

UNION GAS LIMITED
Statement of Utility Income
Year Ending December 31, 2004

Line No.	Particulars (\$000's)	As Filed	Union's Adjustments	Utility Income Per Union	Board Adjustment	Per Board
	Operating Revenues					
1	Gas sales (1), (6)	\$ 1,596,641	\$ -	1,596,641	14,280	\$ 1,610,921
2	Storage and Transportation Revenue	162,737	-	162,737		162,737
3	Other revenue	31,624	-	31,624		31,624
4		<u>1,791,002</u>	-	<u>1,791,002</u>	14,280	<u>1,805,282</u>
	Expenses:					
5	Cost of gas sold (2), (7)	905,830	3,442	909,272	(2,400)	906,872
6	Operating and maintenance (3), (8)	325,716	(311)	325,405	(34,243)	291,162
7	Other financing charges (4)	-	207	207		207
8	Depreciation and amortization	152,849	-	152,849		152,849
9	Property and capital taxes	60,639	-	60,639		60,639
10		1,445,034	3,338	1,448,372	(36,643)	1,411,729
11	Income before interest and income taxes	<u>\$ 345,968</u>	<u>\$ (3,338)</u>	<u>342,630</u>	50,923	<u>393,553</u>
13	Income taxes			49,331		65,520
14	Total utility income			<u>293,299</u>	\$	<u>328,033</u>

Notes:

(1)	Exhibit C3 Tab 1 Schedule 1					
	Gas Sales	1,206,679				
	T-Service	389,962				
	Provision for Rate Adjustment	-				
	Gas Sales	<u>1,596,641</u>				
(2)	Gas measurement normalization adjustment		3,442			
(3)	Charitable donations		(311)			
(4)	Customer deposit interest		207			
(5)	Cost of Service = Expenses + Income Taxes			1,497,703		1,477,249
(6)	To reflect Board's weather normalization findings					
(7)	To reflect Board's March Park finding					
(8)	To reflect Board's O&M findings					

Schedule 2

UNION GAS LIMITED
Statement of Utility Rate Base
Calendar Year Ending December 31, 2004

Line No.	Particulars (\$000's)	As Filed Calendar 2004	Board Adjustment	Per Board
<u>Gas Utility Plant</u>				
1	Gross plant at cost (3)	\$ 4,734,654	12,284	4,746,938
2	Less: accumulated depreciation	<u>1,682,223</u>		<u>1,682,223</u>
3	Net utility plant	<u>3,052,430</u>		<u>3,064,714</u>
<u>Working Capital and Other Components</u>				
4	Cash working capital (1)	13,953		13,953
5	Gas in storage and line pack gas (1)	139,454		139,454
6	Balancing gas (1)	129,321		129,321
7	Inventory of stores, spare equipment (1)	25,830		25,830
8	ABC Receivable (gas in storage) (1)	(41,404)		(41,404)
9	Prepaid and deferred expenses (1)	7,487		7,487
10	Customer deposits (1)	(27,408)		(27,408)
11	Customer interest (1)	<u>(87)</u>		<u>(87)</u>
12	Total working capital and other components	<u>247,146</u>		<u>247,146</u>
13	Total rate base before deduction of accumulated deferred income taxes	3,299,576		3,311,860
14	Accumulated deferred income taxes (2)	<u>240,778</u>		<u>240,778</u>
15	Total rate base	<u>\$ 3,058,798</u>		<u>3,071,082</u>

Notes:

- (1) Exhibit B3, Tab 4, Schedule 1,
- (2) Exhibit B3, Tab 4, Schedule 9,
- (3) IMP, Overhead Capitalization, and
Customer Attachments Findings (N15.2)

Schedule 3

UNION GAS LIMITED
 Calculation of Utility Income Taxes
 Year Ended December 31, 2004

Line No.	Particulars (\$000's)	As Filed 2004	Board Adjustment	Per Board
<u>Determination of Taxable Income</u>				
1	Utility income before interest and income taxes ^{(1), (3)}	\$ 342,630	50,923	393,553
Adjustments required to arrive at taxable utility income:				
2	Interest expense	(164,372)		(164,703)
3	Utility permanent differences	1,178		1,178
4		<u>179,436</u>		<u>230,028</u>
Utility timing differences				
5	Capital Cost Allowance	(125,368)		(125,368)
6	Depreciation ⁽²⁾	152,849		152,849
7	Depreciation through clearing ⁽²⁾	1,150		1,150
8	Other	(17,748)		(17,748)
9		<u>10,883</u>		<u>10,883</u>
10	Taxable income	<u>\$ 190,319</u>	<u>50,592</u>	<u>240,911</u>
<u>Calculation of Utility Income Taxes</u>				
11	Income taxes (line 10 * line 17)	\$ 60,902		77,091
12	Large corporation tax (page 2)	6,835		6,835
13	Deferred tax drawdown	(18,406)		(18,406)
14	Total taxes ⁽⁴⁾	<u>\$ 49,331</u>	<u>16,189</u>	<u>65,520</u>
<u>Tax Rates</u>				
15	Federal tax	21.00%		
16	Provincial tax	11.00%		
17	Total tax rate	<u>32.00%</u>		

Notes:

- ⁽¹⁾ Exhibit A, Tab 11, Schedule 1, Page 6
- ⁽²⁾ Exhibit D3, Tab 4, Schedule 1
- ⁽³⁾ See line 11 of Schedule 1
- ⁽⁴⁾ See line 14 of Schedule 3

Schedule 4

UNION GAS LIMITED

Calculation of Revenue Deficiency/(Sufficiency)
Calendar Year Ending December 31, 2004

Line No.	Particulars (\$000's)	As Filed Calendar 2004	Board Adjustment	Per Board
1	Operating revenue (1), (4)	\$ 1,791,002	14,280	1,805,282
2	Cost of service (2), (5)	<u>1,497,703</u>	<u>(20,454)</u>	<u>1,477,249</u>
3	Utility income	293,299	34,734	328,033
4	Requested return (3), (6)	<u>294,786</u>	<u>(20,720)</u>	<u>274,066</u>
5	Revenue deficiency/(sufficiency) after tax	1,488	(55,455)	(53,967)
6	Provision for income taxes on deficiency/(sufficiency)	<u>700</u>	<u>(26,096)</u>	<u>(25,396)</u>
7		2,188	(81,551)	(79,363)
8	Impact of S&T transactional margin sharing proposal (7)	185	(167)	19
9	Impact of S&T long-term storage premium proposal (8)	20,576	(18,518)	2,058
10	Impact of S&T 10% sharing - shareholder (9)	<u>550</u>	<u>25</u>	<u>575</u>
11	Total revenue deficiency/(sufficiency) (10), (11)	\$ <u><u>23,499</u></u>	<u><u>(100,211)</u></u>	<u><u>(76,712)</u></u>

Notes:

- (1) Exhibit C3, Tab 1, Schedule 1
- (2) Exhibit D3, Tab 1, Schedule 1
- (3) Exhibit F3, Tab 1, Schedule 2
- (4) See Note 6, Schedule 1, line 1
- (5) Board Adjustments to Expenses (Sched. 1) and Taxes (Sched. 3)
- (6) See Schedules 5 and 6
- (7) Board's finding to embed 90% in rates
- (8) Board's finding to embed 90% in rates
- (9) Reflects use of forecast 2004 S&T
- (10) Reflects updated F3S1, excludes impact of July 2003 QRAM
- (11) "Per Board" includes gas supply sufficiency of \$80.787M

UNION GAS LIMITED
Statement of Indicated and Requested Rate of Return
Calendar Year Ending December 31, 2004

Line No.	Particulars (\$000's)	As Filed Calendar 2004	Board Adjustment	Per Board
1	Utility income	\$ 293,299	34,734	328,033
2	Requested return	\$ 294,786	(20,720)	274,066
3	Utility rate base	\$ 3,058,798	12,284	3,071,082
4	Indicated rate of return (line1/line3)	9.59%		10.68%
5	Requested rate of return (line 2/line3)	9.64%		8.92%

UNION GAS LIMITED
 Calculation of Requested and Approved Rate of Return
 Calendar Year Ending December 31, 2004

Line No.	Particulars (\$000's)	As Filed			Per Board		
		Capital Structure (a)	Cost Rate (%) (b)	Requested Return (c)	Capital Structure (a)	Cost Rate (%) (b)	Return (c)
1	Long-term debt	\$ 2,009,458	8.45%	\$ 169,799	2,009,458	8.45%	169,799
2	Unfunded short-term debt (1)	<u>(130,778)</u>	4.15%	<u>(5,427)</u>	<u>(122,794)</u>	4.15%	<u>(5,096)</u>
3	Total debt	1,878,680		164,372	1,886,664		164,703
4	Preference shares	109,539	5.44%	5,959	109,539	5.44%	5,959
5	Common equity	<u>1,070,579</u>	11.63%	<u>124,455</u>	<u>1,074,879</u>	9.62%	<u>103,403</u>
6	Utility rate base	\$ <u>3,058,798</u>		\$ <u>294,786</u>	<u>3,071,082</u>		<u>274,066</u>

Note:

- (1) "Per Board" reflects Board's rate base adjustment on Schedule 2