

Union Gas Limited
Summary of Board Adjustments to Delivery Revenue
Fiscal Years 2000 and 2001

	Fiscal Year 2000			Fiscal Year 2001		
	Per Union	Board Adjustments	Per Board Notes	Per Union	Board Adjustments	Per Board Notes
Delivery Revenue Base (\$M)						
Delivery Revenue Base Before Adjustments	787.2		787.2	846.5	(29.6)	816.9
Delivery/redelivery and storage revenue (N&E)	31.5		31.5			
Short term gas supply	(7.6)		(7.6)			
A -- Delivery Revenue Base (\$M)	811.1		811.1	846.5	(29.6)	816.9
Adjustments to Base Delivery Revenue Before Applying Price Cap						
Unaccounted-for Gas (UFG)		(17.6)	[1] (17.6)		(23.2)	(23.2)
Inventory carrying costs		(12.3)	[1] (12.3)		(16.4)	(16.4)
Compressor Fuel		(16.5)	[1] (16.5)		(15.7)	(15.7)
Delivery commitment credit	(27.3)		(27.3)	(27.3)		(27.3)
Y2K costs	(7.6)		(7.6)	(7.6)		(7.6)
Regulatory costs						
Other Board Adjustments		(8.1)	[2] (8.1)		(0.9)	[8] (0.9)
B -- Total Adjustments to Base Delivery Revenue before applying Price Cap Escalator	(34.9)	(54.5)	(89.4)	(34.9)	(56.2)	(91.1)
C -- Adjusted Delivery Revenue Base (A + B)	776.2	(54.5)	721.7	811.6	(85.8)	725.8
Price Cap Formula						
I-factor	1.60%	-1.60%		1.60%	2.30%	3.90%
X-factor (including productivity factor, stretch factor and input price differential)	-0.30%	0.30%		-0.30%	2.80%	2.50%
D -- Price Cap Escalator (I - X)	1.90%	-1.90%		1.90%	-0.50%	1.40%
E -- Price Cap Impact on Adjusted Delivery Revenue Base (D x C)	14.7	(14.7)		15.4	(5.2)	10.2
Adjustments to Base Rates						
Recovery of accumulated UFG	4.0	(4.0)	[3] (4.0)			
Accounting changes for pension, post retirement benefits	6.8	(5.2)	[4] 1.6			
Deferred tax amortization	(10.3)	2.5	[5] (7.8)		(1.4)	[5] (1.4)
Y2K - Jan. 1, 2001				(7.6)		(7.6)
Delivery Commitment Credit				(20.4)		(20.4)
Other Board Adjustments		(8.1)	[2] (8.1)		(0.9)	[8] (0.9)
F -- Total Adjustments to Base Rates	0.5	(14.8)	(14.3)	(28.0)	(2.3)	(30.3)
Pass-through Items						
UFG	5.6		5.6		TBD	[7] TBD
Inventory carrying costs	4.1		4.1		TBD	[7] TBD
Compressor Fuel	(0.8)		(0.8)		TBD	[7] TBD
ROE	5.7	(0.1)	[6] 5.6			
UFG for Volume Change	5.6		5.6		TBD	TBD
G -- Total Pass-through Items	20.2	(0.1)	20.1		TBD	[7] TBD
Summary of Rate changes						
Price cap component--(Item C)	14.7	(14.7)		15.4	(5.2)	10.2
Adjustments to 1999 Base Rates (Item F)	0.5	(14.8)	(14.3)	(28.0)	(2.3)	(30.3)
Pass-throughs Items (Item G)	20.2	(0.1)	20.1		TBD	[7] TBD
H -- Summary of Rate Changes	35.4	(29.6)	5.8	(12.6)	TBD	[7] TBD
I -- Revenue at New Rates (H + A)	846.5	(29.6)	816.9	833.9	TBD	[7] TBD

[1] Board has determined that flow-through items should be removed before the application of the price cap.

[2] Reduction for impact of lower provincial income tax	(1.9)
Reduction for OEB Fixed Costs	(0.5)
Reduction for annualized meter reading savings	(1.1)
1999 Staff Reductions	(5.2)
CIS Costs	2.4
Long Term Debt Costs	(1.8)
	<u>(8.1)</u>

[3] Elimination of Accumulated UFG (4.0)

[4] Reduction to Reflect Incremental Cost of Accounting Changes for Other Post Retirement Benefits (5.2)

[5] Adjustment to reflect Union's evidence for 2000 instead of the proposed 5-year average amount 2.5
Adjustment to reflect a drawdown for 2001 equal to a 3-year average of amounts for 2001-2003 (1.4)

[6] Reduction for impact of income tax changes (0.1)

[7] TBD = "To Be Determined"

[8] Reduction for impact of lower provincial income tax (0.9)