

February 22, 2010

BY Courier & RESS

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Dawn Gateway Pipeline Limited Partnership  
Application for Leave to Construct and Regulatory Framework  
Board File # EB-2009-0422**

Please find enclosed our responses to CME Interrogatories. Hard copies of same will follow by courier.

In the event you have any questions on the above or would like to discuss in more detail, please do not hesitate to contact me at (519) 436-4601.

Sincerely,



Dawn Gateway Pipeline Limited Partnership, by  
Mark Murray  
Manager Regulatory Projects, Union Gas Limited  
:mjp  
Encl.

cc: Neil McKay, Manager Facilities Applications  
Zora Crnojacki, Project Advisor  
All intervenors

Dawn Gateway Pipeline Limited Partnership  
Response to Interrogatory  
from Canadian Manufacturers and Exporters (“CME”)

**Issue 1 – Regulatory Framework**

References: Evidence, Section 2, page 3

Evidence, Section 4, Schedule 3

EB-2008-0411 Decision and Order, page 13, subparagraph (1) of paragraph 44

**Question # 1:**

- (a) Please provide a complete description of the regulatory framework that will apply to the Dawn Gateway Pipeline in Michigan.
- (b) Without limiting the generality of the foregoing, please provide the following:
  - (i) The rate schedules and/or tolls and tariffs that Dawn Gateway Pipeline LLC expects to file with the Michigan State Public Utilities Commission ("MSPUC");
  - (ii) The filing guidelines or rules of the MSPUC describing the financial information that Dawn Gateway LLC will be required to file to support its request for relief from the MSPUC and subsequently;
  - (iii) The filing guidelines or rules of the MSPUC that apply to prevent Dawn Gateway LLC from conferring preferences on related entities such as Union Gas Limited ("Union") and Michigan Consolidated Gas Company ("MichCon"); and
  - (iv) The filing guidelines or rules of the MSPUC that apply to assure that all shippers will enjoy open access to the Dawn Gateway Pipeline under the auspices of nondiscriminatory tolls and tariffs.
- (c) Please provide blackline versions of the General Terms and Conditions, the Firm Transportation Agreement, including its Toll Schedule, and the Interruptible Transportation Agreement, including its Toll Schedule, all found at Section 4, Tab 3 of the evidence, to show the changes that will be made to these documents for the purposes of the application for relief by Dawn Gateway LLC to the MSPUC.
- (d) Is the plan to continue to have shippers sign two (2) substantially identical agreements, one with Dawn Gateway LLC and the other with Dawn Gateway LP?

**Response:**

- (a) Dawn Gateway Pipeline LLC will apply to the Michigan Public Service Commission for approval to operate the Dawn Gateway Pipeline in Michigan as well as for approval of its Tariff. We expect the regulatory framework in Michigan will be very similar to what has been filed in this application for the Dawn Gateway Pipeline Limited Partnership.
- (b)
  - (i) The Tariff and Rate schedules for Dawn Gateway Pipeline LLC have not been filed yet with the Michigan Public Service Commission (“MPSC”) and are not available to be provided herein. The Tariff and Rate Schedule will be similar to what Dawn Gateway LP has filed with the OEB.
  - (ii) Dawn Gateway Pipeline LLC has not yet filed anything with the MPSC. Dawn Gateway Pipeline LLC plans to file for negotiated rates with a rate cap with the MPSC, similar to what was filed by Dawn Gateway Pipeline Limited Partnership with the OEB and for the same reasons.
  - (iii) The MPSC has Transportation Standards of Conduct that are part of each utility’s filing, the objective of which is to promote fair competition and a level playing field among all participants involved in transportation. Dawn Gateway Pipeline, LLC expects to develop comparable Transportation Standards of Conduct as part of their MPSC filing.
  - (iv) Please refer to Dawn Gateway’s response in (iii) above;
- (c) The Dawn Gateway Pipeline LLC MPSC Tariff, General Terms and Conditions, Firm Transportation Agreement, Interruptible Transportation Agreement and Toll Schedules have not yet been filed with the MPSC and are not available to be provided herein. Please refer to Dawn Gateway’s response to (b)(ii) above.
- (d) Yes, the agreements will be very similar.

Dawn Gateway Pipeline Limited Partnership  
Response to Interrogatory  
from Canadian Manufacturers and Exporters (“CME”)

**Issue 1 – Regulatory Framework**

References: Evidence, Section 3, page 7, paragraph 16

Board Staff Interrogatory No. 2, subparagraph (a)

**Question # 2:**

- (a) When were each of the five (5) Precedent Agreements amended and executed by the parties thereto?
- (b) When responding to Board Staff's Interrogatory No. 2, please produce and file unredacted copies of the amended Precedent Agreements.

**Response:**

- (a) All five Precedent Agreements were dated as of February 24, 2009. By letter agreements dated May 14, 2009, DTE's and Spectra's interests in the agreements were assigned to Dawn Gateway Pipeline, LLC and Dawn Gateway LP and a deadline for receiving approval from DTE and Spectra was extended to August 31, 2009. These agreements were amended to provide for the possibility of regulation by the OEB by letter agreements dated December 21, 2009.
- (b) Please see Dawn Gateway's response to Board Staff's Interrogatory 2.

Dawn Gateway Pipeline Limited Partnership  
Response to Interrogatory  
from Canadian Manufacturers and Exporters ("CME")

**Issue 1 – Regulatory Framework**

**Issue 2 – Compliance with Board's Storage and Transportation Access Rule ("STAR")**

References: Evidence, Section 4, pages 9 to 13, paragraphs 20 to 37

Evidence, Section 4, Schedules 1 and 2

Evidence, Section 4, Schedule 3, page 14, article 21

**Question # 3:**

- (a) Please provide a list of all of the Group 2 National Energy Board ("NEB") pipelines.
- (b) From that list, identify the transportation pipelines that have about 360,000 Dth or about 380,000 GJs per day or more of capacity, and provide services to five or more third party shippers.
- (c) For each of the Group 2 pipelines in the subset of companies listed in response to the question in subparagraph (b) above, please indicate whether the following information is filed with the NEB and available to interested parties:
  - (i) Audited Financial Statements filed annually within 120 days after the end of each fiscal year, with such statements showing the details of revenues and costs associated with the regulated pipeline;
  - (ii) The identify of each of the shippers on each pipeline;
  - (iii) The transportation contracts between each pipeline and each of its shippers; and
  - (iv) The approved tolls and tariffs for each of the pipelines and the number of these pipelines that operate under the auspices of negotiated tolls subject to a NEB approved cap or ceiling.
- (d) For one of the NEB Group 2 pipelines described in the responses to the questions in subparagraphs (b) and (c) above that is operating under the auspices of negotiated transportation contracts (other than the Vector Pipeline), please obtain and produce a copy of its most recent audited financial statement filed with the NEB and a copy of that utility's NEB approved tolls and tariffs.
- (e) Please produce a copy of the current NEB approved toll for the Vector Pipeline referenced in paragraph 23 on page 10 of Section 4 of the Evidence.

- (f) Please confirm that Vector's toll methodology is based on a negotiated toll settlement with its shippers and calculates tolls on a postage stamp basis for all movements from the international boundary near Sarnia to the delivery point near Dawn, a distance of approximately 24 kms.
- (g) Please describe the "supporting financial information" that Dawn Gateway LP proposes to provide to prospective shippers to help them resolve traffic, toll and tariff issues with the pipeline pursuant to Article 21 of the proposed General Terms and Conditions and indicate whether the supporting financial information to be made available includes:
  - (i) The audited financial statements for the Dawn Gateway Pipeline providing details of the revenues and costs associated with the regulated pipeline;
  - (ii) The amounts charged to other shippers for Firm and Interruptible Transportation Service; and
  - (iii) Copies of the contracts Dawn Gateway LP has executed with each of its shippers.
- (h) If none of the information described in the question in subparagraph (g) above is to be made available to prospective shippers, then what is the "supporting financial information" that Dawn Gateway LP proposes to provide?

**Response:**

a) & b) Please refer to Dawn Gateway's response to Board Staff Interrogatory 9.

c), d) & e) Each Group 2 regulated company was approved by the NEB on a case-by-case basis. As such, each entity would have qualified for Group 2 status based on the criteria in place at the time of their application and be subject to reporting requirements as determined to be appropriate and in effect and as per the Board's orders for that entity. Any reporting (including tolls and financial reporting) for these individual entities that is required and publicly available can be found on the NEB's website at

<https://www.neb-one.gc.ca/ll-eng/livelink.exe?func=ll&objId=92837>

The NEB's Group 2 Guidelines dated November 17, 2009, reflects the current guidance for Group 2 Regulated Companies filed in Section 4 Schedule 2 of the Pre-Filed Evidence.

f) Vector's toll methodology is based on a negotiated toll settlement with its shippers. Vector's October 19, 2009 letter to the NEB regarding its revised toll calculation describes its 15 year FT Service Reservation Charge cap as being derived from the allocation of Vector Canada's portion of the total miles of Vector's pipeline and applied to the combined US/Cdn negotiated rate.

g) Dawn Gateway LP will be complying with STAR. Please refer to Dawn Gateway's response to Board Staff Interrogatory 13.

h) It is Dawn Gateway LP's intent that as part of "supporting financial information" it will identify to the potential shipper any credit requirements that may be applicable under Article 23 of the General Terms and conditions. The shipper will also be offered a standard form of contract to execute. The shipper will have available from Dawn Gateway LP's website, the index of customers and a complete listing of non-standard contracts with existing shippers.

Dawn Gateway Pipeline Limited Partnership  
Response to Interrogatory  
from Canadian Manufacturers and Exporters ("CME")

**Issue 1 – Regulatory Framework**

**Issue 2 – Compliance with Board's STAR**

**Issue 3 – Affiliate Relationships Code ("ARC") and Related Party Transactions**

References: Evidence, Section 3, page 7, paragraph 18

Evidence, Section 4, paragraphs 20 to 37

**Question # 4:**

- (a) Please confirm that the provisions of the amended Precedent Agreements do not provide shippers with a right to terminate the agreements on grounds that regulators having jurisdiction decide to require contract details to be disclosed on the public record.
- (b) Since Dawn Gateway LP has already sold almost 80% of its capacity under the auspices of long term contracts, how can a requirement that it comply with the provisions of STAR prejudice Dawn Gateway LP?
- (c) If applied to Dawn Gateway LP, will the requirements of STAR with respect to the following:
  - (i) The definition, in its tariff, of its methods for allocating transportation capacity;
  - (ii) The offering of service through open seasons that comply with Standards for Transportation Open Seasons contained in STAR;
  - (iii) Standard terms of service and standard forms of contract for transportation services and the posting of deviations therefrom, including negotiated contract deviations therefrom, on the transmitter's website within ten (10) business days from the date the contract is executed or amended;
  - (iv) The provisions that preclude the bundling of storage and transportation in a way that discriminates against parties who only want transportation; and
  - (v) Reporting requirements that provide transparency,prevent Dawn Gateway LP from conferring preferences on related parties, such as Union and/or MichCon
- (d) How does the NEB assure that parties contracting for transportation services from Group 2 pipelines obtain open access to the pipeline under non-discriminatory tolls, tariffs and conditions of service?



**Response:**

- (a) The amended Precedent Agreements do not contain shipper condition precedents related to regulatory jurisdiction. The Sponsors do have condition precedents related to regulatory approvals as listed below:

*Transporters, Sponsors and any affiliate of a Sponsor, as applicable, receiving, in a form and substance acceptable to each Sponsor in its sole but reasonable discretion, all necessary permits, certificates, approvals, authorizations, orders, rates, terms and conditions from governmental, regulatory or other authorities having jurisdiction to transfer, construct, lease, own, operate and maintain the required facilities (including, but not limited to, all required approvals from FERC, MPSC, NEB, and the Ontario Energy Board (“OEB”)) necessary to provide the firm transportation services contemplated herein and in the Transportation Agreements (the “Approvals”); and*

- (b) Dawn Gateway intends to comply with STAR. Please refer to Dawn Gateway’s response to Board Staff Interrogatory 13.
- (c) Dawn Gateway intends to comply with STAR. Please refer to Dawn Gateway’s response to see Board Staff Interrogatory 13.
- (d) The NEB assures parties contracting for transportation services from Group 2 pipelines obtain open access to the pipeline under non-discriminatory tolls, tariffs and conditions of service through a complaints based regulatory mechanism. Under such a mechanism, the Group 2 pipeline must work with its stakeholders to address concerns that arise and comply with all Board Orders applicable to that pipeline. In accordance with the recent November 2009 Group 2 Guidelines, the pipeline must file annual audited financial statements and standard tariffs and terms of service with the Board. The Board may also perform a financial audit of the company’s records. The Board’s decision to perform an audit is informed by a risk-based assessment that takes into account, among other things, the relationship between the company and its shippers, and the availability to the Board of current financial information. When a dispute cannot be resolved by the pipeline and stakeholder, the complainant can bring the matter before the Board for review and adjudication.

Dawn Gateway Pipeline Limited Partnership  
Response to Interrogatory  
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**Issue 1 – Regulatory Framework**

References: Evidence, Section 4, Schedule 3, pages 26 and 35 EB-2008-0411 Transcript, Volume 1, pages 169 to 172, and in particular, page 171, line 26 to page 172, line 1 EB-2008-0411 FRPO Interrogatory No. 8, page 2, and proposed rate for Dawn Eclipse EB-2008-0411 Confidential Precedent Agreements filed October 20, 2009

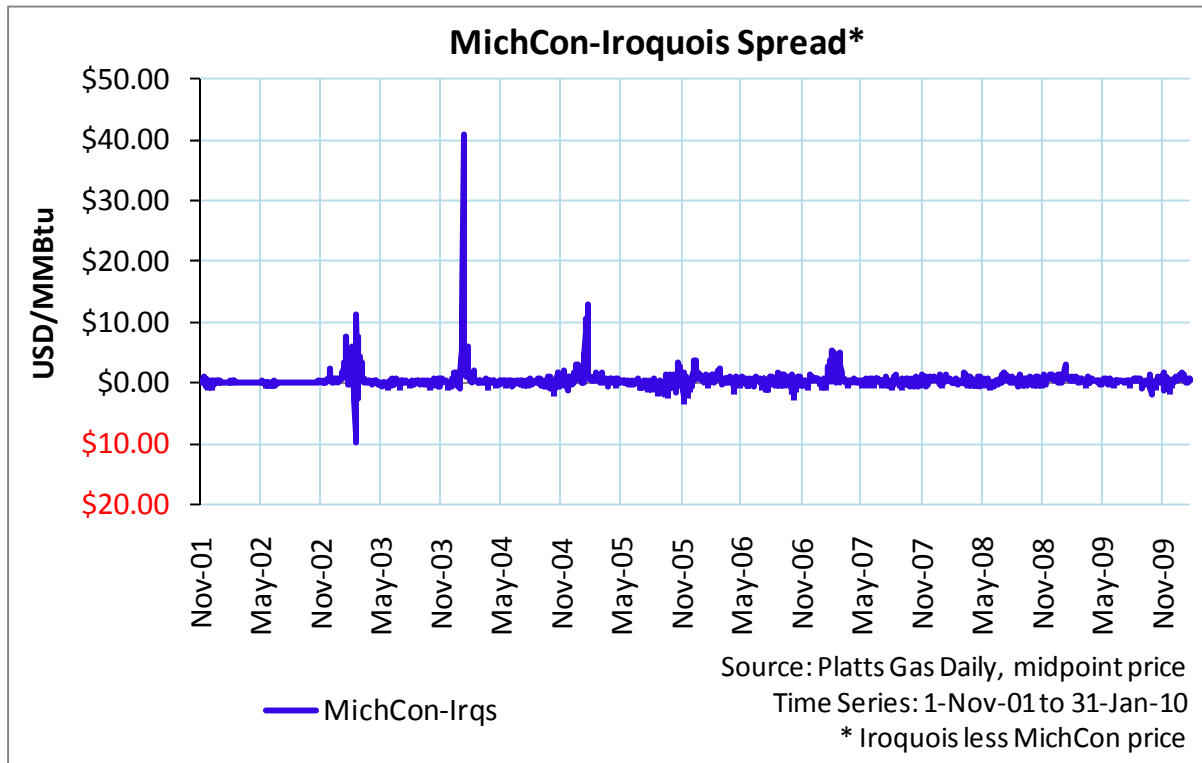
**Question # 5:**

- (a) Please provide evidence of the total cost of the Dawn Gateway Pipeline project so that the information can be used to estimate investment and equity returns which are relevant to a consideration of the appropriateness of the ceilings being proposed for Firm Transportation tolls of up to \$30 USD per Dth per month for a Reservation Rate, up to \$1.00 USD per Dth per day for a Usage Rate, and up to \$1.00 USD per Dth per day for an Authorized Overrun Charge; and for Interruptible Transportation service tolls of up to \$2.00 USD per Dth per day for a Usage Rate and up to \$2.00 USD per Dth per day for Authorized Overrun.
- (b) Please explain the difference between a "Reservation Charge" and a "Usage Charge". Are the terms "Demand Charge" and "Commodity Charge" synonymous with the terms "Reservation Charge" and "Usage Charge"?
- (c) Please provide the Net Book Value ("NBV") of the Belle River Mills Pipeline segment of the Dawn Gateway Pipeline.
- (d) Please provide the NBV of the St. Clair Crossing.
- (e) Please provide a calculation showing the estimated total return on investment, as well as a separate calculation for Return on Equity ("ROE") that the owners of the Dawn Gateway Pipeline are expected to realize under the auspices of the five (5) Precedent Agreements filed in confidence in the EB-2008-0411 proceeding under the following assumptions:
  - (i) The cost of the new Dawn to Bickford Line will be as estimated in confidential information filed in EB-2008-0411;
  - (ii) The cost of the St. Clair Line will be its NBV of about \$5M, plus an additional amount of about \$8M to be allocated to Union's ratepayers;
  - (iii) The NBV of the Belle River Mills Pipeline is the amount to be provided in response to the question in subparagraph (b) above;

- (iv) The NBV of the St. Clair Crossing is the amount to be provided in response to the question in subparagraph (c) above; and
- (v) For the purposes of estimating the ROE, assume financing of 60% debt and 40% equity, at an estimated cost of debt of 6% and an allowed ROE under the Board's December 11, 2009 Cost of Capital Report of 9.75%.
- (f) The evidence provided in EB-2008-0411 indicated that the upper limit of the value of transportation service from Belle River Mills to Dawn was about 15¢ per GJ or almost 16¢ per Dth. Dawn Gateway LP is seeking approval for ceilings for Firm Transportation service that are more than six (6) times this upper limit and for Interruptible Service that are more than twelve (12) times this upper limit. Please explain why the Board should approve a ceiling price for Transportation Services that is any higher than the acknowledged upper limit of the value of that service.
- (g) Are the amended long term Precedent Agreements that Dawn Gateway LP has executed at prices below 15¢ per Dth per day and \$4.50 per Dth per month?

**Response:**

- a) Dawn Gateway LP has established the prices identified in the Tariff, Statement of Tolls for Firm and Interruptible transportation services based on historical prices, these are not representative of cost of service rates. These tolls reflect historical prices and potential future value of the Belle River Mills to Dawn path. For example, between November 2001 and February 2010 the Michigan to Iroquois spreads have fluctuated greatly and have peaked at over US\$40 mmbtu with multiple occurrences of \$5/mmbtu. As the Dawn Gateway pipeline would form a section of this transportation path, these gas trading points would indicate how market conditions can change day to day. In its tariff, Dawn Gateway LP has provided a range which would be reflective of potential short term market conditions.



- b) Reservation Charge is synonymous with Demand Charge and is a charge for transportation that the Shipper pays for the pipeline to reserve capacity for the Shipper, whether the Shipper uses the capacity or not. Reservation Charge is typically a monthly charge. Usage Charge is synonymous with Commodity Charge and is a charge for service when the Shipper uses the service. Usage Charge is typically a daily charge
- c) Dawn Gateway LP will enter into a long term lease with MichCon. As the line will be leased and not owned, it will have no net book value for Dawn Gateway LP. Dawn Gateway LP and MichCon are currently negotiating the price and terms of the lease.
- d) Dawn Gateway LP will enter into a long term contract with St Clair Pipelines LP. It will have no net book value for Dawn Gateway LP. Dawn Gateway LP and St Clair Pipelines LP are currently negotiating price and terms of the contract.
- e) The calculation for the estimated total return on investment and Return on Equity ("ROE") was completed using the revenue as included in the 5 precedent agreements filed in confidence in EB-2008-0411 as well as the following assumptions:
  - i. The Cost of the new Bickford to Dawn pipeline using the confidential information provided in EB-2008-411 on January 15th, 2010;

- ii. Cost of the St Clair line at \$13M, which includes \$8M to be allocated to Union's ratepayers;
- iii. The combined payments for the Belle River lease and the St Clair river crossing contract are estimated to be approx Cdn\$600,000.
- iv. See 5 e) iii) above
- v.
  - i. Debt/Equity Ratio: 60/40%
  - ii. Estimated Cost of Debt: 6%
  - iii. Cost of Capital: 9.75%
  - iv. After-tax weighted average cost of capital (discount rate) of 6.6%

In addition to the above assumptions Dawn Gateway LP assumed annual property tax payments and operating and maintenance payments in the amount of Cdn\$1.3M

Using the above assumptions produced the following financial results:

Internal Rate of Return (IRR)	Return on Equity (ROE)	Net Present Value (NPV)
less than 0%	(6.6%)	(\$13.2 million)

Note: This assumes an additional Cdn\$8M to be allocated to Union's ratepayer as per the assumptions set out in Section (e) (ii). Union is currently estimating this payment to be \$3.954M

- f) Dawn Gateway LP requires additional information regarding the 15 cent/GJ reference in this question and is unable to provide a response at this time.
- g) The Precedent Agreements were filed in confidence in EB-2008-0411. The subsequent amendments did not change the prices in any way.