



uniongas

A Spectra Energy Company

October 23, 2009

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: Union's 2010 Rates Application
(EB-2009-0275 – Effective January 1, 2010)**

Dear Ms. Walli:

Please find enclosed two copies of Union's responses to interrogatories for the above noted proceeding.

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

Yours truly,

[Original Signed by]

Chris Ripley
Manager, Regulatory Applications

cc M. Penny (Torys)
EB-2009-0275 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters (“CME”)

Question:

At Exhibit A, Tab 1, page 6 of 9, Union confirms that its Board approved 2009 DSM program costs of \$20.57M have been increased by 10% resulting in a total DSM budget of \$22.627M for 2010. Union has also confirmed that the total 2010 DSM program costs of \$22.627M has been allocated to rate classes in the same proportion used to allocate Union’s DSM costs in 2007 Rates. Union’s Working Papers, Schedule 16, shows that the increased DSM program costs for 2010 have been allocated by escalating the approved 2009 DSM budget for each rate class by 10%.

The manner in which Union’s DSM budget is allocated between customer rate classes was established by the Board in EB-2006-0021. In that case, the Board confirmed that cost allocation in rates shall be on the same basis as budgeted DSM spending by rate class, and that this allocation should apply to both direct and indirect DSM program costs (page 9). The Board also confirmed that to the extent that a proposed multi-year plan proposes DSM sector level spending that is significantly different than the historical percentage levels of spending in those sectors, the utility will provide an explanation (page 26).

It is in this context that CME wishes to better understand the manner in which Union intends to allocate its 2010 DSM budget between the various rate classes. To this end, will Union please:

- a) Prepare a table that lists:
 - i) Union’s Board approved DSM budget for 2008 by rate class and Union’s actual DSM spending (including direct and indirect costs) by rate class for 2008;
 - ii) Union’s Board approved DSM budget for 2009 by rate class and Union’s projected DSM spending (including direct and indirect costs) by rate class for 2009; and
 - iii) Union’s proposed 2010 DSM budget by rate class and, if it is different, Union’s projected DSM spending (including direct and indirect costs) by rate class for 2010;
- b) CME understands that when Union’s actual DSM spending by rate class is different than the Board approved DSM budget by rate class, the DSMVA can be used as a “true-up” mechanism. Is this correct? If so, please describe that true-up

mechanism. If not, please explain how the DSM program costs are allocated to the rate classes where spending actually occurs.

Response:

a)

	2008		2009	2010
Rate	DSM Budget	Actual DSM Costs	DSM Budget	DSM Budget
R01	1,788	1,579	1,967	2,163
R10	1,542	962	1,696	1,866
R20	1,110	371	1,221	1,343
R100	1,785	1,544	1,963	2,159
M1	5,958	9,732	6,554	7,209
M2	2,469	1,743	2,716	2,987
M4	2,024	1,041	2,226	2,449
M5	0	588		
M7	769	115	846	930
T1	1,256	2,584	1,381	1,519
Total	18,701	20,259	20,570	22,627

All figures in \$000's

Union is unable to provide a projection for the allocation of actual 2009 DSM spending. The majority of DSM programs will not be completed until the end of 2009. As a result, the total associated costs and savings are not quantifiable at this time.

Union is unable to provide a projection for the allocation of proposed 2010 DSM spending. Although the 2010 DSM plan is complete, Union is still finalizing the suite of DSM programs it will offer in 2010.

- b) Correct. Deferral account 179-111 (Demand Side Management Variance Account) records the difference between actual direct DSM costs incurred and the direct DSM budget included in approved rates. For each rate class, the net amount is then recovered or refunded through the deferral account disposition. This true-up of DSM costs between actual costs and DSM costs included in rates is consistent with Union's treatment of DSM costs since 2006.

UNION GAS LIMITED

Answer to Interrogatory from
City of Kitchener (“Kitchener”)

Ref: Appendix A, Page 10, lines 19 to 21 – T3 Monthly Charge

Please describe how the monthly charge, particularly for Kitchener, is determined under Union’s approved rate design and, if the monthly charge is designed to recover the replacement cost of measuring and regulating equipment required to provide service, please explain if and why it is appropriate to apply an annual inflation factor to the monthly charge.

Response:

Union’s Board Approved distribution rates recover, through a monthly charge, customer-related capital and O&M costs allocated to the T3 rate class.

The T3 monthly charge is not designed to recover the replacement costs of measuring and regulating equipment. The charge recovers all costs associated with the existing meters, regulators and customer stations. These costs are return, taxes, accumulated deferred tax drawdown, depreciation and O&M expenses.

The application of the annual inflation factor less a productivity offset to the monthly charge is in accordance with Section 12.3.1 of the EB-2007-0606 Settlement Agreement approved by the Board on January 17, 2008. As noted in Exhibit B, Tab 1, p. 17, of Union’s EB-2007-0606 evidence, Union proposed flexibility under the price cap plan to adjust the fixed monthly charge and variable charge on a revenue neutral basis. However, as part of the settlement conference, Union agreed to apply the price cap index directly to the fixed monthly charge and the variable charge without any adjustments.

UNION GAS LIMITED

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

Ref: Working Papers, Schedules 1 & 2

Please confirm that there is no link between the 0.91% PCI calculated in Schedule 1 and the 0.91 % storage premium adjustment factor calculated in Schedule 2.

Response:

Confirmed.

UNION GAS LIMITED

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

Ref: Exhibit A, Tab 1, page 4, Updated & Working Papers, Schedule 15

Please provide the CCA calculations that give rise the CCA difference figures of (8,708) and (9,703) in columns (c) and (d) of line 1 in Schedule 15.

Response:

Please refer to Attachment.

Estimated Tax Rate Change Impacts (2008-2010)
 (\$ millions)

<u>Line</u> <u>No.</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
		(a)	(b)	(c)	(d)
	<u>Tax Related Amounts Forecast from CCA Rate Changes</u>				
1	Computer Equipment (Class 45) - Opening UCC Balance	0.00	6.77	10.50	12.55
2	New purchases (2007 Board Approved additions)	8.74	8.74	8.74	8.74
3	Capital cost Allowance (CCA) at 45% - former tax rule CCA rate	1.97	5.02	6.69	7.61
4	Closing Undepreciated Capital Cost (UCC)	6.77	10.50	12.55	13.68
5	Computer Equipment (Class 45) - Opening UCC Balance	0.00	6.34	9.19	4.66
6	New purchases (2007 Board Approved additions)	8.74	8.74	0.73	8.01
7	Capital cost Allowance (CCA) at 55% - 2007 Federal Budget tax rule CCA rate	2.40	5.89	5.25	4.77
8	Closing Undepreciated Capital Cost (UCC)	6.34	9.19	4.66	7.91
9	Computer Equipment (Class 52) - Opening UCC Balance	0.00	0.00	0.00	4.01
10	New purchases (2007 Board Approved additions)	0.00	0.00	8.01	0.73
11	Capital cost Allowance (CCA) at 100% - 2009 Federal Budget tax rule CCA rate (for expenditures between Jan 28, 2009 and Feb 2010)	0.00	0.00	4.01	4.37
12	Closing Undepreciated Capital Cost (UCC)	0.00	0.00	4.01	0.36
13	Distribution Assets (Class 1) - Opening UCC Balance	0.00	130.56	255.90	376.23
14	New purchases (2007 Board Approved additions)	133.23	133.23	133.23	133.23
15	Capital cost Allowance (CCA) at 4% - former tax rule CCA rate	2.66	7.89	12.90	17.71
16	Closing Undepreciated Capital Cost (UCC)	130.56	255.90	376.23	491.74
17	Distribution Assets (Class 1) - Opening UCC Balance	0.00	129.23	250.71	364.89
18	New purchases (2007 Board Approved additions)	133.23	133.23	133.23	133.23
19	Capital cost Allowance (CCA) at 6% - 2007 Federal Budget tax rule CCA rate	4.00	11.75	19.04	25.89
20	Closing Undepreciated Capital Cost (UCC)	129.23	250.71	364.89	472.23
21	CCA Difference ⁽¹⁾	1.77	4.74	8.71	9.70

⁽¹⁾ =(Line 7 + Line 11 - Line 3) + (Line 19 - Line 15)

UNION GAS LIMITED

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

Ref: Exhibit A, Tab 1, pages 3 and 4, Updated.

In the 2009 Provincial Budget, the provincial government indicated its intention to convert the Ontario Retail Sales Tax (RST) to a value-added tax structure and combine it with the federal Goods and Services Tax (GST) to create a single harmonized sales tax (HST). This change would take place July 1, 2010.

- a) Why has Union not included any impacts of this change in its calculation of the Z factor related to the treatment of tax savings?
- b) Does Union intend to calculate the impact of this change at the end of 2010 and bring forward any balance for disposal at the time, similar to Union's current proposal to deal with the 2009 impact of the new CCA rate class (Class 52) on certain computer equipment?
- c) Does Union agree that the conversion of the RST to the HST would have an impact on the cost associated with each of the following, and if not, please explain why not:
 1. O&M expenses;
 2. Capital expenditures;
 3. Working cash allowance?
- d) Are there any other cost impacts in areas other than those noted above that would be impacted by the conversion of the RST to the HST? If so, please identify and explain.
- e) Please provide the actual 2008 RST costs paid by Union Gas associated with each of the following:
 1. O&M expenses;
 2. Capital expenditures.
- f) Does Union collect any RST? If so, please identify.
- g) What is the impact on Union of the temporarily restricted input tax credits for businesses with annual taxable income in excess of \$10 million for certain expenses?

Response:

- a) Union has not included the potential impact of the move to HST because the legislation necessary to enact the change has not been introduced. Further, the rules of the pending harmonization have not been sufficiently clarified to allow Union to calculate any potential costs or savings associated with harmonization.

- b) Yes, Union will address any tax change impacts in its 2011 rate application similar to how Union has addressed the CCA rate class change in the 2010 rate application.
- c) Union agrees that the conversion of an RST system to a HST system will have an impact on costs associated with O&M expenses, capital expenditures and the working cash allowance.
- d) Union understands that it may be required to separately identify HST on customers' bills and to prorate, as a result of billing cycles that typically span portions of two months, the tax charged to customers during the transition to HST. As a result, changes to Union's billing system may be necessary.
- e) Union does not track RST for goods and services purchased in Ontario as a separate item because, unlike GST, RST is not deductible for tax purposes. Union only tracks RST for self assessments where purchases are made outside of Ontario for goods shipped to Ontario.
- f) Union's distribution, storage and transmission operations do not attract RST. There are a few non-routine transactions that may attract RST. Examples of these transactions include sales of scrap or other used goods.
- g) As the legislation has not yet been introduced and the restrictions have not yet been defined, it is not possible to calculate the impact of the restrictions on input tax credits on businesses with annual taxable income in excess of \$10 million.

UNION GAS LIMITED

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

Ref: Exhibit A, Tab 1, page 9, Updated

Please provide updated tables for Tables 1 through 5 provided in Exhibit B5.2 of EB-2008-0220 showing the addition 2008 data and the calculation of the adjustment factors for 2008.

Response:

Please see the attachment.

TABLE 1: TOTAL NUMBER OF BILLED CUSTOMERS

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M
Union South Only Rate M1 / M2 Billed Customers														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
1	2003	892,780	894,959	896,817	897,509	900,036	900,115	901,329	901,636	902,814	905,964	909,446	911,356	10,814,761
2	2004	915,414	916,492	917,952	919,353	921,737	921,211	923,281	923,984	926,056	927,491	931,700	935,557	11,080,228
3	2005	936,960	938,271	939,841	941,096	942,052	941,386	942,736	943,515	946,531	947,839	952,192	956,004	11,328,423
4	2006	956,680	957,734	959,146	960,782	961,996	961,514	962,873	962,851	965,386	965,966	969,500	972,180	11,556,608
5	2007	973,383	975,413	976,592	977,620	979,782	978,712	980,023	980,828	982,235	982,606	986,180	989,531	11,762,905
6	2008	989,482	990,996	992,434	993,543	996,580	995,547	995,256	997,306	998,561	999,366	1,002,626	1,005,480	11,957,177
Union North Rate 01 Billed Customers														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
7	2003	278,010	278,263	278,514	278,767	278,937	278,695	278,790	278,720	278,529	279,318	280,058	280,373	3,346,974
8	2004	281,444	281,544	281,648	281,948	282,117	282,219	282,599	282,478	282,552	283,137	284,280	285,201	3,391,167
9	2005	285,382	285,437	285,485	285,732	285,502	285,543	285,937	285,944	286,187	286,871	287,925	288,801	3,434,746
10	2006	288,644	288,715	288,953	289,362	289,367	289,417	289,912	289,761	290,156	290,765	291,584	292,070	3,478,706
11	2007	292,176	292,562	292,659	293,073	293,375	293,452	294,131	294,516	294,788	295,149	296,241	296,979	3,529,101
12	2008	296,802	297,147	297,264	297,508	298,028	297,924	298,136	298,484	298,547	299,155	300,161	301,020	3,580,176
Union North Rate 10 Billed Customers including CIA Rate 10														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
13	2003	2,858	2,864	2,875	2,858	2,851	2,846	2,763	2,833	2,838	2,843	2,853	2,842	34,124
14	2004	2,891	2,878	2,869	2,895	2,883	2,886	2,871	2,871	2,873	2,878	2,903	2,914	34,612
15	2005	2,924	2,923	2,932	2,941	3,012	3,065	3,085	3,073	3,057	3,069	3,102	3,114	36,297
16	2006	3,138	3,142	3,139	3,155	3,161	3,141	3,138	3,116	3,127	3,126	3,125	3,137	37,645
17	2007	3,153	3,140	3,140	3,150	3,133	2,978	2,332	2,321	2,319	2,321	2,326	2,326	32,639
18	2008	2,348	2,360	2,353	2,357	2,357	2,363	2,347	2,347	2,347	2,357	2,398	2,405	28,339

TABLE 2: TOTAL THROUGHPUT VOLUMES: 10³ m³
 Before the adjustment for the cumulative DSM Program volume impacts

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M
Union South Only Rate M1 / M2 Billed Customers														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
1	2003	713,342.6	612,636.0	527,738.3	336,629.0	167,699.0	92,326.5	101,826.1	101,005.0	129,055.6	243,876.2	410,369.6	613,580.6	4,050,084.6
2	2004	692,973.0	624,629.2	505,991.1	337,576.6	174,979.9	79,867.7	95,617.7	102,620.4	138,821.4	228,105.6	393,752.5	601,002.3	3,975,937.4
3	2005	704,420.3	616,048.7	520,861.9	332,044.4	176,305.7	92,562.2	88,551.9	95,205.0	127,731.3	238,720.2	397,711.9	600,939.5	3,991,102.9
4	2006	690,844.3	612,199.0	534,055.6	331,286.9	172,360.1	91,662.0	100,437.7	92,790.1	118,797.8	247,484.0	425,868.1	622,841.4	4,040,627.1
5	2007	688,790.5	610,406.9	569,644.4	363,433.3	209,791.3	97,127.8	99,592.6	94,905.8	121,432.1	248,188.1	379,026.7	617,711.5	4,100,051.1
6	2008	703,671.3	625,607.7	593,788.2	305,750.9	180,570.7	77,079.5	101,588.8	98,015.4	116,309.4	233,206.5	406,740.8	631,579.8	4,073,908.9
Union North Rate 01 Billed Customers														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
7	2003	180,637.2	144,500.3	119,622.2	72,789.8	43,028.7	18,110.1	19,755.1	17,598.7	29,385.2	57,009.1	97,638.9	141,785.2	941,860.3
8	2004	169,350.1	144,830.9	115,848.4	70,855.0	39,919.5	16,571.9	21,667.6	18,303.4	32,402.3	49,574.2	91,769.3	138,694.6	909,787.1
9	2005	171,968.9	145,025.7	115,600.8	71,633.7	38,817.3	18,875.1	16,580.9	16,674.3	26,899.1	51,406.1	89,853.2	139,783.9	903,118.9
10	2006	170,045.9	136,851.6	114,426.4	70,974.7	37,669.1	17,230.4	18,168.0	15,715.6	24,233.0	53,199.5	99,568.4	136,814.3	894,897.1
11	2007	168,474.5	135,725.3	122,329.4	77,175.3	41,283.3	17,802.6	17,946.4	16,587.0	26,629.4	52,473.5	91,858.0	143,173.1	911,457.8
12	2008	179,283.1	141,287.8	118,104.4	77,585.3	38,888.3	22,692.9	19,808.9	17,261.5	23,496.3	52,376.9	94,806.9	144,864.4	930,456.9
Union North Rate 10 Billed Customers including CIA Rate 10														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
13	2003	61,265.1	53,263.1	48,373.9	30,298.0	20,325.3	14,262.0	11,770.8	11,858.8	13,720.4	28,681.4	42,806.9	51,104.6	387,730.2
14	2004	56,029.0	56,699.3	45,708.7	26,586.0	17,747.5	16,997.9	13,411.3	13,232.5	15,368.0	26,550.0	39,383.6	52,537.7	380,251.4
15	2005	63,184.0	55,769.0	47,999.4	30,921.6	20,242.6	12,868.8	11,058.7	11,872.0	12,519.5	27,659.8	40,209.4	55,588.2	389,893.2
16	2006	61,612.9	54,811.0	50,762.7	31,093.1	20,037.0	12,019.9	12,140.9	11,179.1	13,228.8	30,883.4	42,531.3	53,516.3	393,816.3
17	2007	62,817.6	52,075.5	53,095.0	31,885.7	20,905.3	12,183.0	10,894.0	10,884.3	11,965.1	24,826.8	34,206.6	46,224.1	371,963.1
18	2008	57,246.2	49,127.3	46,586.9	31,647.4	18,419.3	13,110.2	12,078.0	11,074.6	12,666.0	24,521.5	36,892.1	47,545.9	360,915.5

TABLE 3: DSM PROGRAM VOLUMES: 10³ m³

Row	Column	A	B	C	D	E	F	G	H	I	J	K
		Audited DSM Volumes										
	<u>Year</u>	<u>M1 / M2 (Res)</u>	<u>R01 (Res)</u>	<u>M1 / M2 Comm</u>	<u>M1 / M2 Ind</u>	<u>01 Comm</u>	<u>10 Comm</u>	<u>10 Ind</u>	<u>Total</u>	<u>Rate M1 / M2</u>	<u>Rate 01</u>	<u>Rate 10</u>
1	2003	7,220.0	5,239.0	9,104.0		549.0	1,080.0		23,192.0	16,324.0	5,788.0	1,080.0
2	2004	3,904.0	1,121.0	12,743.0		674.0	2,583.0		21,025.0	16,647.0	1,795.0	2,583.0
3	2005	3,703.0	1,359.0	11,661.0	1,262.0	1,340.0	2,170.0	621.0	22,116.0	16,626.0	2,699.0	2,791.0
4	2006	10,194.0	2,222.0	19,101.0	1,638.0	4,522.2	1,473.0	600.0	39,750.2	30,933.0	6,744.2	2,073.0
5	2007	4,662.0	943.0	10,659.0	732.0	1,440.0	1,355.0	3,997.0	23,788.0	16,053.0	2,383.0	5,352.0
6	2008	6,477.0	1,361.0	10,204.0	574.0	1,248.0	1,389.0	1,054.0	22,307.0	17,255.0	2,609.0	2,443.0
		Cummulative DSM Vol. since 1998										
	<u>Year</u>	<u>M1 / M2 (Res)</u>	<u>R01 (Res)</u>	<u>M1 / M2 Comm</u>	<u>M1 / M2 Ind</u>	<u>01 Comm</u>	<u>10 Comm</u>	<u>10 Ind</u>	<u>Total</u>	<u>Rate M1 / M2</u>	<u>Rate 01</u>	<u>Rate 10</u>
7	2003	46,919.0	18,036.5	39,106.0	-	3,674.5	6,813.0	-	114,549.0	86,025.0	21,711.0	6,813.0
8	2004	52,481.0	21,216.5	50,029.5	-	4,286.0	8,644.5	-	136,657.5	102,510.5	25,502.5	8,644.5
9	2005	56,284.5	22,456.5	62,231.5	631.0	5,293.0	11,021.0	310.5	158,228.0	119,147.0	27,749.5	11,331.5
10	2006	63,233.0	24,247.0	77,612.5	2,081.0	8,224.1	12,842.5	921.0	189,161.1	142,926.5	32,471.1	13,763.5
11	2007	70,661.0	25,829.5	92,492.5	3,266.0	11,205.2	14,256.5	3,219.5	220,930.2	166,419.5	37,034.7	17,476.0
12	2008	76,230.5	26,981.5	102,924.0	3,919.0	12,549.2	15,628.5	5,745.0	243,977.7	183,073.5	39,530.7	21,373.5
		Actual Throughput Vol. 10³ m³			Cummulative DSM Vol. since 1998			of Actual Throughput Volumes (1)				
	<u>Year</u>	<u>Rate M1 / M2</u>	<u>Rate 01</u>	<u>Rate 10</u>	<u>Rate M1 / M2</u>	<u>Rate 01</u>	<u>Rate 10</u>	<u>Rate M1 / M2</u>	<u>Rate 01</u>	<u>Rate 10</u>		
13	2003	4,164,390.9	957,204.3	310,631.0	86,025.0	21,711.0	6,813.0	2.1%	2.3%	2.2%		
14	2004	3,942,356.2	919,355.0	298,001.5	102,510.5	25,502.5	8,644.5	2.6%	2.8%	2.9%		
15	2005	4,027,678.7	885,594.6	302,609.5	119,147.0	27,749.5	11,331.5	3.0%	3.1%	3.7%		
16	2006	3,672,938.7	803,723.3	284,111.3	142,926.5	32,471.1	13,763.5	3.9%	4.0%	4.8%		
17	2007	3,999,325.2	891,295.8	366,635.1	166,419.5	37,034.7	17,476.0	4.2%	4.2%	4.8%		
18	2008	4,159,625.5	931,871.6	362,051.1	183,073.5	39,530.7	21,373.5	4.4%	4.2%	5.9%		

Note (1) These percentages are applied to the reported weather normalized throughput volumes to adjust for the audited DSM programs volume impacts

TABLE 4: TOTAL THROUGHPUT VOLUMES: 10³ m³
 After the adjustment for the cumulative DSM Program volume impacts since 1998

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M
Union South Only Rate M1 / M2 Billed Customers														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
1	2003	728,078.3	625,291.4	538,639.9	343,582.9	171,163.2	94,233.7	103,929.6	103,091.5	131,721.5	248,914.0	418,846.7	626,255.5	4,133,748.3
2	2004	710,992.0	640,871.0	519,148.0	346,354.3	179,529.8	81,944.4	98,104.0	105,288.8	142,431.1	234,036.9	403,991.0	616,629.8	4,079,321.1
3	2005	725,258.5	634,272.7	536,270.1	341,867.0	181,521.2	95,300.4	91,171.4	98,021.4	131,509.9	245,782.0	409,477.0	618,716.5	4,109,168.0
4	2006	717,727.4	636,021.8	554,837.5	344,178.4	179,067.2	95,228.9	104,346.1	96,400.9	123,420.7	257,114.5	442,440.1	647,078.3	4,197,861.6
5	2007	717,452.4	635,807.1	593,348.3	378,556.5	218,521.1	101,169.5	103,736.8	98,855.1	126,485.2	258,515.7	394,798.8	643,415.6	4,270,662.0
6	2008	734,641.3	653,142.0	619,922.0	319,207.6	188,518.0	80,471.9	106,060.0	102,329.2	121,428.4	243,470.4	424,642.2	659,376.9	4,253,209.9
Union North Rate 01 Billed Customers														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
7	2003	184,734.4	147,777.8	122,335.4	74,440.8	44,004.7	18,520.8	20,203.1	17,997.9	30,051.7	58,302.1	99,853.5	145,001.1	963,223.3
8	2004	174,047.8	148,848.4	119,062.0	72,820.4	41,026.8	17,031.6	22,268.6	18,811.2	33,301.1	50,949.4	94,315.0	142,541.9	935,024.2
9	2005	177,357.4	149,570.0	119,223.0	73,878.3	40,033.6	19,466.6	17,100.5	17,196.7	27,741.9	53,016.8	92,668.7	144,163.9	931,417.5
10	2006	176,915.9	142,380.5	119,049.4	73,842.2	39,191.0	17,926.5	18,902.0	16,350.5	25,212.0	55,348.8	103,591.1	142,341.8	931,051.7
11	2007	175,474.8	141,364.9	127,412.4	80,382.1	42,998.7	18,542.3	18,692.1	17,276.2	27,735.9	54,653.9	95,674.8	149,122.2	949,330.2
12	2008	186,888.5	147,281.4	123,114.5	80,876.5	40,538.0	23,655.6	20,649.2	17,993.7	24,493.1	54,598.8	98,828.7	151,009.7	969,927.6
Union North Rate 10 Billed Customers including CIA Rate 10														
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
13	2003	62,608.8	54,431.3	49,434.8	30,962.5	20,771.1	14,574.8	12,028.9	12,118.9	14,021.3	29,310.5	43,745.7	52,225.5	396,234.2
14	2004	57,654.3	58,344.0	47,034.6	27,357.2	18,262.3	17,491.0	13,800.3	13,616.4	15,813.8	27,320.1	40,526.1	54,061.7	391,281.8
15	2005	65,550.0	57,857.4	49,796.8	32,079.5	21,000.6	13,350.7	11,472.8	12,316.6	12,988.3	28,695.5	41,715.1	57,669.7	404,493.1
16	2006	64,597.7	57,466.3	53,221.8	32,599.4	21,007.7	12,602.2	12,729.0	11,720.6	13,869.6	32,379.5	44,591.7	56,108.8	412,894.4
17	2007	65,811.9	54,557.7	55,625.8	33,405.6	21,901.8	12,763.7	11,413.3	11,403.1	12,535.4	26,010.2	35,837.1	48,427.4	389,693.0
18	2008	60,625.7	52,027.5	49,337.2	33,515.7	19,506.7	13,884.1	12,791.0	11,728.4	13,413.7	25,969.2	39,070.0	50,352.8	382,222.0

TABLE 5: Weather Normalized Average Consumption : m³ per customer
 After the adjustment for the cumulative DSM Program volume impacts since 1998

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Union South Only Rate M1 / M2 Billed Customers																	
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>	<u>Change</u>	<u>% Change</u>	<u>3 Yr. M.A.(1)</u>
1	2003	816	699	601	383	190	105	115	114	146	275	461	687	4,591			
2	2004	777	699	566	377	195	89	106	114	154	252	434	659	4,421	-169	-3.7%	
3	2005	774	676	571	363	193	101	97	104	139	259	430	647	4,354	-67	-1.5%	
4	2006	750	664	578	358	186	99	108	100	128	266	456	666	4,361	7	0.2%	-1.7%
5	2007	737	652	608	387	223	103	106	101	129	263	400	650	4,359	-2	0.0%	-0.5%
6	2008	742	659	625	321	189	81	107	103	122	244	424	656	4,271	-88	-2.0%	-0.6%
Union North Rate 01 Billed Customers																	
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>	<u>Change</u>	<u>% Change</u>	<u>3 Yr. M.A.(1)</u>
7	2003	664	531	439	267	158	66	72	65	108	209	357	517	3,453			
8	2004	618	529	423	258	145	60	79	67	118	180	332	500	3,309	-145	-4.2%	
9	2005	621	524	418	259	140	68	60	60	97	185	322	499	3,253	-56	-1.7%	
10	2006	613	493	412	255	135	62	65	56	87	190	355	487	3,212	-41	-1.2%	-2.4%
11	2007	601	483	435	274	147	63	64	59	94	185	323	502	3,230	18	0.5%	-0.8%
12	2008	630	496	414	272	136	79	69	60	82	183	329	502	3,252	22	0.7%	0.0%
Union North Rate 10 Billed Customers including CIA Rate 10																	
	<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>	<u>Change</u>	<u>% Change</u>	<u>3 Yr. M.A.(1)</u>
13	2003	21,907	19,005	17,195	10,834	7,286	5,121	4,354	4,278	4,941	10,310	15,333	18,376	138,938			
14	2004	19,943	20,272	16,394	9,450	6,334	6,061	4,807	4,743	5,504	9,493	13,960	18,552	135,513	-3,425	-2.5%	
15	2005	22,418	19,794	16,984	10,908	6,972	4,356	3,719	4,008	4,249	9,350	13,448	18,520	134,725	-789	-0.6%	
16	2006	20,586	18,290	16,955	10,333	6,646	4,012	4,056	3,761	4,435	10,358	14,269	17,886	131,588	-3,137	-2.3%	-1.8%
17	2007	20,873	17,375	17,715	10,605	6,991	4,286	4,894	4,913	5,406	11,206	15,407	20,820	140,491	8,903	6.8%	1.3%
18	2008	25,820	22,046	20,968	14,220	8,276	5,876	5,450	4,997	5,715	11,018	16,293	20,937	161,615	21,123	15.0%	6.5%

Note (1) 3-year moving average based on annual percentages with full open decimals

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association (“LPMA”)

Ref: Draft Rate Order, Appendix E

Is Union proposing any changes in any of the charges shown in Appendix E of the draft rate order from the level currently in place? If yes, please identify and explain.

Response:

Union is not proposing any changes to the Miscellaneous Non-Energy Charges identified in Appendix E of its draft rate order.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association (“LPMA”)

Ref: Exhibit A, Tab 1, page 9, Updated

Please confirm that there are no other changes to existing deferral accounts other than the change from account number from 251 to 728.

Response:

For deferral accounts 179-111 (Demand Side Management Variance Account), 179-112 (Gas Distribution Access Rule (GDAR) Costs) and 179-113 (Late Payment Penalty Litigation) as attached in Appendix F, Union is requesting to change the credit account number from 251 (Accounts Payable) to account number 728 (General Expense). No other changes are being requested for the accounts noted above.

Union will close deferral account 179-102 (Intra-Period WACOG Changes), effective December 31, 2009 pursuant to the Board’s direction in EB-2008-0106.

Union is not requesting any changes to any additional deferral accounts.

UNION GAS LIMITED

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

Ref: Exhibit A, Tab 1, pages 3 & 4 & Working Papers, Schedule 15

- a) Why has Union not included the proposed provincial corporate tax income rate reduction from 14% to 12% effective July 1, 2010 in its calculation of the Calculation of Tax Rate Change Impacts? In particular, why has Union used a 32% forecast income tax rate for 2010, as shown on line 7 of Exhibit 15 in the Working Papers?
 - b) Please update Schedule 15 in the Working Papers to reflect a corporate tax rate of 31 % in 2010, reflecting a federal tax rate of 18% and an average provincial tax rate of 13%.
-

Response:

- a) Union has not included the proposed provincial corporate income tax rate reductions from 14% to 12% effective July 1, 2010 because no legislation, to date, has been introduced that would enact these changes to Ontario's provincial income tax rates. Union's position has always been, and remains, that until legislation has been introduced and a Bill has been put forward to begin the process of enacting the legislation, tax changes have not been substantively enacted. Union does not reflect such changes in rates until they have been substantively enacted.

The 32% rate used in Schedule 15 is the rate that was substantively enacted at the time this schedule was completed.

- b) Please see Attachment.

UNION GAS LIMITED
Calculation of Tax Rate Change Impacts (Assuming Provincial Income Tax rate reductions are enacted)
Effective January 1, 2010
(\$000's)

Line No.	Particulars	2009 Approved (1)		Updated for CCA change	
		2008	2009	2009	2010
		(a)	(b)	(c)	(d)
<u>Tax Amounts Related to CCA Rate Changes</u>					
1	CCA Difference	(4,738) (2)	(6,905) (2)	(8,708) (3)	(9,703) (3)
2	Forecast Income Tax Rate	33.50%	33.00%	33.00%	31.00%
3	Tax Savings (Line 1 * Line 2)	(1,587)	(2,278)	(2,874)	(3,008)
4	Grossed-up Tax Savings (Line 3/(1-Line 2))	(2,387)	(3,401)	(4,289)	(4,359)
<u>Tax Amounts Related to Income Tax Rate Changes</u>					
5	2007 Board Approved Taxable Income for Income Tax Expense Calculation (4)	103,902	103,902	103,902	103,902
6	2007 Board Approved Tax Rate	36.12%	36.12%	36.12%	36.12%
7	Forecast Income Tax Rate	33.50%	33.00%	33.00%	31.00%
8	Tax Rate Variance (Line 7-Line 6)	(2.62%)	(3.12%)	(3.12%)	(5.12%)
9	Cumulative Annual Income Tax Savings vs. 2007 Board Approved (Line 5 * Line 8)	(2,722)	(3,242)	(3,242)	(5,320)
10	Grossed-up Tax Savings (Line 9/(1-Line 7))	(4,094)	(4,838)	(4,838)	(7,710)
<u>Tax Amounts Related to Capital Tax Rate Changes</u>					
11	2007 Board Approved Taxable Capital	3,020,911	3,020,911	3,020,911	3,020,911
12	2007 Board Approved Capital Tax Rate (5)	0.285%	0.285%	0.285%	0.285%
13	Forecast Capital Tax Rate	0.225%	0.225%	0.225%	0.075%
14	Capital Tax Variance (Line 13-Line 12)	(0.060%)	(0.060%)	(0.060%)	(0.210%)
15	Cumulative Annual Capital Tax Savings vs. 2007 Board Approved (Line 11 * Line 14)	(1,813)	(1,813)	(1,813)	(6,344)
16	Cumulative Total Forecast Tax Related Amount (Lines 4+10+15)	(8,293)	(10,052)	(10,940)	(18,413)
17	Cumulative Total Tax Related Amount Reflected in Rates (50% of Line 16) (6)	(4,146)	(5,026)	(5,470)	(9,206)
18	2008 Interim Adjustment	(8,000)			
19	2008 & 2009 Total Annual Rate Adjustment	<u>3,854</u>	<u>2,974</u>		
20	2009 Adjustment reflecting updated CCA rates			<u>(444)</u> (7)	
21	2010 Total Annual Rate Adjustment				<u>(3,736)</u> (8)

Notes:

- (1) EB-2008-0220, Rate Order, Working Papers, Schedule 15.
- (2) CCA savings as shown in EB-2007-0606, Exhibit E3.1.1.
- (3) CCA savings updated for change in CCA rates during 2009.
- (4) EB-2005-0520, Rate Order Working Papers, Schedule 4, Column (e), Line 10 plus EB-2005-0520, Rate Order, Working Papers, Schedule 1, Column (e), Lin
- (5) EB-2005-0520, ADR Agreement, page 20.
- (6) EB-2007-0606, Decision dated July 31, 2008, page 9.
- (7) Adjustment to be disposed of in 2009 Deferral Account Disposition; Line 17, Column (c) minus Line 17, Column (b).
- (8) Z-Factor Adjustment for 2010; Line 17, Column (d) minus Line 17, Column (c).

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Schedule 8 and Schedule 9

Further to VECC IR#1, please also reconcile the 2.5% increase in M2 delivery charges for the Southern Operations Area in Schedule 8, pg.2 and the 2.2% increase for M2, Southern Operations Area, shown in Schedule 9.

Response:

The 2.5% increase to Rate M2 delivery which appears at Schedule 8, page 2 is the average increase for the entire M2 rate class, which includes commercial and industrial customers with annual consumption exceeding 50,000 m³. The 2.2% increase which appears at Schedule 9 applies to an individual M2 industrial customer with annual consumption of 73,000 m³.

UNION GAS LIMITED

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

Reference: Rate Order Working Papers Schedule 8, page 2, and Schedule 9, page 1

Please reconcile the 2.6% increase in M1 delivery charges shown in Schedule 8 with the 2.1% increase in M1 delivery charges shown on Schedule 9.

Response:

The 2.6% increase to Rate M1 delivery which appears at Schedule 8, page 2 is the average increase for the entire M1 rate class, which includes all residential and commercial customers with annual consumption of less than 50,000 m³. The 2.1% increase which appears at Schedule 9 applies to an M1 residential customer with annual consumption of 2,600 m³.

UNION GAS LIMITED

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

Reference: Rate Order Working Papers Schedule 12, page 2

Is the reduction in TCPL tolls shown for the North in this Schedule, reflected for Southern customers in the SPCD account?

Response:

Yes. Schedule 12, page 2, column (b) shows the reduction in TCPL FT Tolls for North customers as approved by the Board in Union's April 1, 2009 QRAM application (EB-2009-0054).

For South customers a reduction in transportation rates was approved by the Board in Union's April 1, 2009 QRAM application through the use of the South Portfolio Cost Differential (SPCD).

UNION GAS LIMITED

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

Reference: Rate Order Working Papers Schedule 10

Please provide the details of the calculations and the data supporting the AU changes for each class.

Response:

Please see the response at Exhibit B3.4 for the detailed calculations and supporting data for the AU changes in each rate class. Please note that the AU changes for rates M1 and M2 are based on the AU change for the former rate M2 class.

In Table 5, column P, rows 6, 12, and 18 are the 3 year average percent declines for the AU factor calculated for the consumption data spanning the period 2005 through 2008. Please see the calculations below:

M1/M2

$$(0.2\% + 0.0\% - 2.0\%)/3 = (0.6\%)$$

Rate 01

$$(-1.2\% + 0.5\% + 0.7\%)/3 = 0.0\%$$

Rate 10

$$(-2.3\% + 6.8\% + 15.0\%)/3 = 6.5\%$$

UNION GAS LIMITED

Answer to Interrogatory from
Association of Power Producers of Ontario (“APPrO”)

Question:

Union introduced the F24-T & F24-S services in the NGEIR proceedings to allow for more nomination windows. The rate for this new service was based on preliminary cost estimates and volumes and no actual historical information was available to base the rate design on. This service has now been in effect for several years by generators and other shippers. Please:

1. Provide actual capital costs associated with modifying the IT systems to accommodate these enhanced nomination services.
2. Provide an estimate for 2010 of the O&M costs to provide this service.
3. Provide an average annual forecast of F24-T volume under contract for 2010.
4. Provide an average annual forecasted of F24-S volume under contract for 2010.
5. Identify how much of the .Total Cost of Service. associated with the capital and O&M costs has been allocated to providing the F24-S service.
6. Provide update the calculation for 2010 that was originally provided in EB-2005-0551 Appendix O Page 1 of 1 (updated) based on this new information.

Response:

During the term of the incentive regulation (“IR”) framework, Union manages the costs of all regulated services under the approved price cap formula. Only the rate for F24-T service is regulated and subject to the price cap formula. The F24-S service is part of Union’s unregulated storage services and is not subject to the price cap formula.

In Section 12.3.1 of the Union’s approved settlement agreement (EB-2007-0606), parties agreed, including APPrO, that for the term of the IR, the pricing formula will be applied to all rates (fixed/monthly, volumetric and fuel ratios) with no other adjustment . The only exception to this requirement is for Rate 01 and rate M1 which are adjusted on a revenue neutral basis to accommodate agreed to increases in the monthly customer charge. Union has applied the formula to the F24-T service for 2010 in accordance with the approved settlement agreement.

Given that Union only received notice of APPrO's information request on October 23, 2009, Union is not able to provide the information requested. Union notes, however, that the information requested is not relevant to the rate setting process for 2010 or any other year during the term of the IR. It is, in fact, only relevant in context of a rebasing proceeding at which time a detailed cost of service review will take place. Union's rebasing proceeding will take place during 2012 to set rates effective January 1, 2013.