

November 12, 2007

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 26<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

**Re: Union's Reply to Interrogatories for EB-2007-0717 and EB-2007-0718  
(Application on T1 Contracts Between Union Gas Limited and LANXESS  
Inc. and Between Union Gas Limited and St. Clair Power LP)**

Dear Ms. Walli:

Enclosed are Union's responses to the interrogatories asked by the Industrial Gas Users Association ("IGUA") and City of Kitchener ("Kitchener") with respect to the above noted applications. The responses are grouped as follows:

- Responses to IGUA on Union's Contract with LANXESS
- Responses to IGUA on Union's Contract with St. Clair Power LP
- Responses to Kitchener on Union's Contracts with LANXESS and St. Clair Power LP

If you have any questions concerning the above noted applications, please contact me at (519) 436-5476.

Yours truly,

[original signed by]

Chris Ripley  
Manager, Regulatory Applications

cc Robert Caputo (OEB)  
Michael Millar (OEB)  
Jim Gruenbauer (City of Kitchener)  
Alick Ryder (Ryder Wright Blair & Holmes LLP)  
Peter Thompson (Borden Ladner Gervais LLP)  
Murray Newton (IGUA)  
Terry Furlotte (LANXESS)  
Scott Ebner (St. Clair Power LP)

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Union has provided to the Board and to counsel for IGUA redacted versions of its T1 Contract with LANXESS. Please confirm that this redacted copy of the agreement has been filed on the public record.

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**Response:**

A redacted copy of the agreement was provided to the Board on August 9, 2007 by courier. The Board provided copies to parties intervening in this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Please provide the confidentiality undertaking Union wishes counsel for IGUA to execute and, upon execution of the undertaking, produce, in confidence, to counsel for IGUA an unredacted copy of the agreement with LANXESS.

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**Response:**

In accordance with the Board's letter dated November 6, 2007, no party or their counsel will be permitted access to the unredacted contract.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Was a T1 Contract between LANXESS and Union in existence prior to the 2006/2007 contract year? If so, please produce a redacted copy thereof on the public record and an unredacted copy thereof under the auspices of the confidentiality undertaking described in the previous interrogatory.

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**Response:**

No, a T1 contract did not exist between Union and LANXESS prior to the 2006/2007 contract.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Was the 1 year T1 Contract which Union and LANXESS entered into, effective November 1, 2006, finalized before or after the Board rendered its NGEIR Decision on November 7, 2006? If the terms of the Contract were finalized after November 1, 2006, then please provide the approximate date on which the terms thereof were finalized by the parties.

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**Response:**

The one year T1 contract with LANXESS that was effective November 1, 2006 was finalized before the Board rendered its NGEIR Decision on November 7, 2006.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

In presenting to LANXESS the amount of cost-based storage and deliverability available to a T1 customer which obligates to deliver its DCQ to Union 365 days of the year at Parkway and Dawn, did Union tell LANXESS that the amount of cost-based storage space and deliverability that would be made available to such T1 customers was subject to pre-determined limitations? If so, then please describe the limitations Union communicated to LANXESS.

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**Response:**

Union communicated to LANXESS that the maximum amount of T1 cost-based storage that could be allocated to LANXESS would be determined using the Board approved aggregate excess methodology. Union also communicated to LANXESS that the maximum amount of firm deliverability available would be limited to 1.2% of their allocated cost-based storage and that additional interruptible deliverability was available for amounts in excess of 1.2%.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Please produce all documents, including emails, in which Union outlined to LANXESS the limits of cost-based storage space and deliverability.

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Did Union inform LANXESS that the amount of cost-based storage space and deliverability to be allocated to those T1 customers who are obliged to deliver their DCQ to Union 365 days of the year were unresolved matters to be determined by the Board in the Natural Gas Storage Allocation Policies proceedings? If not, then why not?

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**Response:**

Yes, all T1 customers including LANXESS have been kept informed of Union's T1 Storage Allocation proposal and the status of the related proceeding.



UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

What is the total contract demand at LANXESS plants which its 20,010 Gjs of DCQ is intended to cover?

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

What is the estimated annual load factor at which LANXESS will take gas at its plants under the auspices of the T1 Contract?

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

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UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

If the Board determines, in the Natural Gas Storage Allocation Policies proceedings, that the method Union proposes for allocating storage space and storage injection and withdrawal rights to T1 customers, who are obligated to deliver their DCQs to Union throughout the year, does not provide them with sufficient storage and deliverability to manage the differences between their DCQ and the Contract Demand ("CD") at their plants, and instead, adopts a different allocation methodology for such customers, does Union agree that LANXESS should have an opportunity to revise the storage space and storage injection and withdrawal parameters in the T1 Contract which forms the subject matter of this proceeding in order to revise them to conform to whatever allocation methodology the Board approves.

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**Response:**

Union would abide by and be directed by what ever the Board's decision said. Without knowing what the decision will say, Union cannot comment any further at this time. Generally, unless otherwise mutually agreed to by both parties, the opportunity to revise contractual parameters is at the time of contract renewal.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

The 20,010 Gjs of DCQ specified in the LANXESS T1 Contract and the storage space of 206,000 Gjs implies coverage for LANXESS of about a little more than 10 days of complete shut-down of its plants and a 100% load factor operation for 355 days of the year for an estimated annual load factor of LANXESS of about 97%. Has Union agreed to provide LANXESS additional storage space and additional injection and withdrawal rights under a contract which is separate and apart from the T1 Contract for which approval is sought in these proceedings? If so, then please provide details of these arrangements and produce a redacted copy of the contract on the public record and an unredacted copy thereof in confidence pursuant to the provisions of the confidentiality undertaking described in Interrogatory No. 2.

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Did LANXESS request more than 206,000 Gjs of space to accommodate the differences between its CD at its plants and its DCQ? If so, how much space did LANXESS request and why did Union refuse to provide more than 206,000 Gjs of storage space under the T1 Contract?

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Did LANXESS request storage injection and withdrawal rights in amounts greater than those specified in the Contract in order to accommodate the differences in its CD at its plants and its DCQ? If so, what injection and withdrawal rights did LANXESS request and please explain why Union declined to accommodate this request?

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Assume that the Board, in the Natural Gas Storage Allocation Policies proceedings, renders a decision which assures that the total amount of storage space and storage injection and withdrawal rights allocated to T1 customers existing at the time of the NGEIR Decision is not reduced or clawed back. In these circumstances, will the storage services to be provided to LANXESS, effective November 1, 2007, have any adverse effects and/or impacts on Union's existing in-franchise customers and, in particular, on Union's existing T1 customers? If so, then please describe these adverse impacts.

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***Response:***

The storage services contracted by LANXESS will not have adverse impacts on existing in-franchise customers.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Union has provided redacted versions of its T1 Contract with St. Clair to the Board and to counsel for IGUA. Please confirm that this redacted copy of the agreement has been filed on the public record.

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**Response:**

A redacted copy of the agreement was provided to the Board on August 9, 2007 by courier. The Board provided copies to parties intervening in this proceeding.



UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Please provide the confidentiality undertaking Union wishes counsel for IGUA to execute and, upon execution of the undertaking, produce, in confidence, to counsel for IGUA an unredacted copy of the agreement with St. Clair.

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**Response:**

In accordance with the Board's letter dated November 6, 2007, no party or their counsel will be permitted access to the unredacted contract.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

The redacted version of the T1 Contract between Union and St. Clair indicates that it was executed by St. Clair on October 17, 2006. The Union Settlement Agreement in the NGEIR proceedings was dated June 13, 2006. The Board's NGEIR Decision was released on November 7, 2006. Were all of the terms in the T1 Contract with respect to quantities and price resolved before or after the Board released its NGEIR Decision? If after, then provide the approximate date when all of the terms and pricing provisions of the Contract were finalized.

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**Response:**

All the terms in the T1 contract for St. Clair Power were resolved prior to the NGEIR decision being released on November 7, 2006.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Schedule 1 of the Contract indicates that St. Clair has a "Non-Obligated DCQ" at the Dawn point of receipt of 130,000 Gjs/day. Does this mean that St. Clair can deliver anything between 0 Gjs and 130,000 Gjs/day to Union on any day during the year?

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**Response:**

Non-Obligated DCQ, as defined in the St. Clair T1 contract, means any quantities of Gas that are not committed to be delivered by Customer on a Firm basis and Union will receive on a Firm basis when delivered by Customer.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

Please confirm that St. Clair is not obligated to deliver any DCQ to Union and that all of its deliveries to Union will be "Non-Obligated".

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

The Union/St. Clair Contract appears to be one entered into pursuant to the provisions of Section 1.2 of the Settlement Agreement pertaining to New Rates for Gas-Fired Generators. Appendix B of the Settlement Agreement provides a storage deliverability and space allocation example for a power generator. The Settlement Agreement provides that the calculations illustrated in Appendix B shall govern the interpretation of Section 1.2 of the Settlement Agreement. Please provide an exhibit which shows how the parameters of the service under the Union/St. Clair Contract are compatible with the illustration contained in Appendix B of the Union Settlement Agreement in the NGEIR proceedings dated June 13, 2006.

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**Response:**

The storage parameters for St. Clair Power were calculated as per the NGEIR Settlement Agreement dated June 13, 2006, that was accepted by the OEB. The storage space was allocated based on 10 times the deliverability contracted for up to a maximum of 4 times the peak hour times 24. The amount of deliverability available to be contracted for was capped at 24 times the peak hour, with 1.2% at cost.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

***Question:***

In Section 1.2 of the June 13, 2006 Union Settlement Agreement in the NGEIR proceedings, it was warranted by Union that the provision of new high deliverability service from storage being sought by power generators would have "no identifiable adverse impacts on existing customers because the provision of storage services to these new T1 and new 7 customers does not involve the "claw back" of storage space or deliverability from existing customers ...". In the Natural Gas Storage Allocation Policies proceedings, Union has proposed storage allocation methods which, if approved, will materially reduce and take back, from some existing T1 customers, storage space and deliverability previously allocated to them. Assuming that the Board renders a decision in the Natural Gas Storage Allocation Policies proceedings, which assures that the total amount of storage space and storage injection and withdrawal rights currently allocated to T1 customers existing at the time of the NGEIR Decision are not reduced, then will the storage services Union has agreed to provide to St. Clair for 20 years have any adverse impact on the cost-based storage services to be allocated to Union's existing in-franchise customers and, in particular, on any of Union's existing T1 customers. If so, then please provide details of these adverse impacts.

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**Response:**

The storage services contracted by St. Clair Power will not have adverse impacts on existing in-franchise customers.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

- a) In obtaining the contracts that are the subject of these applications has Union assumed that the Board in NGEIR has given approval to charging market prices for storage deliverability services above 1.2% for:
    - i. Gas-fired generators;
    - ii. In-franchise, semi-unbundled customers served under T3 and T1.
  - b) If not, please provide Union's position on the question of whether the Board should forbear from regulating any portion of Union's deliverability service, including:
    - i. What are the precise services to which forbearance should apply?
    - ii. What evidence does Union rely on to support its application for forbearance under s.29(1) of the *Act*?
    - iii. Please explain how the factors supporting forbearance for delivery above 1.2% do not apply to deliverability below 1.2%
  - c) If yes, please provide the page references from NGEIR decisions.
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***Response:***

- a) Yes.
- b) and c) This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

What is the nature of the businesses of LANXESS and St. Clair?

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.



UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Please provide details of the deliverability services provided to both LANXESS and St. Clair, including a description as to how the services are similar to or different from the deliverability services provided to Kitchener. In your answer please advise whether or not:

- a) Deliveries from storage to LANXESS is provided on a “no-notice” basis;
  - b) LANXESS is required to nominate or otherwise manage its deliveries from storage.
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**Response:**

a) and b) The deliverability services for T1 and T3 customers operate the same. When the customer's consumption exceeds the quantity of gas being supplied by the customer (DCQ plus incremental supply), gas is withdrawn from storage without a nomination from the customer. Similarly, when consumption is lower than the quantity of gas being supplied by the customer (DCQ plus incremental), gas is injected into storage without a nomination from the customer.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Was Union required to develop new facilities (which did not exist prior to the NGEIR proceedings) or enhance existing facilities in order to provide any of the services to be delivered under the contracts with LANXESS Inc. and St. Clair Power LP?

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**Response:**

Union did not develop new facilities to provide cost based services contracted for under the T1 contract.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Please advise whether or not Union is the only service provider of a no-notice, no-nomination deliverability service for the purpose of accessing gas and Union's storage space allocated to LANXESS.

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Please provide the rational for setting 1.2% as the level of cost base deliverability.

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**Response:**

Please refer to the Board Decisions in EB-2005-0551 dated November 7, 2006 and July 30, 2007 and Union's Supplementary Evidence in EB-2007-0724 / EB-2007-0275 dated November 2, 2007.

Question: November 5, 2007  
Answer: November 12, 2007  
Docket: EB-2007-0717/ EB-2007-0718

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

What levels of deliverability are provided in the LANXESS and St. Clair contracts at prices above cost based rates.

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Please provide a table showing the level of cost based deliverability underpinning service to M2, M4, M7, M9, T1 and T3 classes since 1999.

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

What level of storage deliverability has LANXESS received at cost based rates since 1999?

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**Response:**

LANXESS was allocated 2,500 GJ of deliverability in 2006/2007 and 2007/2008 under a T1 contract.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Please describe the method used to determine the price for deliverability charged above cost. If the method is contained in either of the contracts, please reproduce the applicable provisions.

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.



UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

Has the LANXESS contract under consideration in this application been replaced or altered to provide a cost based rate for deliverability above 1.2% as well as below 1.2% in accordance with the Board's interim decision in EB-2007-0724/EB-2007-0725 issued October 22, 2007 and in accordance with Union's message to its T1 customers posted November 2, 2007?

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**Response:**

No.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

What is the price charged for deliverability above costs under both contracts?

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**Response:**

In accordance with the Board's Decision and Order dated October 29, 2007 and the letter dated November 6, 2007, this information is commercially sensitive and will not be disclosed.

UNION GAS LIMITED

Answer to Interrogatory from  
City of Kitchener

***Question:***

What data does Union currently employ to determine the market price of deliverability? Please provide the most recent data in this respect. Please provide a calculation showing how the above market cost of deliverability is derived from the data used by Union.

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**Response:**

This question is not relevant to the Board's review and decision with respect to the term, party and space under review in this proceeding.