12 months that is used to calculate the rate riders associated with the debits/credits that are to be recovered prospectively? Are these volumes based on the most recent Union Gas forecast or fixed at the levels included in the last Board approved cost of service application? Are there separate rate riders and 12 month volume forecasts by rate class?

Response:

Volumes for the next 12 months reflect the most recent Union Gas forecast. To the extent actual volumes vary from forecast, these recovery variances are captured in gas cost deferral accounts for future disposition beginning with Union's next QRAM application. Volumes used to determine the rate rider will depend on the nature of the deferral account. For example, in determining the PGVAs, Inventory Revaluation, and Spot Gas rate riders, Union uses the forecast Sales volume by Operating Area independent of rate class. For the load balancing component of the Spot Gas deferral account, Union uses the forecast rate class delivery volumes for all customers in Union South. In Union North, the disposition is based on forecast Gas Transportation Sales and Bundled-T volumes by rate class.

Depending on the nature of the deferral account, there may be separate rate riders and 12 month volume forecasts by rate class.

Question: December 1, 2008
Answer: December 30, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 12

Question:

The evidence states that "reference price changes driven by Union's QRAM process do not currently cause Union to update its revenue requirement and, as a result, its distribution rates". However, a review of QRAM applications shows changes in the delivery and storage price adjustment lines for rates M1 and M2. For example, in EB-2008-0371, at Appendix A, page 7 of 12, there is a rate change of 0.0447 for delivery and 0.0098 for storage for M2 customers. Please explain how these price adjustments are determined and confirm that they are not related to changes in the reference price of gas.

Response:

Union confirms that the following price adjustments are not related to changes in the reference price of gas.

The M2 Delivery Price Adjustment rate change of 0.0447 cents/m^3 reflects the change in delivery rates due to:

1. The expiry of the temporary credit of 0.0221 cents/m^3 for the period April 1, 2008 to December 31, 2008 determined in EB-2007-0606 (Rate Order, Working Papers, Schedule 17, Page 1, Line 12, Col. f.)
    i. This credit reflected the difference in delivery revenue between 2008 interim rates (implemented January 1, 2008) and final approved 2008 rates (effective January 1, 2008, implemented on April 1, 2008).

2. The expiry of the temporary credit of 0.0211 cents/m^3 for the period July 1, 2008 to December 31, 2008 determined in EB-2008-0109 (2007 Deferral Account Disposition)

3. An increase of 0.0015 cents/m^3 due to the prospective recovery of projected deferral account balances in the Load Balancing portion of the Spot Gas deferral account.

The M2 Storage Price Adjustment rate change of 0.0098 cents/m^3 reflects the expiry of the temporary credit which applied for the period April 1, 2008 to December 31, 2008.

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The determination of the storage price adjustment appears at EB-2007-0606, Rate Order, Working Papers, Schedule 17, Page 1, Line 13, Col. f.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 12

Question:

a) Other than delivery related costs associated with gas in inventory, compressor fuel and unaccounted for gas, are there any other delivery-related cost of gas items that are included in distribution rates?

b) Is the compressor fuel noted here the same compressor fuel noted at line 20 of page 8? If no, please explain the difference in the references to compressor fuel.

c) Do the delivery related costs associated with gas in inventory include tax related impacts?

d) Enbridge appears to include the impact on carrying costs associated with the gas cost working cash allowance in its calculation of changes in the revenue requirement from a change in gas costs (Exhibit E1, page 20). Does Union also include this source of a change in the revenue requirement? If not, please explain why not.

Response:

a) The following additional distribution related items are priced based on the cost of gas:
- Base pressure gas
- Balancing gas
- Capital tax (related to gas in inventory)

Base pressure gas and balancing gas are recognized at cost and are not re-valued as part of a QRAM or at rebasing.

Changes in capital tax and the impact on revenue requirement are not considered to be significant. As a result, distribution rates are not updated for these items.

b) The compressor fuel referenced at Exhibit E2, page 8, line 20, refers to the compressor fuel on TransCanada Pipelines to Union. The compressor fuel referenced at Exhibit E2, page 12, line 11, is fuel on Union's system.

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c) Delivery related costs include income and capital tax related to gas in inventory. The intra-period WACOG adjustment includes income tax. An adjustment for capital tax is not calculated.

d) Please see response at Exhibit IR24.3.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 28

Question:

The evidence states that the reference prices are calculated by the utilities using publicly available information.

Please provide the source of the information used by Union gas and any links to this publicly available information. Please provide the information used for Union's October 2008 or January 2009 QRAM application.

Response:

Union Gas uses data from DTN ProphetX www.prophetx.com ; BP Canada www.bpgasandpower.com and UBS www.ubs.com to calculate its reference prices.

The table below shows the 21 day average forward prices for each supply point used in the January 2009 QRAM.

Price index	Price date	Deliv date	Price
21 Day AECO Forward	17-Nov-08	1-Dec-08	6.9675
21 Day AECO Forward	17-Nov-08	1-Jan-09	7.2205
21 Day AECO Forward	17-Nov-08	1-Feb-09	7.2878
21 Day AECO Forward	17-Nov-08	1-Mar-09	7.2295
21 Day AECO Forward	17-Nov-08	1-Apr-09	7.0889
21 Day AECO Forward	17-Nov-08	1-May-09	7.1516
21 Day AECO Forward	17-Nov-08	1-Jun-09	7.2827
21 Day AECO Forward	17-Nov-08	1-Jul-09	7.4472
21 Day AECO Forward	17-Nov-08	1-Aug-09	7.5449
21 Day AECO Forward	17-Nov-08	1-Sep-09	7.5824
21 Day AECO Forward	17-Nov-08	1-Oct-09	7.6760
21 Day AECO Forward	17-Nov-08	1-Nov-09	8.1023
21 Day AECO Forward	17-Nov-08	1-Dec-09	8.5460
21 Day AECO Forward	17-Nov-08	1-Jan-10	8.8197
21 Day AECO Forward	17-Nov-08	1-Feb-10	8.8240
21 Day AECO Forward	17-Nov-08	1-Mar-10	8.6153

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21 Day AECO Forward	17-Nov-08	1-Apr-10	7.8905
21 Day AECO Forward	17-Nov-08	1-May-10	7.7643
21 Day AECO Forward	17-Nov-08	1-Jun-10	7.8675
21 Day AECO Forward	17-Nov-08	1-Jul-10	7.9899
21 Day AECO Forward	17-Nov-08	1-Aug-10	8.0818
21 Day Alliance Forward	17-Nov-08	1-Dec-08	6.8675
21 Day Alliance Forward	17-Nov-08	1-Jan-09	7.1205
21 Day Alliance Forward	17-Nov-08	1-Feb-09	7.1878
21 Day Alliance Forward	17-Nov-08	1-Mar-09	7.1295
21 Day Alliance Forward	17-Nov-08	1-Apr-09	6.9889
21 Day Alliance Forward	17-Nov-08	1-May-09	7.0516
21 Day Alliance Forward	17-Nov-08	1-Jun-09	7.1827
21 Day Alliance Forward	17-Nov-08	1-Jul-09	7.3472
21 Day Alliance Forward	17-Nov-08	1-Aug-09	7.4449
21 Day Alliance Forward	17-Nov-08	1-Sep-09	7.4824
21 Day Alliance Forward	17-Nov-08	1-Oct-09	7.5760
21 Day Alliance Forward	17-Nov-08	1-Nov-09	8.0023
21 Day Alliance Forward	17-Nov-08	1-Dec-09	8.4460
21 Day Alliance Forward	17-Nov-08	1-Jan-10	8.7197
21 Day Alliance Forward	17-Nov-08	1-Feb-10	8.7240
21 Day Alliance Forward	17-Nov-08	1-Mar-10	8.5153
21 Day Alliance Forward	17-Nov-08	1-Apr-10	7.7905
21 Day Alliance Forward	17-Nov-08	1-May-10	7.6643
21 Day Alliance Forward	17-Nov-08	1-Jun-10	7.7675
21 Day Alliance Forward	17-Nov-08	1-Jul-10	7.8899
21 Day Alliance Forward	17-Nov-08	1-Aug-10	7.9818
21 Day Dawn Forward	17-Nov-08	1-Dec-08	8.1831
21 Day Dawn Forward	17-Nov-08	1-Jan-09	8.3997
21 Day Dawn Forward	17-Nov-08	1-Feb-09	8.4671
21 Day Dawn Forward	17-Nov-08	1-Mar-09	8.4087
21 Day Dawn Forward	17-Nov-08	1-Apr-09	8.3585
21 Day Dawn Forward	17-Nov-08	1-May-09	8.4255
21 Day Dawn Forward	17-Nov-08	1-Jun-09	8.5565
21 Day Dawn Forward	17-Nov-08	1-Jul-09	8.7210
21 Day Dawn Forward	17-Nov-08	1-Aug-09	8.8187
21 Day Dawn Forward	17-Nov-08	1-Sep-09	8.8563
21 Day Dawn Forward	17-Nov-08	1-Oct-09	8.9563
21 Day Dawn Forward	17-Nov-08	1-Nov-09	9.4080
21 Day Dawn Forward	17-Nov-08	1-Dec-09	9.8516
21 Day Dawn Forward	17-Nov-08	1-Jan-10	10.1252
21 Day Dawn Forward	17-Nov-08	1-Feb-10	10.1295
21 Day Dawn Forward	17-Nov-08	1-Mar-10	9.9208
21 Day Dawn Forward	17-Nov-08	1-Apr-10	9.1029

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21 Day Dawn Forward	17-Nov-08	1-May-10	9.0564
21 Day Dawn Forward	17-Nov-08	1-Jun-10	9.1597
21 Day Dawn Forward	17-Nov-08	1-Jul-10	9.2821
21 Day Dawn Forward	17-Nov-08	1-Aug-10	9.3739
21 Day Empress Forward	17-Nov-08	1-Dec-08	7.0733
21 Day Empress Forward	17-Nov-08	1-Jan-09	7.3248
21 Day Empress Forward	17-Nov-08	1-Feb-09	7.3921
21 Day Empress Forward	17-Nov-08	1-Mar-09	7.3338
21 Day Empress Forward	17-Nov-08	1-Apr-09	7.1947
21 Day Empress Forward	17-Nov-08	1-May-09	7.2575
21 Day Empress Forward	17-Nov-08	1-Jun-09	7.3886
21 Day Empress Forward	17-Nov-08	1-Jul-09	7.5531
21 Day Empress Forward	17-Nov-08	1-Aug-09	7.6508
21 Day Empress Forward	17-Nov-08	1-Sep-09	7.6883
21 Day Empress Forward	17-Nov-08	1-Oct-09	7.7819
21 Day Empress Forward	17-Nov-08	1-Nov-09	8.2370
21 Day Empress Forward	17-Nov-08	1-Dec-09	8.6820
21 Day Empress Forward	17-Nov-08	1-Jan-10	8.9557
21 Day Empress Forward	17-Nov-08	1-Feb-10	8.9600
21 Day Empress Forward	17-Nov-08	1-Mar-10	8.7513
21 Day Empress Forward	17-Nov-08	1-Apr-10	8.0262
21 Day Empress Forward	17-Nov-08	1-May-10	7.9000
21 Day Empress Forward	17-Nov-08	1-Jun-10	8.0032
21 Day Empress Forward	17-Nov-08	1-Jul-10	8.1256
21 Day Empress Forward	17-Nov-08	1-Aug-10	8.2174
21 Day NYMEX Forward	17-Nov-08	1-Dec-08	6.7368
21 Day NYMEX Forward	17-Nov-08	1-Jan-09	6.9638
21 Day NYMEX Forward	17-Nov-08	1-Feb-09	7.0221
21 Day NYMEX Forward	17-Nov-08	1-Mar-09	6.9714
21 Day NYMEX Forward	17-Nov-08	1-Apr-09	6.9029
21 Day NYMEX Forward	17-Nov-08	1-May-09	6.9607
21 Day NYMEX Forward	17-Nov-08	1-Jun-09	7.0747
21 Day NYMEX Forward	17-Nov-08	1-Jul-09	7.2179
21 Day NYMEX Forward	17-Nov-08	1-Aug-09	7.3029
21 Day NYMEX Forward	17-Nov-08	1-Sep-09	7.3355
21 Day NYMEX Forward	17-Nov-08	1-Oct-09	7.4169
21 Day NYMEX Forward	17-Nov-08	1-Nov-09	7.7246
21 Day NYMEX Forward	17-Nov-08	1-Dec-09	8.1069
21 Day NYMEX Forward	17-Nov-08	1-Jan-10	8.3452
21 Day NYMEX Forward	17-Nov-08	1-Feb-10	8.3489
21 Day NYMEX Forward	17-Nov-08	1-Mar-10	8.1673
21 Day NYMEX Forward	17-Nov-08	1-Apr-10	7.5228
21 Day NYMEX Forward	17-Nov-08	1-May-10	7.4856

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21 Day NYMEX Forward	17-Nov-08	1-Jun-10	7.5756
21 Day NYMEX Forward	17-Nov-08	1-Jul-10	7.6822
21 Day NYMEX Forward	17-Nov-08	1-Aug-10	7.7622
21 Day Ont Prod Forward	17-Nov-08	1-Dec-08	7.8417
21 Day Ont Prod Forward	17-Nov-08	1-Jan-09	7.9869
21 Day Ont Prod Forward	17-Nov-08	1-Feb-09	8.0542
21 Day Ont Prod Forward	17-Nov-08	1-Mar-09	7.9959
21 Day Ont Prod Forward	17-Nov-08	1-Apr-09	7.9460
21 Day Ont Prod Forward	17-Nov-08	1-May-09	8.0131
21 Day Ont Prod Forward	17-Nov-08	1-Jun-09	8.1992
21 Day Ont Prod Forward	17-Nov-08	1-Jul-09	8.4351
21 Day Ont Prod Forward	17-Nov-08	1-Aug-09	8.5328
21 Day Ont Prod Forward	17-Nov-08	1-Sep-09	8.5703
21 Day Ont Prod Forward	17-Nov-08	1-Oct-09	8.6703
21 Day Ont Prod Forward	17-Nov-08	1-Nov-09	9.1220
21 Day Ont Prod Forward	17-Nov-08	1-Dec-09	9.5656
21 Day Ont Prod Forward	17-Nov-08	1-Jan-10	9.7842
21 Day Ont Prod Forward	17-Nov-08	1-Feb-10	9.7172
21 Day Ont Prod Forward	17-Nov-08	1-Mar-10	9.5085
21 Day Ont Prod Forward	17-Nov-08	1-Apr-10	8.6906
21 Day Ont Prod Forward	17-Nov-08	1-May-10	8.6442
21 Day Ont Prod Forward	17-Nov-08	1-Jun-10	8.8025
21 Day Ont Prod Forward	17-Nov-08	1-Jul-10	8.9961
21 Day Ont Prod Forward	17-Nov-08	1-Aug-10	9.0880
21 Day Panhandle Forward	17-Nov-08	1-Dec-08	5.5202
21 Day Panhandle Forward	17-Nov-08	1-Jan-09	6.0856
21 Day Panhandle Forward	17-Nov-08	1-Feb-09	6.1529
21 Day Panhandle Forward	17-Nov-08	1-Mar-09	6.0945
21 Day Panhandle Forward	17-Nov-08	1-Apr-09	6.4696
21 Day Panhandle Forward	17-Nov-08	1-May-09	6.5700
21 Day Panhandle Forward	17-Nov-08	1-Jun-09	6.7011
21 Day Panhandle Forward	17-Nov-08	1-Jul-09	6.8656
21 Day Panhandle Forward	17-Nov-08	1-Aug-09	6.9633
21 Day Panhandle Forward	17-Nov-08	1-Sep-09	7.0008
21 Day Panhandle Forward	17-Nov-08	1-Oct-09	7.0944
21 Day Panhandle Forward	17-Nov-08	1-Nov-09	7.7869
21 Day Panhandle Forward	17-Nov-08	1-Dec-09	8.2412
21 Day Panhandle Forward	17-Nov-08	1-Jan-10	8.5149
21 Day Panhandle Forward	17-Nov-08	1-Feb-10	8.5192
21 Day Panhandle Forward	17-Nov-08	1-Mar-10	8.3105
21 Day Panhandle Forward	17-Nov-08	1-Apr-10	7.6300
21 Day Panhandle Forward	17-Nov-08	1-May-10	7.5902
21 Day Panhandle Forward	17-Nov-08	1-Jun-10	7.6934

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21 Day Panhandle Forward	17-Nov-08	1-Jul-10	7.8158
21 Day Panhandle Forward	17-Nov-08	1-Aug-10	7.9077
21 Day Trunkline Forward	17-Nov-08	1-Dec-08	7.7089
21 Day Trunkline Forward	17-Nov-08	1-Jan-09	7.9697
21 Day Trunkline Forward	17-Nov-08	1-Feb-09	8.0370
21 Day Trunkline Forward	17-Nov-08	1-Mar-09	7.9786
21 Day Trunkline Forward	17-Nov-08	1-Apr-09	7.8683
21 Day Trunkline Forward	17-Nov-08	1-May-09	7.9146
21 Day Trunkline Forward	17-Nov-08	1-Jun-09	8.0456
21 Day Trunkline Forward	17-Nov-08	1-Jul-09	8.2101
21 Day Trunkline Forward	17-Nov-08	1-Aug-09	8.3078
21 Day Trunkline Forward	17-Nov-08	1-Sep-09	8.3454
21 Day Trunkline Forward	17-Nov-08	1-Oct-09	8.4389
21 Day Trunkline Forward	17-Nov-08	1-Nov-09	8.7981
21 Day Trunkline Forward	17-Nov-08	1-Dec-09	9.2486
21 Day Trunkline Forward	17-Nov-08	1-Jan-10	9.5223
21 Day Trunkline Forward	17-Nov-08	1-Feb-10	9.5266
21 Day Trunkline Forward	17-Nov-08	1-Mar-10	9.3179
21 Day Trunkline Forward	17-Nov-08	1-Apr-10	8.5642
21 Day Trunkline Forward	17-Nov-08	1-May-10	8.5108
21 Day Trunkline Forward	17-Nov-08	1-Jun-10	8.6140
21 Day Trunkline Forward	17-Nov-08	1-Jul-10	8.7364
21 Day Trunkline Forward	17-Nov-08	1-Aug-10	8.8283
21 Day US/Can Exchange	17-Nov-08	1-Dec-08	1.2151
21 Day US/Can Exchange	17-Nov-08	1-Jan-09	1.2150
21 Day US/Can Exchange	17-Nov-08	1-Feb-09	1.2150
21 Day US/Can Exchange	17-Nov-08	1-Mar-09	1.2150
21 Day US/Can Exchange	17-Nov-08	1-Apr-09	1.2122
21 Day US/Can Exchange	17-Nov-08	1-May-09	1.2121
21 Day US/Can Exchange	17-Nov-08	1-Jun-09	1.2121
21 Day US/Can Exchange	17-Nov-08	1-Jul-09	1.2121
21 Day US/Can Exchange	17-Nov-08	1-Aug-09	1.2121
21 Day US/Can Exchange	17-Nov-08	1-Sep-09	1.2121
21 Day US/Can Exchange	17-Nov-08	1-Oct-09	1.2121
21 Day US/Can Exchange	17-Nov-08	1-Nov-09	1.2116
21 Day US/Can Exchange	17-Nov-08	1-Dec-09	1.2115
21 Day US/Can Exchange	17-Nov-08	1-Jan-10	1.2115
21 Day US/Can Exchange	17-Nov-08	1-Feb-10	1.2115
21 Day US/Can Exchange	17-Nov-08	1-Mar-10	1.2115
21 Day US/Can Exchange	17-Nov-08	1-Apr-10	1.2111
21 Day US/Can Exchange	17-Nov-08	1-May-10	1.2109
21 Day US/Can Exchange	17-Nov-08	1-Jun-10	1.2109
21 Day US/Can Exchange	17-Nov-08	1-Jul-10	1.2109

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21 Day US/Can Exchange	17-Nov-08	1-Aug-10	1.2109
21 Day Vector Forward	17-Nov-08	1-Dec-08	7.8553
21 Day Vector Forward	17-Nov-08	1-Jan-09	8.1014
21 Day Vector Forward	17-Nov-08	1-Feb-09	8.1687
21 Day Vector Forward	17-Nov-08	1-Mar-09	8.1103
21 Day Vector Forward	17-Nov-08	1-Apr-09	7.8144
21 Day Vector Forward	17-Nov-08	1-May-09	7.8713
21 Day Vector Forward	17-Nov-08	1-Jun-09	8.0023
21 Day Vector Forward	17-Nov-08	1-Jul-09	8.1668
21 Day Vector Forward	17-Nov-08	1-Aug-09	8.2645
21 Day Vector Forward	17-Nov-08	1-Sep-09	8.3021
21 Day Vector Forward	17-Nov-08	1-Oct-09	8.3956
21 Day Vector Forward	17-Nov-08	1-Nov-09	8.9757
21 Day Vector Forward	17-Nov-08	1-Dec-09	9.4245
21 Day Vector Forward	17-Nov-08	1-Jan-10	9.6982
21 Day Vector Forward	17-Nov-08	1-Feb-10	9.7025
21 Day Vector Forward	17-Nov-08	1-Mar-10	9.4938
21 Day Vector Forward	17-Nov-08	1-Apr-10	8.6231
21 Day Vector Forward	17-Nov-08	1-May-10	8.5747
21 Day Vector Forward	17-Nov-08	1-Jun-10	8.6779
21 Day Vector Forward	17-Nov-08	1-Jul-10	8.8003
21 Day Vector Forward	17-Nov-08	1-Aug-10	8.8921

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 32

Question:

How does Union's WACOG differ from the reference price and/or the gas supply commodity charge?

Response:

The WACOG used in the Intra-period WACOG deferral account is the approved Ontario Landed Reference Price determined in each QRAM. The Ontario Landed Reference Price consists of the Alberta Border Reference Price plus the approved TCPL Eastern Delivery Area ("EDA") toll and fuel.

The gas supply commodity charge reflects only the commodity price, the associated fuel by TCPL zone, and the gas supply administration fee. The gas supply commodity charge does not include upstream tolls for either operating area.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 32-33

Question:

What information will Union require in order to dispose of the variance in the cost of gas items on a quarterly basis? Will this information be based on Union's last Board approved cost of service application or will it be more recent information during the incentive regulation period?

Response:

Union proposes to base the quarterly changes to distribution rates on 2007 Board approved forecast volumes (compressor fuel, unaccounted for gas, and carrying cost on inventory volume by rate class). Since Union also proposes the elimination of the Intra-Period WACOG deferral account (179-102), there will no longer be any price variances for disposition.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit E2, page 59-60

Question:

a) Are there any other costs other than for the employees actually engaged in the purchase and administration of system supply, the carrying cost on gas purchase working capital and bad debt that are included in the system administration fee?

b) How does Union determine the portion of the bad debt expense to allocate to the system administration fee?

c) Does Union allocate any of investment carrying costs associated with customer deposits to the system administration fee? If not, why not?

d) Does the gas supply administration fee which is currently 0.3138 cents/m^3 change during an incentive regulation period or does it only change at a cost of service rebasing application?

e) Does Union adjust the system administration fee to reflect changes in carrying costs associated with the gas purchase working capital that would result from a change in the cost of gas? If not, why not?

f) Please confirm that the system administration and DPAC fees do not include any allowance for costs or assets used by the employees directly involved in providing these services, such as computer hardware, software, office equipment and furniture.

g) Does the system administration fee include any regulatory costs associated with the preparation, filing and implementation of QRAM filings? If not, please explain why not.

h) *Enbridge indicates that their system gas fee includes costs related to demand forecasting and supply planning (Exhibit E1, paragraph 165). Does Union include these costs in the determination of its system administration fee? If not, why not?*

Response:

a) No. There are no other costs other than those listed.

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b) Bad debt is split between delivery and commodity portions based on revenue. The commodity portion is allocated to the gas supply administration fee.

c) No. The customer deposit requirement is calculated based on the whole bill. As Union is currently billing commodity on behalf of energy marketers there is not a distinction between system supply or direct purchase customers. The investment carrying costs related to customer deposits is properly reflected through the delivery rate.

d) Please see response at Exhibit IR5.12.

e) Please see response at Exhibit IR24.3.

f) Confirmed.

g) Union only captures incremental costs to Union's core business of providing distribution, transmission and storage services. Regulatory costs would not change in the absence of the QRAM process.

h) Union includes in its calculation of the gas supply administration fee direct salaries and benefits related to gas acquisition including the gas supply plan.

Duties performed related to demand forecasting would be performed for system planning regardless of whether Union had a system supply function or not. As a result these costs are not included in the gas supply administration fee.

Exhibit IR16.1

UNION GAS LIMITED

Answer to Interrogatory from
Superior Energy Marketing Limited ("SEM")

Reference: General

Question:

Would you agree that the current QRAM structure uses a simple average of the forward curve, and that that simple average does not give any weight to the variations in consumption that customers experience throughout the seasons?

Response:

No. The QRAM structure is not a simple average, but a weighted average of the forward 12-month curve, based on the planned monthly purchases in each month. It is not weighted on customer's consumption because that is not relevant in determining the average expected cost of gas supplies.

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UNION GAS LIMITED

Answer to Interrogatory from
Superior Energy Marketing Limited ("SEM")

Ref: General

Question:

The term "Load Following Calculation" as it is used in the context of the next question refers to a calculation of the forward curve that weights the future monthly prices against the projected consumption requirements for that month. Would you agree that a Load Following Calculation would be more appropriate as an indication of what customers can expect to pay?

Response:

A "Load Following Calculation" as defined above would not be an appropriate way to set commodity rates for customers. The appropriate way to set rates is to base the calculation on the gas supplies that are purchased throughout the year to serve the customers. A reference price set in this way will more closely match what customer should expect to pay for gas over the 12-month term.

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UNION GAS LIMITED

Answer to Interrogatory from
Superior Energy Marketing Limited ("SEM")

Ref: Page 3, pp 9-11

Question:

Would you agree that the current QRAM does not carry within it any projected amount for the future cost of storage, transportation, and load balancing ('Additional Non-Commodity Costs', for the purpose of this question) for the forecast period? Would you agree that Additional Non-Commodity Costs would be a more appropriate indicator of what customers should compare to the marketplace than smoothed blended historical costs for out of phase periods?

Response:

The QRAM process sets rates for the commodity and transportation services and it is based on the 12-month forward projection of expected costs for these services. The QRAM process also allows for the disposition of past actual cost variances for these services through the use of rate riders.

Storage and load balancing costs are set through a distribution rate case, and are not updated through the QRAM process.

There are no additional non-commodity costs that should be included in the current QRAM process.

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UNION GAS LIMITED

Answer to Interrogatory from
Superior Energy Marketing Limited ("SEM")

Ref: General

Question:

In the consideration of an Ontario Wide Reference Price, is there any merit, from your perspective, in considering locational pricing for the various delivery zones in Ontario? If not, what obstacles do you see for such a consideration?

Response:

In Union's view it is appropriate to set rates that are specific to the various delivery zones in Ontario if the cost of service to those delivery zones can be clearly differentiated. Such is the case in Union's franchise area where the commodity rates for each delivery zone vary by the forecasted compressor fuel charge on the TCPL system.

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Exhibit IR16.5

UNION GAS LIMITED

Answer to Interrogatory from
Superior Energy Marketing Limited ("SEM")

Ref: General

Question:

Duplicate to Question 4

Response:

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UNION GAS LIMITED

Answer to Interrogatory from
Superior Energy Marketing Limited ("SEM")

Ref: General

Question:

Can an Ontario Reference Price be created with the current level of unbundling and assignment of storage and transportation, including load balancing? If not, what are the specific steps which would need to be taken?

Response:

Unbundling, assignments of storage and transportation and load balancing activities do not impact a gas supply Reference Price.

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UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Calculation of reference prices; Union Evidence page 11; discussion with Mr. Thompson at Technical conference, day 1, transcript page 75, line 18 to page 77, line 10.

Preamble: For the Union South system, the commodity rate reflects an expected Empress price, plus fuel, rather than the average cost of Union's overall portfolio. However, the difference between the landed cost of Empress gas and the landed cost of Union's overall portfolio is reflected in the transportation fee that is charged to all sales customers, and only to sales customers. The result appears to be that sales customers pay total rates that reflect the average Ontario landed cost of Union's overall portfolio. This appears to be different from the situation on the Enbridge system, where sales customers pay a commodity rate that reflects Empress prices only, with differences between those prices and overall portfolio prices recovered from both system and direct purchase customers via balancing or transportation charges.

Question:

a) Please comment on the advantages and disadvantages, from the perspectives of Union, gas consumers, and marketers, of alternative approaches under which either (a) rates paid by sales customers reflect gas costs arising from the overall supply and transportation portfolio of the utility, or (b) rates paid by sales customers reflect gas costs at Empress only, with differences between the Ontario landed cost of Empress supply and the Ontario landed cost of the overall portfolio recovered from all sales and bundled transportation customers through balancing or transportation charges.

b) Please provide an historical comparison, over the period since 2001, between (i) the Ontario landed cost of Empress supply as reflected in Union's commodity rates and (ii) the Ontario landed cost of Union's overall portfolio.

c) Approximately what percentage of Union's forecast system supply volumes come from (i) Empress, (ii) Alberta via Alliance/Vector, (iii) Chicago via Alliance, (iv) Dawn, (v) others (please identify).

d) Does Union attempt, in the long run, the short run, or both, to optimize or minimize the Ontario landed cost of its overall supply and transportation portfolio used to supply sales customers? Does Union believe that it has an obligation to do that? Why or why not? Does Union have an incentive to do that, given the pass-through nature of gas costs? Please discuss.

e) Given that both the commodity charge and the transportation charge are charged to all sales customers, and only to sales customers, what purpose is served by stating the two charges separately? Does Union consider that combining those into a single

"gas supply charge" that was applicable only to sales customers and that was directly comparable to direct purchase offerings in Union's territory would have benefits for consumers evaluating direct purchase options and/or marketers trying to sell those options? Why or why not?

Response:

a) In the South, Union is able to recover both commodity and transportation costs directly from the sales service customers, and only from sales service customers, since direct purchase customers receive both of these services from marketers. The benefit of this process is that the sales service customers are charged the actual costs for the service they receive and not an allocation of costs based on some cost allocation methodology between various customer groups.

In Union's North, Union provides commodity services to the sales service customers while transportation services are provided to both sales service and bundled direct purchase customers together. Commodity costs are recovered directly from sales service customers, while transportation costs are recovered from both sales service and bundled direct purchase customers using a cost causation methodology by rate class. This recovery practice in the North is a practical approach, where costs are recovered directly from the customers when the underlying service is provided only to that group of customers (ie. commodity costs) and from both sales service and direct purchase customers through an allocation methodology when the service is provided to both groups (i.e. transportation and load balancing costs).

b) Please see attachment.

c) Union sources its system supply volumes from the following supply areas:

60% from the Alberta
   a. 44% from Empress via TCPL
   b. 16% from CREC via Alliance/Vector

21% from Chicago via Vector

7% from Panhandle Field Zone via Panhandle Energy Pipe Line

6% from Gulf of Mexico via Trunkline/Panhandle

6% from Dawn

d) As the default supplier of gas supply, Union believes its role is to source system supply in a way that meets a number of objectives, including achieving a cost effective portfolio, security of supply, portfolio diversity and flexibility.

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e) No, Union sees no benefit in combining these services into a single gas supply charge. Separate line items provide an appropriate price signal and the necessary cost transparency for quarterly rate changes. This approach also maintains a common bill presentment for both Union North and Union South.

Stating the commodity and transportation charges separately provides the necessary cost transparency related to the provision of each service so that customers can make informed decisions. This separation also provides the appropriate price signal for changes to the commodity price and changes to the transportation price. Showing these services for which a customer has choice (i.e. which may be provided by Union, a direct purchase customer, or a gas marketer) as separate line items on the bill provides the appropriate level of detail that is not available in a single bundled price.

SOUTH System Portfolio

QRAM	Docket #	Ontario Landed Reference Price via EMPRESS ($/GJ)	Ontario Landed Forecast Portfolio Price ($/GJ)
Jan-04	EB- 2003-0287	**$ 7.002**	**$ 6.913**
Feb-04		$ 7.002	$ 6.913
Mar-04		$ 7.002	$ 6.913
Apr-04	EB-2004-0210	**$ 7.849**	**$ 7.622**
May-04		$ 7.849	$ 7.622
Jun-04		$ 7.849	$ 7.622
Jul-04	EB-2004-0267	**$ 8.835**	**$ 8.669**
Aug-04		$ 8.835	$ 8.669
Sep-04		$ 8.835	$ 8.669
Oct-04	EB-2004-0416	**$ 8.884**	**$ 8.768**
Nov-04		$ 8.884	$ 8.768
Dec-04		$ 8.884	$ 8.768
Jan-05	EB-2004-0499	**$ 9.341**	**$ 9.224**
Feb-05		$ 9.341	$ 9.224
Mar-05		$ 9.341	$ 9.224
Apr-05	EB-2005-0232	**$ 8.571**	**$ 8.555**
May-05		$ 8.571	$ 8.555
Jun-05		$ 8.571	$ 8.555
Jul-05	EB-2005-0290	**$ 9.439**	**$ 9.427**
Aug-05		$ 9.439	$ 9.427
Sep-05		$ 9.439	$ 9.427
Oct-05	EB-2005-0462	**$ 10.500**	**$ 10.451**
Nov-05		$ 10.500	$ 10.451
Dec-05		$ 10.500	$ 10.451
Jan-06	EB-2005-0531	**$ 12.452**	**$ 12.402**
Feb-06		$ 12.452	$ 12.402
Mar-06		$ 12.452	$ 12.402
Apr-06	EB-2006-0033	**$ 10.664**	**$ 10.672**
May-06		$ 10.664	$ 10.672
Jun-06		$ 10.664	$ 10.672
Jul-06	EB-2006-0106	**$ 10.449**	**$ 10.311**
Aug-06		$ 10.449	$ 10.311
Sep-06		$ 10.449	$ 10.311
Oct-06	EB-2006-0500	**$ 10.343**	**$ 10.268**
Nov-06		$ 10.343	$ 10.268
Dec-06		$ 10.343	$ 10.268
Jan-07	EB-2006-0502	**$ 9.329**	**$ 9.286**
Feb-07		$ 9.329	$ 9.286
Mar-07		$ 9.329	$ 9.286
Apr-07	EB-2007-0053	**$ 9.711**	**$ 9.690**
May-07		$ 9.711	$ 9.690
Jun-07		$ 9.711	$ 9.690
Jul-07	EB-2007-0634	$ 9.711	$ 9.690
Aug-07		$ 9.711	$ 9.690
Sep-07		$ 9.711	$ 9.690
Oct-07	EB-2007-0720	**$ 8.804**	**$ 8.660**
Nov-07		$ 8.804	$ 8.660
Dec-07		$ 8.804	$ 8.660
Jan-08	EB-2007-0918	**$ 8.183**	**$ 7.945**
Feb-08		$ 8.183	$ 7.945
Mar-08		$ 8.183	$ 7.945
Apr-08	EB-2008-0033	**$ 9.119**	**8.84**
May-08		$ 9.119	$ 8.839
Jun-08		$ 9.119	$ 8.839
Jul-08	EB-2008-0109	**$ 11.372**	**$ 10.906**
Aug-08		$ 11.372	$ 10.906
Sep-08		$ 11.372	$ 10.906
Oct-08	EB-2008-0281	**$ 10.224**	**$ 9.940**
Nov-08		$ 10.224	$ 9.940
Dec-08		$ 10.224	$ 9.940
Jan-09	EB-2008-0371	**$ 9.319**	**$ 8.880**
Feb-09		$ 9.319	$ 8.880
Mar-09		$ 9.319	$ 8.880

Union's assumptions -

1. Data is effective January, 2004 when Union's current QRAM methodology was implemented..

2. Ontario Landed Reference Price via Empress can be found in historical QRAM filings, Tab 1, Schedule 1.

3. Forecast Portfolio Price is for the South System Portfolio

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Union Evidence, pages 16-18 (graphs)

Preamble: The referenced graphs show the effects on rate stability and accuracy of different possible approaches to determining reference prices.

Question:

a) With respect to the thin blue lines labelled "reference price", what reference price is being referred to, i.e. commodity rate alone, the commodity rate plus transportation rate?

b) Please specify the "riders" referred to in connection with the thick blue lines?

c) Why has the effect of the riders been to consistently decrease customer rates over the entire period since July 2006? Please comment on whether that is an odd coincidence, or identify any structural or other factors in the market or in Union's cost allocation or PGVA clearance mechanisms that has or could have led to that result.

Response:

a) Thin blue lines labelled "reference price" are referring to the commodity rate alone.

b) For the purposes of this exercise, the "riders" were manually calculated and intended to capture the difference between the Reference Price and Actual Cost of Gas. As reflective "riders", they do not include Inventory Revaluation or Fuel deferrals.

c) Since 2006, the forward 12 month price tended to be higher than the actual cost for gas in those months. Riders were, therefore, generally credits. There were no cost allocation or clearance mechanisms impacting this result.

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UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Union Evidence, Section C, Cost Allocation, page 58

Preamble: In this section of its evidence Union supports the continuation of incremental costing for both the DPAC and system sales fees.

Question:

Does Union agree that any change to a fully allocated methodology for determining either fee should be implemented for both fees in order to maintain parity between sales service and direct purchase? Why or why not?

Response:

As stated in Union's evidence at Exhibit E2, page 60, both fees should be treated consistently. It is Union's view, however, that neither the gas supply administration fee nor the direct purchase administration charge should be priced on a fully allocated basis. If Union no longer offered gas supply commodity service or facilitated direct purchase, the direct costs associated with providing these services would no longer be incurred. The direct costs are incremental to Union's core business of providing distribution, transmission and storage services and accordingly should be priced on an incremental basis.

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UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Union Evidence

Preamble: Union's approach to clearing the PGVA involves clearing the account quarterly based on a 12 month forward volume forecast, with individual riders applicable to sales and Bundled T services.

Question:

Under Union's approach is it necessary to state, and is there any purpose for stating, the adjusted rate and adjusted rider separately for billing purposes? Why or why not? Would there be any advantage, from the perspective of bill presentation and customer acceptance, of combining the rates and applicable riders for presentation purposes? Why or why not?

Response:

The rate change captures the forecast price. The rate adjustment captures the difference between the forecast and actual prices in rates from prior periods.

Prior to April 2006 Union's billing system did not have rate rider functionality. As part of the 2004 rate case (EB-2003-0063) Union proposed to add rate rider functionality at a cost of approximately $3.8 million. One of the primary drivers behind Union's proposal was that Board Staff and the Board were of the view that rate riders were desirable because they provided increased transparency in a market characterized by significant and volatile price changes.

In its RP-2003-0063 Decision with Reasons (dated March 18, 2004), the Board determined (Rate Rider Functionality, page 105):

"It is clear that Union's amended QRAM methodology, which the Board has reviewed in this decision, will require the transparent identification of rate riders, both positive and negative, to prospectively clear the forecast deferral account balances or to reflect rate retroactivity where appropriate"

Union sees no change in circumstance that would cause it to change or eliminate rate riders.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: General

Question:

a) Please provide a breakdown of residential customers over the last five years indicating the number of sales (system) customers and the number of direct purchase customers. Please indicate the approximate percentages of residential customers that are served by (i) sales service, (ii) Bundled T service, and (iii) Unbundled Service.

b) If known or if the information is available, for each of the last five years please provide the number of residential customers that migrated from being system sales customers to become direct purchase customers.

c) If known or if the information is available, for each of the last five years please provide the number of residential customers that returned to system sales service from the direct purchase option.

Response:

a) Please see attachment.

b), c) The requested information is not available. However, the net change in the number of direct purchase and system supplied customers can be determined by examining the changes between years in the response to (a).

Question: December 5, 2008
Answer: December 30, 2008
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Number of customers			Number of Customers					Percentage Residential Customers				
			2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
General Service	System	Res	685,175	693,706	708,155	702,025	748,209	63%	62%	62%	61%	64%
			72,923	72,302	73,672	73,215	77,417					
	Total System	Total System	758,098	766,008	781,827	775,240	825,626					
	Bundled-T	Res	397,021	417,701	396,946	399,272	335,032	37%	38%	35%	35%	29%
			39,380	38,877	36,552	37,351	31,925					
	Unbundled	Res	0	1,006	30,557	53,100	91,270	0%	0%	3%	5%	8%
			0	80	2,037	2,424	4,983					
	Total Direct Purch	Total DP	436,401	457,664	466,092	492,147	463,210					

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: General

Question:

Please confirm that in costing any service using incremental cost (IC), fully allocated cost (FAC), or stand alone cost (SAC) methodologies, the following relationship is maintained: IC ≤ FAC ≤ SAC. If unable to confirm, please explain why.

Response:

In general, Union agrees this is a reasonable guideline.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 21, lines 8-9

Question:

a) Please provide an estimate, with supporting explanatory comment, of the regulatory, administrative, IT billing system, and communication costs that would arise as a result of introducing a monthly reference price adjustment based on a 12 month forecast period, and a 12 month deferral disposition period. (Scenario #1).

Response:

a) Union has not prepared a detailed cost analysis for the MRAM scenario. Union's high level estimate is that it would cost at a minimum $1.6 million per year of incremental O&M spending to implement this change. The main components of this estimate are detailed below:

Based on the current QRAM process, Union publishes a total of 32 rate class notices every 3 months (80 per year). The estimated O&M cost to produce and print the notices is $25,000 per quarter ($100,000 per year). Under the MRAM scenario, the annual O&M cost would be $25,000 per month or $300,000 annually. This results in an additional $200,000 in O&M spending.

A portion of Union's general service customer meters are read every business day each month. Therefore, most customer bills extend between two calendar months. When there is a rate change at the start of a month Union prorates the consumption volumes between the two months and applies the appropriate rate providing the customer with clear and transparent billing information.

Noting Union's proposal to update delivery rates with each commodity rate change, any price change would result in multiple lines on the bill for each cost item. The increased number of lines will not fit in Union's 2-page bill. Under the current QRAM methodology Union will provide 3-page bills each quarter to capture the rate changes.

Under an MRAM, Union would need to provide 3-page bills each month. This will increase bill print production costs further than was planned as part of the Intra-Period WACOG deferral account elimination.

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Specifically, the additional paper and labour requirements to accommodate this more complex monthly bill is expected to result in an incremental $70,000 in O&M costs each month ($840,000 annually). Of this amount, $560,000 would result due to MRAM.

The increased postage associated with a larger bill is expected to create an annual incremental cost of approximately $1.25 million. Of this amount, $830,000 would result due to MRAM.

Union has not determined the number of additional staff required to prepare a monthly gas cost charge.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 29, lines 15 - 17

Question:

a) What is the rationale for re-valuating the opening gas in inventory? What would be the implications of no longer re-valuating the opening gas in inventory?
b) Does all the gas in inventory get re-valued or does it get apportioned between gas in inventory held for system supply and gas held for load balancing purposes? If gas in inventory is apportioned: please provide: (i) the rationale for re-valuating gas in inventory held for load balancing purposes; and (ii) an explanation of how the gas in inventory is apportioned between gas in inventory held for system supply and gas held for load balancing.
c) Please provide an explanation of the allocation of the inventory re-valuation amounts to the various customer rate classes (including the basis and rationale for the allocation).

Response:

a) The revaluation of gas in inventory ensures that the transaction to record the cost of gas sold matches the gas sales revenue transaction and there is no margin reported for the gas supply service transaction. Union's gas in storage for resale to customers is carried at prices approved by the Board in the determination of customer sales rates (WACOG). The variances between cost and the approved WACOG are recorded in the gas deferral accounts when the gas is purchased. When the sales rate changes the rate for cost of gas sold also changes, this requires gas in inventory to be revalued at the new selling price. The change in the inventory value is offset by an entry to adjust the gas deferral account balance.

   If gas inventory was not re-valued to WACOG it would be recorded on the books at cost. The variance between the cost of gas sold and gas sales revenue at WACOG would be recorded in the gas deferral accounts at the point of sale.

b) Union's gas in inventory has been split into two accounts: i) gas in inventory for sale and ii) gas in inventory for balancing purposes. Only the gas in inventory held for sale to system supply customers is re-valued. In 2001, as part of RP-2001-0029 (Union's 2001/2002 Customer Review Process), Union determined the amount of gas in inventory required for balancing Bundled T-service (BT) customers based on the forecast supply demand balance at that time. This inventory was separated from the

gas inventory held for resale at the time so that it could continue to be carried at historic cost. The volume of the gas in storage for balancing is verified annually as part of the planning process. This gas is borrowed by customers and returned if it is not sold. There is no revenue or expense recorded for this gas transaction, therefore, it is not necessary to revalue this inventory.

c) The allocation of the inventory re-valuation amount is based on the forecast 12 month sales service volumes from the effective date in both the North and the South. This allocation over sales volumes results in a single common inventory revaluation price adjustment independent of rate class. The price adjustment related to Inventory Re-valuation is a component of the Commodity & Fuel Price Adjustment in both operating areas.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 32, lines 7 - 21

Question:

a) *Please provide the rationale for the proposed exclusion of changes to the gas costs working cash allowance, GST, and tax related effect of changes in gas in storage carrying costs when resetting rates as part of the QRAM process.*

Response:

The Intra Period WACOG deferral account was set up to capture the significant components of the revenue requirement that were associated with gas cost changes i.e. compressor fuel, unaccounted for gas and gas inventory carrying costs (interest, return and income tax). The proposed change is to simply remove the annual deferral account and instead collect the same items and amounts through changes in delivery rates on a quarterly basis.

Union does not include the impact on carrying costs associated with the gas purchase working capital allowance or the related GST impact in its calculation of changes in the revenue requirement from a change in gas costs. Changes to the capital tax amount as a result of updates to the gas in inventory balance are also not captured. These impacts are not considered to be significant.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 34, lines 19 - 21

Question:

a) Would Union be agreeable adopting the format used by Enbridge for the calculation of the reference price found at Exhibit 3, Tab 1, Schedule 1 of their QRAM filing (e.g. disclosing a basket of pricing points and pricing indices that reflects its gas purchase arrangements and transportation portfolio for the North and the South)?

b) If not, why not?

Response:

a) The Enbridge schedule referenced above serves the same purpose as that filed by Union at Tab 1 Schedule 2 of its QRAM application. Union and Enbridge have proposed to streamline and make common where appropriate the schedules filed in future QRAM applications, but have not yet determined the preferred proposed schedules.

b) N/A

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 59, lines 11 - 12

Question:

a) Using the 2007 rebasing year, please provide the system gas fee and DPAC costs on an incremental and fully allocated cost basis.

Response:

While preparing the analysis, Union discovered that a portion of general O&M was inadvertently included in the gas supply administration fee. The DPAC was not impacted. Union is not proposing to amend the rate at this time.

Below are the current Board approved and fully allocated revenue requirements and rates for the gas supply administration fee and DPAC:

	Board Approved		Fully Allocated	
	Revenue Requirement	Rate [1]	Revenue Requirement	Rate [2]
Gas supply administration fee	$9,342,000	0.3138 cents/m^3	$10,033,000	0.3370 cents/m^3
DPAC	$1,961,000	$75/contract/mth $0.19/cust/mth	$2,777,000	$102.50/contract/mth $0.34/cust/mth

Notes

1 Parties settled the 2007 DPAC rates at the 2004 Board approved rates which will only collect $1,707,000. The projected revenue shortfall of $254,000 is collected through delivery rates.

2 Fully allocated rates for DPAC were based on the rates proposed for 2007 (Exhibit H1, Tab 3, Page 5, lines 3-4) prorated based on revenue requirement from $1,961,000 to $2,777,000.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 66, lines 28 - 29

Question:

a) Please provide the allocation basis for base level load balancing costs.

Response:

The allocation of base level load balancing costs is as follows:

Storage Space
Storage space costs are allocated to T1 and T3 customers using contracted amounts.

Storage space costs for South sales service and Bundled-T customers are determined using the aggregate excess methodology based on the forecasted consumption by rate class.

Storage space costs for North customers are determined using aggregate excess and allocated to individual rate classes using excess peak over average (design day consumption less average daily use).

Deliverability
Deliverability costs for T1 and T3 customers are allocated using their contracted deliverability levels.

Deliverability costs for bundled customers in the South are allocated using the excess of design day demand over design day deliveries. Deliveries are allocated based on annual delivery volumes.

Deliverability costs for North customers are allocated using excess peak over average (design day consumption use less average daily use).

Gas in Inventory and Balancing Gas
Gas in inventory and balancing gas are allocated to in-franchise customers based on the storage space allocation as determined above excluding T1 and T3. T1 and T3 customers are responsible for their own load balancing needs (i.e. maintain a positive storage balance) and as a result these costs are not attributable to them.

Question: December 5, 2008
Answer: December 30, 2008
Docket: EB-2008-0106

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit E2, page 69, lines 17 - 23

Question:

a) For each of the following deferral accounts please indicate the rider that would be used to dispose of amounts approved by the Board.

i) South PGVA
ii) North PGVA
iii) TCPL Tolls and Fuel Deferral Account
iv) Inventory Revaluation Deferral Account
v) Spot Gas Variance Account
vi) Intra-Period WACOG

Response:

For each of the deferral accounts identified below, the rider that would be used to dispose of amounts approved by the Board is as follows:

(i) South PGVA – South gas price adjustment, applicable to South Sales service customers only.

(ii) North PGVA – North gas price adjustment, applicable to North Sales service customers only.

(iii) TCPL Tolls and Fuel Deferral Account –
a. Tolls – North transportation price adjustment, applicable to North Sales service and North Bundled-T Direct Purchase customers only
b. Fuel – North gas price adjustment, applicable to North Sales service customers only.

(iv) Inventory Revaluations – gas price adjustment (single common unit rate applies to both operating areas), applicable to North and South Sales service customers only.

(v) Spot Gas Variance Account – The rider that would be used to dispose of amounts in this deferral account will depend on the type of customers (sales service or bundled direct purchase) that drove the spot gas purchase. Should Union purchase spot gas, Union will determine the customers

responsible for the purchase and seek to dispose of the deferral account balance from those customers: if sales service only, the rider is gas price adjustment, otherwise the rider is delivery price adjustment.

(vi) Intra-period WACOG – Currently, this deferral account is disposed of on an annual basis and not subject to quarterly delivery rate adjustments for gas cost related items.

If Union's proposal to eliminate the Intra-Period WACOG deferral account is accepted, Union will adjust in-franchise distribution rates and ex-franchise transportation rates on a quarterly basis.