

UNION GAS LIMITED

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

*Reference: EB-2007-0606, Exhibit B, Tab 1, Page 1, Paragraph 1.0
EB-2005-0551, Union Settlement Agreement, Page 12 & 16
EB-2007-0630
Ontario Power Authority (OPA) Clean Energy Standard Offer Program
(CESOP)*

Issue X.X – New Services

Question:

Union is requesting an Incentive Regulation (IR) period of 5 years.

- (a) Please indicate what new services for gas fired generation, Union is contemplating making available in Union Southern, Northern and Eastern Regions during the IR period?*
- (b) Is Union open to offering new services for generators during this IR period, and if so what process does Union expect to follow to obtain input from existing and prospective generators in order to offer these services on a timely basis?*
- (c) Certain non utility generator (NUG) power purchase contracts are likely to come due during the IR period.
 - i) Will NUG generators have access to the same new services offered by Union as a result of the NGEIR proceeding?*
 - ii) If not please indicate which services will not be available and why.*
 - iii) How will the NUG generators in Union's Northern and Eastern Region get access to similar services as offered by Union in the NGEIR proceeding?**
- (d) Union has noted that no later than March 31, 2009 Union will meet with interested parties to discuss the experience with services resulting from the NGEIR process and receive requests for further modifications of the service. Would Union be open to expanding the scope of this consultation process to include other potential services for generators?*
- (e) The Board has initiated a process to look at certain aspects of electricity rates and other matters relating to Distributed Generation (DG). The OPA has also initiated a CESOP program for generation up to 10 MW. Some DG and CESOP initiatives will use natural gas to generate electricity at peak times of the day. These programs may require additional gas related services or features from the LDC to accommodate these new programs. Has Union developed any services to accommodate these generation programs? If so please describe them, if not please indicate if Union is prepared to work with generators to identify and implement new services that have similar features (such as access to high deliverability storage, pooling of nominations, and more frequent nomination windows) to the services that were implemented in the NGEIR process.*

Question: August 22, 2007

Answer: September 4, 2007

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- (f) *For large volume T -1 and U-7 customers connecting directly to the Dawn-Trafalgar in close proximity to Parkway or a third party pipeline, Union has agreed to allow for the Billing Contract Demand quantity to be set at a level that recognizes the economics of the facilities over the contract term, please indicate:*
- i) *How these rates will be determined over the term of the IR if a customer wishes to use this service option during the term of the IR?*
 - ii) *Will Union make a similar service available for power generators in Union's Southern, Northern and Eastern Regions?*

Response:

- a) Union will continue to be responsive to the needs of all of its customers and continue to evaluate the services it provides.

In Union's Southern Operating area, the current focus is on the implementation of the new services that were discussed during the NGEIR proceeding.

For the Northern & Eastern Operating area, Union is currently developing transactional, balancing services for Bundled T customers that will give Northern & Eastern customers the same flexibility to balance their contracts as is currently available in the Southern Operating area. These services include in-franchise transfers, ex-franchise transfers, interfranchise transfers and incremental supply.

- b) In addition to the answer provided in a) above, Union constantly communicates with its power customers, both existing and new, with respect to the services Union provides, on a "one on one" basis. Union also frequently sponsors broader sessions in which customer input can be provided and discussed.
- c) The new services that were agreed to by Union and approved by the Board were focused on large new power generators located in and around Union's Southern Operating area and the GTA. To be eligible for these services the customer must be new with an annual volume of 1,200,000 m³ per day. As a result, NUG's do not qualify. It is Union's understanding that none of the PPA's for the NUG's located in Union's franchise area renew or expire in the proposed incentive regulation term.
- i) These new services were not designed or intended for the NUG generators.
 - ii) These customers would not have access to:
 - a. the Billable CD feature,
 - b. more frequent nomination windows,
 - c. firm high deliverability storage deliverability up to 24 times the peak hour and storage space up to 24 times the peak hourly consumption times 4,
 - d. non-obligated DCQ

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These services will not be available as these customers would not meet the agreed to eligibility requirements. Union's proposal in response to the Board directive, to amend the storage allocation methodology for the remaining T1 customer base, is currently before the Board.

- iii) The current suite of services Union has including the T1/U7 in the south and R20, R25, R100T with CBS and storage in the north allow a wide range of customers with the flexibility and reliability they desire.
- d) Yes.
- e) Customers in Union's Southern Operating area have access to the T1/U7 services as long as they meet the volume eligibility threshold of 5,000,000 m³ per year. Union expects that this is the service most of these customers will access. The T1 service is a highly flexible no notice consumption service that already provides access to high deliverability storage services. Due to the no notice consumption feature, there is no need for more frequent nomination windows.
- f) i) The rates charged to T1 or U7 customers with a billing contract demand ("BCD") are the same as those charged to a customer that does not have a BCD. If Union's price cap proposal is accepted, the T1 and U7 rates will be determined using the price cap formula appearing at Exhibit B, Tab 1, p. 20 of Union's evidence.

As is the case under cost of service, over the term of incentive regulation, the BCD will be calculated using the rates approved at the time of its calculation. The transportation and storage rates applicable to customers that have a BCD are those appearing on the T1 and U7 rate schedules in effect at the time.

ii) The BCD is already available to all customers in the Southern Operating area that meet the eligibility criteria. Union is not aware of any potential customers in the Northern & Eastern Operating area that will meet "the volume" threshold necessary to qualify for the BCD.

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UNION GAS LIMITED

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

Reference: EB-2007-0606, Exhibit B

Issue X.X - Impact on NGEIR Services

Question:

- (a) Please describe how T-1 and U-7 rates will be affected by Union's IR proposal during the IR period.
- (b) Please describe how Rates 20, 25, 100 and CBS rates in Union North/East will be affected by Union's IR proposal during the IR period.
- (c) Given Union's proposal to implement a price cap for its customers, and the limited experience with F-24-T to date, please describe how F-24-T rates will be affected by the IR proposal over the IR period.
- (d) Please describe how M12 rates will be affected by Union's IR proposal during the IR period.
- (e) Union had required some threshold capacity to be met to offer F-24-T service. Please indicate Union's progress in securing sufficient market demand to continue to offer F-24-T service
- (f) Union's T-1, U-7, and Rate 25 rate schedules provide for an interruptible component of the rate. Please describe how these rates will be negotiated under Union's proposed IR plan.
- (g) Under Union's T-1 rate schedule the customer may provide its own fuel to provide for storage injections and withdrawals. Moreover Union has offered through an open season certain high deliverability storage services. These high deliverability or other services may include the development or use of additional compression to enable to Union to provide these services. In developing new storage services Union may have the option to construct various types of plant to provide a service (for example to improve storage deliverability, Union may be able to either add new compression or add new wells). Please indicate:
 - i. Since fuel is a pass through cost and is uniform across all shippers, how does Union take the incremental cost of fuel into account when evaluating the feasibility options to add new facilities to provide new storage services?
 - ii. If new facilities chosen to provide such services that are subject to rate forbearance, that result in incremental fuel (above the average fuel requirements) required to provide such service that is subject to forbearance, will Union absorb the incremental cost of such fuel?

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Response:

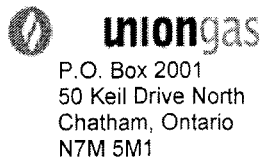
- a) Union will file its proposed 2008 rates package in September incorporating the GDP IPI FDD Index for the four quarters ending June 2007. The GDP IPI FDD Index for the second quarter of 2007 is expected to be available at the end of August.
- b) Please see part (a).
- c) Union will apply the price cap formula described in Exhibit B, Tab 1 of Union's evidence to the F24-T service rate each year of the IR term.
- d) Union will apply the price cap formula described in Exhibit B, Tab 1 of Union's evidence to all components of the M12 rate including customer supplied fuel ratios each year of the IR term.
- e) On December 21 2006, Union updated the Board and stakeholders on the status of the new F24-T (Firm All Day Transportation) service (attached). At that time, Union had completed two open seasons for the new service. Union has not yet received sufficient interest in the F24-T service to meet the threshold requirements. However, Union believes that further market interest in the F24-T Service may develop in later years. As a result, Union is taking the risk that threshold requirements will be met and is continuing to advance the IT systems changes required to provide the F24-T service by the targeted in service date of July 1, 2008.
- f) For T1, U7 and Rate 25, consistent with Union's current practice, Union will adjust the average interruptible rate using the price cap formula each year of the IR term. The negotiated interruptible rates paid by individual customers will be adjusted by the change in the average interruptible rate for each rate class at the time new rate orders are implemented.
- g) i) The cost of incremental fuel and any other variable costs are considered when evaluating the economic feasibility of incremental facilities. Union can collect the variable costs associated with regulated services through fuel or commodity charges.

ii) For regulated distribution and transmission services, under Union's price cap proposal, Union will adjust customer supplied fuel ratios by the price cap. With the exception of M12 transmission fuel which is trued up through the YCR/YCRR adjustment mechanism, Union bears the risk on incremental fuel associated with new facilities in excess of the price cap.

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December 21, 2006

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**RE: Reporting on Commitments from the
EB-2005-0520 Union Gas 2007 Rate Proceeding and
EB-2005-0551 NGEIR Settlement Agreements**

Please find attached reports that identify the status of commitments Union made in the EB-2005-0520 and EB-2005-0551 Settlement Agreements. If you have any questions, please contact me.

Yours truly,

Mike Packer, CMA, CIM
Director, Regulatory Affairs

cc: EB-2005-0520 Intervenors
EB-2005-0551 Intervenors

OEB Board Staff:
Colin Schuch
Adrian Pye
Michael Millar
Kristi Sebalj

Michael Penny, Torys
Crawford Smith, Torys
Glenn Leslie, Blakes

Commitment Reference: **EB-2005-0520 Union Gas Limited Rate Proceeding
Settlement Agreement
Page 30, Section 6.10.1**

Commitment

Union will post a standard M12 contract and any future changes to the standard contract on its website.

Status

As part of Union's 2007 Rate Proceeding (EB-2005-0520), Union established a standard form of contract for long term firm M12 Transportation services. Any changes to the standard form of contract will be made public six (6) months prior to the effective date of the change. Union's standard form of M12 Transportation contract can be found on the website at www.uniongas.com/business/storage/contracts.

Commitment Reference: **EB-2005-0520 Union Gas Limited Rate Proceeding
Settlement Agreement
Page 30, Section 6.10.7.2-3**

Commitment

2. Union agrees to develop, prior to its next open season, an allocation procedure which defines the criteria by which Union will allocate long term firm transportation capacity for expansion, promptly post it on its website, and notify shippers of any changes six months in advance.
3. Union will include in its allocation procedure or otherwise, a requirement that Union identify in its open season documents any anticipated capacity constraints, if a constraint is expected.

Status

Union has posted its M12 Transportation Open Season Procedures for facility expansions for Dawn to Parkway/Kirkwall Service on its website. This website outlines the applicability of the procedures, the process by which an open season will be initiated, the information contained in an open season package, how available capacity will be awarded and the execution of contracts. In particular, the procedure notes that if Union anticipates that the demand for transportation service may exceed Union's ability to expand its system, Union will include such information within the open season package. Union's open season procedures can be found on its website at www.uniongas.com/business/storage/bulletin/openseasonforM12transportation.

Commitment Reference: **EB-2005-0520 Union Gas Limited Rate Proceeding
Settlement Agreement
Page 30, Section 7.3**

Commitment

With the assistance of the External Policy team comprised of interested stakeholders, Union undertakes to use its best efforts to complete the review process for the policies noted in the table below. The review process for listed policies other than those “to be developed” is to be completed by the end of 2006. Policies to be developed shall be completed as soon as possible thereafter, but not later than September 30, 2007. Union undertakes to publish the policies on its website upon completion of the review and development process.

<i>Ref. No.</i>	Policies Developed with External Policy Team	Draft sent for External comment in 2005	Up for Review in 2006	Under Development	To be Developed
1	Customer Complaint			X	
2	Incremental Gas Supply		X		
3	Vertical Slice (2 policies)		X		
4	Obligated DCQ (2 policies)		X		
5	Priority of Service		X		
6	Return to System Sales		X		
7	TCPL Turnback	X			
8	Temporary Change of Obligated Receipt Point		X		
9	Upstream Assignment	X			
10	Upstream Capacity Clearing House	X			
11	Authorization Policy (1)				X
12	Interruptible Service				X
13	Asset Disposition				X

Note: (1) This policy would address the non-discriminatory criteria and protocols used by Union to authorize changes to daily volumes and receipt / delivery points by direct purchase customers to the extent those criteria and protocols are not covered by other published policies.

Status

With the assistance of the External Policy Team comprised of interested stakeholders (including OEB Staff) and Union Gas representatives, the review process for the policies numbered 1, 2, 3, 6, 7, 8, 9 and 10 has been completed. These policies will be posted on the Union Gas website by January 1, 2007. The review process for policy number 5 has been initiated and will be completed in early 2007. For policy number 4, no changes have been made to the current policies already posted on the website. There will be further review of these policies in 2007 to accommodate for NGEIR outcomes.

The review process for the Authorization, Interruptible Service and Asset Disposition policies will start in 2007.

Commitment Reference: **EB-2005-0551 Union Gas Limited NGEIR
Settlement Agreement
Page 8**

Commitment

This agreement results in changes to the T1 and U7 rate schedules. Updated schedules will be circulated for review by all settlement conference participants and filed with the Board before the end of the evidentiary portion of the NGEIR proceeding.

Status

Modified T1 and U7 rate schedules were circulated for review by Settlement Conference participants in June 2006 and filed with the Board on July 14, 2006.

Union's 2007 rate order included the modified T1 and U7 rate schedules.

Additional information in regard to Union's T1 and U7 services will be added to Union's website (Uniongas.com) effective January 1, 2007. This additional information will include:

- A tool to assist T1 and U7 customers in determining their gas supply receipt point and delivery obligation:
(www.uniongas.com/aboutus/regulatory/rates/deliveryobligations.asp).
- The standard and additional nomination schedule available to T1 and U7 customers and who is eligible:
(www.uniongas.com/aboutus/regulatory/rates/nominationwindows.pdf).
- Multiple redelivery points.
- Storage space and deliverability entitlements.

Commitment Reference: **EB-2005-0551 Union Gas Limited NGEIR
Settlement Agreement
Page 11**

Commitment

Union agrees that it will evaluate the possibility of extending the additional nomination windows and reservation of capacity found in F24-T to the following transportation services:

- i) C1 between Ojibway and Dawn
- ii) C1 between Bluewater and Dawn
- iii) C1 between St. Clair and Dawn
- iv) C1 between Parkway and Kirkwall
- v) C1 transport within the Dawn yard (e.g. between Union Dawn and Vector Dawn)

Union agrees to provide APPrO and other settlement conference participants with a summary of its findings no later than December 31, 1006).

Status

During the Natural Gas Electricity Interface Review ("NGEIR") (EB-2005-0551) Union proposed several new natural gas services to facilitate the transportation and storage needs of power generators. In particular, Union introduced a new service called F24-T which provides firm-all-day transportation between Dawn and Parkway or Kirkwall using 13 nomination windows. Union had proposed to begin to offer this new service as early as November 1, 2007 based on Union physically expanding the Dawn to Parkway system in 2006 and 2007 and after completing some IT enhancements to Union's Gas Management systems. The provision of this new service, along with the other services proposed during the NGEIR proceeding, was agreed to during the Settlement Conference.

As part of the EB-2005-0551 Settlement Agreement, Union was asked to investigate the possibility of offering F24-T Service on the following routes:

- 1. between Ojibway and Dawn
- 2. between Bluewater and Dawn
- 3. between St. Clair and Dawn
- 4. between Parkway and Kirkwall
- 5. transport within the Dawn yard (e.g. between Union Dawn and Vector Dawn)

Union has conducted a preliminary review, and has determined that it does have some capability to offer F24-T Service on the above routes. As an overview, F24-T Service is more readily available on the above transportation routes that import gas to Dawn. While

Union can also offer F24-T Service on transportation routes that export gas from Dawn, in most cases, additional facilities will be required to provide the service.

Union's capacity to offer F24-T Service on any transportation route is dependant upon the transportation quantities currently under contract, the quantity of firm transportation and F24-T Service being requested, and any potential facilities required to provide the service. Union may also require third party contracts to facilitate the service. Given that the amount of F24-T Service available and the cost to provide the requested service is dependant upon the request being made, Union could only evaluate the above routes at a high level in advance of specific service requests being received.

However, following an expression of interest by a shipper to contract for firm transportation service and F24-T Service, where such expression of interest includes the quantity requested and term of service, Union can conduct a more detailed review of the route to determine the quantity available and the cost of providing the service for that specific route. Since each transportation route is distinct, the price of F24-T Service may differ depending on the transportation route.

As an example, since the NGEIR Settlement conference, Union has received an expression of interest for F24-T Service from Dawn to Dawn/Vector. After completing a detailed review, Union has determined that it can provide up to 200,000 GJ/day of firm transportation and F24-T Service from Dawn to Dawn/Vector. Union has determined that it can offer F24-T Service on the Dawn to Dawn/Vector route at the same rate as F24-T from Dawn to Parkway or Kirkwall. Union anticipates that it will be applying to the Ontario Energy Board early in 2007 to request approval of a firm Dawn to Dawn/Vector transportation rate which will allow Union to provide the firm transportation service.

As a result of two recent open seasons, Union has received firm commitments from shippers for F24-T Service from Dawn to Parkway and Kirkwall. Following enhancements to the IT infrastructure and the completion of the 2007 Dawn to Parkway expansion, this service is scheduled to commence by July 1, 2008, as requested by the shipper. Union is looking forward to continuing to offer this service and to provide customers with additional tools to satisfy their natural gas service requirements.

Commitment Reference: **EB-2005-0551 Union Gas Limited NGEIR
Settlement Agreement
Page 12**

Commitment

Union, Enbridge and APPrO agree to convene an Industry Task Force and will invite all service providers interconnecting with Union and other parties that have expressed an interest. The purpose of the Industry Task Force is to investigate and develop, where feasible, appropriate arrangements for services that would enable Union to accept nomination changes each hour throughout the day (on a firm/reserved capacity basis) with changes becoming effective two hours later. The Industry Task Force will hold its first two meetings no later than September 30, 2006. Union, Enbridge and APPrO agree to work co-operatively and diligently to investigate and develop, where feasible, appropriate arrangements.

Status

In compliance with the NGEIR Settlement Agreement, Union, Enbridge and APPrO have convened an Industry Task Force to continue to review nomination windows and related processes. All service providers interconnecting with Union and other interested parties were invited to participate. The purpose of the Industry Task Force is to investigate and develop, where feasible, appropriate arrangements for services that would enable Union to accept nomination changes each hour throughout the day (on a firm/reserved capacity basis) with changes becoming effective two hours later.

The following meetings have been occurred since the EB-2005-0551 Settlement Agreement:

Industry Task Force Meeting	Date	Location	Invited Participants
Meeting to establish Working Group	Sept. 7, 2006	Chatham	All service providers interconnecting with Union and other interested parties.
Working Group	Sept. 26, 2006	Toronto	All service providers interconnecting with Union (interconnecting pipelines elected not to participate in this meeting) and other interested parties.
Working Group	Oct. 18, 2006	Toronto	All service providers interconnecting with Union (interconnecting pipelines elected not to participate in this meeting) and other interested parties.
Steering Committee	Nov. 9, 2006	Toronto	Steering Committee Composition: Union, Enbridge and APPrO

Union will continue to work with power generation customers to implement power market services. Union will provide the Board with an update in 2007 as to the results of Task Force work.

UNION GAS LIMITED

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

Reference: *EB-2005-0551 Union Gas Settlement Agreement June 13, 2006*
EB-2005-0551 Union Evidence Tab 4, Page 23

Issue X.X – Impact of NGEIR Services

Question:

- (a) *Union notes on page 13 of the Settlement Agreement that it requires 12 months to develop the necessary IT systems to implement F24-T, F24-S, UPBS and DPBS following a Board Decision. Union also notes on page 23 of Tab 4 of its NGEIR evidence that the IT costs are expected to be \$3.85 million. Please indicate:*
- i. Union's current estimate (or actual) costs to make these IT changes.*
 - ii. Since these IT changes are required to support both cost based (F24-T) and market based services (F-24-S, UPBS, and DPBS), please indicate the costs that will be allocated to F24-T during the IR period, the rationale for this allocation and how this allocation may change over the IR period.*
- (b) *Union agreed on page 11 of the Settlement Agreement to evaluate the possibility of extending the additional nomination windows as found in its F24-T service to its C1 Service between Dawn and certain border points including Ojibway, Bluewater and St. Clair.*
- i. Please provide a current status of this evaluation.*
 - ii. What outcomes have resulted from this evaluation?*
 - iii. What issues or concerns, if any, has Union identified with implementing such nomination windows?*
 - iv. What are the next steps to implement such nomination windows?*
- (c) *Union agreed on page 12 of the Settlement Agreement to convene an industry task force to investigate and develop, where feasible, appropriate arrangements for services that would enable Union to accept nomination changes each hour throughout the day.*
- i. Please provide a current status of the findings from such task force.*
 - ii. What issues or concerns, if any, has Union identified with implementing such nomination windows?*
 - iii. What are the next steps?*

Response:

Union does not accept that the questions asked are relevant or relate to any issue on the issues list approved by the Board for the EB-2007-0606 proceeding. However, Union has

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provided responses to the questions asked to give stakeholders an update on NGEIR related matters.

- a)
 - i) The design and implementation of the IT systems is currently underway and is not yet complete. Union's projected costs to provide all of the new services remain close to the original estimated amounts, with a potential savings of \$100,000 to \$200,000 for the entire project.
 - ii) Union is not proposing to reallocate IT costs between F24-T, F24-S, UPBS and DPBS. The rates for F24-T during the incentive regulation term will be determined using the price cap formula.
- b) Union provided an update to the status of this commitment in a letter to the Board dated December 21, 2006 (attached). As stated in that letter, it was difficult to make a conclusive determination regarding the provision of F24-T on the above routes without having a specific request including receipt point, delivery point, term, quantity, start date, etc. Union has committed to do a detailed evaluation once a formal request is received. Also in that letter, Union indicated that it had received an expression of interest in F24-T service on the Dawn to Dawn/Vector transportation route. Since that time, Union has applied and received Board approval for a firm service on the Dawn to Dawn/Vector path and has offered F24-T service on that route.

Union has not received any additional requests for F24-T service on any of the above mentioned routes. Union will continue to evaluate requests for F24-T service on any of the above mentioned routes as expressions of interest are received.

- c)
 - i) Further work on these issues was delayed until any appeals to the Board's decision have been resolved.
 - ii) Many upstream service providers participated in the initial meeting and contracted for by power generation customers, but have since declined continued active participation. This lack of participation was a concern for Union and the Industry Task Force, since this was the primary reason for Union to accept the formation of the Industry Task Force during the settlement negotiations. Union believes the participation of interconnecting facilities is critical, as it will result in broader competitive service offerings from upstream providers, as well as Union. As discussed at the NGEIR proceeding, the implementation of hourly services may require new balancing arrangements between interconnected facilities. It is therefore critical to have representation from the interconnected facilities at the Industry Task Force.

In Union's view, the services that have been created and offered by Union and

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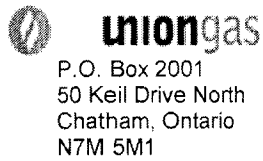
contracted for by power generators, when used in combination, can provide an equivalent service to that requested by APPrO members, and will meet the needs of the market. Union has also committed to meet with industry participants prior to March 31, 2009 to review industry experience with these new services.

- iii) The task force did lose some initial focus without the full involvement of interconnecting facilities. It is Union's intent to try to resurrect the task force at the completion of all NGEIR appeals.

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December 21, 2006

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**RE: Reporting on Commitments from the
EB-2005-0520 Union Gas 2007 Rate Proceeding and
EB-2005-0551 NGEIR Settlement Agreements**

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Yours truly,

Mike Packer, CMA, CIM
Director, Regulatory Affairs

cc: EB-2005-0520 Intervenors
EB-2005-0551 Intervenors

OEB Board Staff:
Colin Schuch
Adrian Pye
Michael Millar
Kristi Sebalj

Michael Penny, Torys
Crawford Smith, Torys
Glenn Leslie, Blakes

Commitment Reference: **EB-2005-0520 Union Gas Limited Rate Proceeding
Settlement Agreement
Page 30, Section 6.10.1**

Commitment

Union will post a standard M12 contract and any future changes to the standard contract on its website.

Status

As part of Union's 2007 Rate Proceeding (EB-2005-0520), Union established a standard form of contract for long term firm M12 Transportation services. Any changes to the standard form of contract will be made public six (6) months prior to the effective date of the change. Union's standard form of M12 Transportation contract can be found on the website at www.uniongas.com/business/storage/contracts.

Commitment Reference: **EB-2005-0520 Union Gas Limited Rate Proceeding
Settlement Agreement
Page 30, Section 6.10.7.2-3**

Commitment

2. Union agrees to develop, prior to its next open season, an allocation procedure which defines the criteria by which Union will allocate long term firm transportation capacity for expansion, promptly post it on its website, and notify shippers of any changes six months in advance.
3. Union will include in its allocation procedure or otherwise, a requirement that Union identify in its open season documents any anticipated capacity constraints, if a constraint is expected.

Status

Union has posted its M12 Transportation Open Season Procedures for facility expansions for Dawn to Parkway/Kirkwall Service on its website. This website outlines the applicability of the procedures, the process by which an open season will be initiated, the information contained in an open season package, how available capacity will be awarded and the execution of contracts. In particular, the procedure notes that if Union anticipates that the demand for transportation service may exceed Union's ability to expand its system, Union will include such information within the open season package. Union's open season procedures can be found on its website at www.uniongas.com/business/storage/bulletin/openseasonforM12transportation.

Commitment Reference: **EB-2005-0520 Union Gas Limited Rate Proceeding
Settlement Agreement
Page 30, Section 7.3**

Commitment

With the assistance of the External Policy team comprised of interested stakeholders, Union undertakes to use its best efforts to complete the review process for the policies noted in the table below. The review process for listed policies other than those “to be developed” is to be completed by the end of 2006. Policies to be developed shall be completed as soon as possible thereafter, but not later than September 30, 2007. Union undertakes to publish the policies on its website upon completion of the review and development process.

Ref. No.	Policies Developed with External Policy Team	Draft sent for External comment in 2005	Up for Review in 2006	Under Development	To be Developed
1	Customer Complaint			X	
2	Incremental Gas Supply		X		
3	Vertical Slice (2 policies)		X		
4	Obligated DCQ (2 policies)		X		
5	Priority of Service		X		
6	Return to System Sales		X		
7	TCPL Turnback	X			
8	Temporary Change of Obligated Receipt Point		X		
9	Upstream Assignment	X			
10	Upstream Capacity Clearing House	X			
11	Authorization Policy (1)				X
12	Interruptible Service				X
13	Asset Disposition				X

Note: (1) This policy would address the non-discriminatory criteria and protocols used by Union to authorize changes to daily volumes and receipt / delivery points by direct purchase customers to the extent those criteria and protocols are not covered by other published policies.

Status

With the assistance of the External Policy Team comprised of interested stakeholders (including OEB Staff) and Union Gas representatives, the review process for the policies numbered 1, 2, 3, 6, 7, 8, 9 and 10 has been completed. These policies will be posted on the Union Gas website by January 1, 2007. The review process for policy number 5 has been initiated and will be completed in early 2007. For policy number 4, no changes have been made to the current policies already posted on the website. There will be further review of these policies in 2007 to accommodate for NGEIR outcomes.

The review process for the Authorization, Interruptible Service and Asset Disposition policies will start in 2007.

Commitment Reference: **EB-2005-0551 Union Gas Limited NGEIR
Settlement Agreement
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Commitment

This agreement results in changes to the T1 and U7 rate schedules. Updated schedules will be circulated for review by all settlement conference participants and filed with the Board before the end of the evidentiary portion of the NGEIR proceeding.

Status

Modified T1 and U7 rate schedules were circulated for review by Settlement Conference participants in June 2006 and filed with the Board on July 14, 2006.

Union's 2007 rate order included the modified T1 and U7 rate schedules.

Additional information in regard to Union's T1 and U7 services will be added to Union's website (Uniongas.com) effective January 1, 2007. This additional information will include:

- A tool to assist T1 and U7 customers in determining their gas supply receipt point and delivery obligation:
(www.uniongas.com/aboutus/regulatory/rates/deliveryobligations.asp).
- The standard and additional nomination schedule available to T1 and U7 customers and who is eligible:
(www.uniongas.com/aboutus/regulatory/rates/nominationwindows.pdf).
- Multiple redelivery points.
- Storage space and deliverability entitlements.

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Commitment

Union agrees that it will evaluate the possibility of extending the additional nomination windows and reservation of capacity found in F24-T to the following transportation services:

- i) C1 between Ojibway and Dawn
- ii) C1 between Bluewater and Dawn
- iii) C1 between St. Clair and Dawn
- iv) C1 between Parkway and Kirkwall
- v) C1 transport within the Dawn yard (e.g. between Union Dawn and Vector Dawn)

Union agrees to provide APPrO and other settlement conference participants with a summary of its findings no later than December 31, 1006).

Status

During the Natural Gas Electricity Interface Review ("NGEIR") (EB-2005-0551) Union proposed several new natural gas services to facilitate the transportation and storage needs of power generators. In particular, Union introduced a new service called F24-T which provides firm-all-day transportation between Dawn and Parkway or Kirkwall using 13 nomination windows. Union had proposed to begin to offer this new service as early as November 1, 2007 based on Union physically expanding the Dawn to Parkway system in 2006 and 2007 and after completing some IT enhancements to Union's Gas Management systems. The provision of this new service, along with the other services proposed during the NGEIR proceeding, was agreed to during the Settlement Conference.

As part of the EB-2005-0551 Settlement Agreement, Union was asked to investigate the possibility of offering F24-T Service on the following routes:

- 1. between Ojibway and Dawn
- 2. between Bluewater and Dawn
- 3. between St. Clair and Dawn
- 4. between Parkway and Kirkwall
- 5. transport within the Dawn yard (e.g. between Union Dawn and Vector Dawn)

Union has conducted a preliminary review, and has determined that it does have some capability to offer F24-T Service on the above routes. As an overview, F24-T Service is more readily available on the above transportation routes that import gas to Dawn. While

Union can also offer F24-T Service on transportation routes that export gas from Dawn, in most cases, additional facilities will be required to provide the service.

Union's capacity to offer F24-T Service on any transportation route is dependant upon the transportation quantities currently under contract, the quantity of firm transportation and F24-T Service being requested, and any potential facilities required to provide the service. Union may also require third party contracts to facilitate the service. Given that the amount of F24-T Service available and the cost to provide the requested service is dependant upon the request being made, Union could only evaluate the above routes at a high level in advance of specific service requests being received.

However, following an expression of interest by a shipper to contract for firm transportation service and F24-T Service, where such expression of interest includes the quantity requested and term of service, Union can conduct a more detailed review of the route to determine the quantity available and the cost of providing the service for that specific route. Since each transportation route is distinct, the price of F24-T Service may differ depending on the transportation route.

As an example, since the NGEIR Settlement conference, Union has received an expression of interest for F24-T Service from Dawn to Dawn/Vector. After completing a detailed review, Union has determined that it can provide up to 200,000 GJ/day of firm transportation and F24-T Service from Dawn to Dawn/Vector. Union has determined that it can offer F24-T Service on the Dawn to Dawn/Vector route at the same rate as F24-T from Dawn to Parkway or Kirkwall. Union anticipates that it will be applying to the Ontario Energy Board early in 2007 to request approval of a firm Dawn to Dawn/Vector transportation rate which will allow Union to provide the firm transportation service.

As a result of two recent open seasons, Union has received firm commitments from shippers for F24-T Service from Dawn to Parkway and Kirkwall. Following enhancements to the IT infrastructure and the completion of the 2007 Dawn to Parkway expansion, this service is scheduled to commence by July 1, 2008, as requested by the shipper. Union is looking forward to continuing to offer this service and to provide customers with additional tools to satisfy their natural gas service requirements.

Commitment Reference: **EB-2005-0551 Union Gas Limited NGEIR
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Commitment

Union, Enbridge and APPrO agree to convene an Industry Task Force and will invite all service providers interconnecting with Union and other parties that have expressed an interest. The purpose of the Industry Task Force is to investigate and develop, where feasible, appropriate arrangements for services that would enable Union to accept nomination changes each hour throughout the day (on a firm/reserved capacity basis) with changes becoming effective two hours later. The Industry Task Force will hold its first two meetings no later than September 30, 2006. Union, Enbridge and APPrO agree to work co-operatively and diligently to investigate and develop, where feasible, appropriate arrangements.

Status

In compliance with the NGEIR Settlement Agreement, Union, Enbridge and APPrO have convened an Industry Task Force to continue to review nomination windows and related processes. All service providers interconnecting with Union and other interested parties were invited to participate. The purpose of the Industry Task Force is to investigate and develop, where feasible, appropriate arrangements for services that would enable Union to accept nomination changes each hour throughout the day (on a firm/reserved capacity basis) with changes becoming effective two hours later.

The following meetings have been occurred since the EB-2005-0551 Settlement Agreement:

Industry Task Force Meeting	Date	Location	Invited Participants
Meeting to establish Working Group	Sept. 7, 2006	Chatham	All service providers interconnecting with Union and other interested parties.
Working Group	Sept. 26, 2006	Toronto	All service providers interconnecting with Union (interconnecting pipelines elected not to participate in this meeting) and other interested parties.
Working Group	Oct. 18, 2006	Toronto	All service providers interconnecting with Union (interconnecting pipelines elected not to participate in this meeting) and other interested parties.
Steering Committee	Nov. 9, 2006	Toronto	Steering Committee Composition: Union, Enbridge and APPrO

Union will continue to work with power generation customers to implement power market services. Union will provide the Board with an update in 2007 as to the results of Task Force work.

UNION GAS LIMITED

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

Reference: EB-2007-0606, Exhibit B, Tab 1, Paragraph 5.9

Issue – Z Factor

Question:

- (a) *Please confirm that Union's IR proposal provides sufficient access to capital to construct facilities for new gas fired generation projects provided that such projects meet Union's economic tests.*
-

Response:

Confirmed.

The availability of capital is a function of:

- a) The availability of capital within the market;
- b) Union's ability to access capital based on debt covenants, specifically the interest coverage ratio which is tied to earnings;
- c) The financial strength of the company; and
- d) Project economics, including relativity to Spectra Energy's other investment opportunities.

Question: August 22, 2007

Answer: September 4, 2007

Docket: EB-2007-0606 / EB-2007-0615