



June 11, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0207 – Union Gas Limited - Dawn to Dawn TCPL Firm Rate

Please find attached Union Gas Limited's application and evidence seeking approval of a firm transportation rate from Dawn to Union's interconnect with TransCanada PipeLines. This application is made pursuant to section 36 of the *Ontario Energy Board Act, 1998*.

Union is filing its application in response to a binding Open Season recently completed specific to this service.

Union is seeking approval to modify its approved C1 rate schedule to accommodate this firm transportation request effective November 1, 2010. To allow Union to make the necessary facilities modifications and provide the service by the required date, Union respectfully requests that the Board initiate an expedited, written process to review Union's application.

Please contact me at (519) 436-5473 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

[Original signed by]

Karen Hockin
Manager, Regulatory Initiatives

c.c.: Crawford Smith, Torys
Mark Kitchen, Union Gas
Neil McKay, Board Staff

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders amending or varying its approved C1 rate schedule to accommodate a firm transportation service from Dawn to the Dawn-TCPL interconnect;

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation, incorporated under the laws of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts an integrated natural gas utility business that combines the operations of selling, distributing, transmitting and storing gas within the meaning of the *Ontario Energy Board Act, 1998* (the “Act”).
3. Union is proposing to modify its current approved C1 rate schedule to accommodate firm transportation service from Dawn to the Dawn-TCPL interconnect. Union plans to offer this service beginning November 1, 2010.
4. The new service is a direct response to the changing North American gas supply dynamics. The North American natural gas market continues to evolve. The continued decline in gas supplies from the Western Canadian Sedimentary Basin, concurrent with the rapid and significant growth in new sources of supply, including the Marcellus Shale in Pennsylvania and New York, are impacting the flows of natural gas, both into and out of Dawn. This proposal will require Union to make modifications to its existing facilities at Dawn. No Leave to Construct approval from the Board is required.

5. Union recently completed a binding Open Season specific to this service. As a result of this Open Season, Union and TCPL will execute a firm transportation contract from Dawn to Dawn-TCPL for a daily quantity of 500,000 GJ/d and a term of 5 years. Union is proposing to modify its existing C1 rate schedule to accommodate the firm transportation service effective November 1, 2010.
6. Union hereby applies to the OEB pursuant to section 36 of the Act for an order or orders amending or varying the rate and other charges charged to customers served under the C1 rate schedule effective November 1, 2010.
7. Union also applies to the Board for such interim order or orders approving interim rates or other charges and accounting orders as may from time to time appear appropriate or necessary.
8. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
9. This application will be supported by written evidence. This evidence will be pre-filed and will be amended from time to time as required by the Board, or as circumstances may require.
10. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

11. The address of service for Union is:

Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention: Karen Hockin
Manager, Regulatory Initiatives
Telephone: (519) 436-5473
Fax: (519) 436-4641
khockin@uniongas.com

- and -

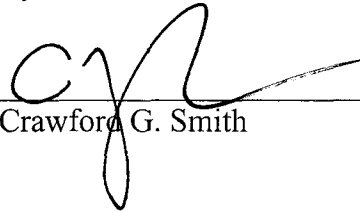
Torys LLP
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford G. Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380
email: csmith@torys.com

DATED: June 11, 2010.

UNION GAS LIMITED

By its Solicitors


Crawford G. Smith

UNION GAS LIMITED

DAWN TO DAWN-TCPL FIRM TRANSPORTATION RATE

PREFILED EVIDENCE

The purpose of this evidence is to support Union Gas Limited's ("Union") application for approval of a firm transportation rate from Dawn to Dawn-TCPL, Union's interconnect with TransCanada PipeLines ("TransCanada") located within the Dawn Compressor Station ("Dawn").

The evidence is organized as follows:

1. Introduction
2. Customer Need
3. Rate Design
4. Summary

1. INTRODUCTION

In response to a request for firm transportation service from TransCanada, Union is applying for approval of a firm Dawn to Dawn-TCPL transportation rate, effective November 1, 2010. The new service is a direct response to the changing North American gas supply dynamics. The North American natural gas market continues to evolve. The continued decline in gas supplies from the Western Canadian Sedimentary Basin, concurrent with the rapid and significant growth in new sources of supply, including the Marcellus Shale in Pennsylvania and New York,

1 are impacting the flows of natural gas, both into and out of Dawn.

2

3 In response to TransCanada's request for this service, Union conducted an open season for firm
4 transportation from Dawn to Dawn-TCPL. TransCanada submitted a binding request for firm
5 transportation for a quantity of 500,000 GJ/d and a term of 5 years. Union and TransCanada
6 will execute a firm transportation contract for service commencing November 1, 2010.

7

8 To provide the proposed transportation service at the volume requested, Union must make
9 modifications to its existing facilities at Dawn to allow for custody transfer metering. The
10 estimated capital cost associated with the station and metering modifications is \$3.3 million.
11 Union plans to complete these modifications during the summer of 2010 in order to meet the
12 contracted requirement with TransCanada. These facilities do not require Leave to Construct
13 approval from the Board.

14

15 Union's current approved rate schedules do not provide for firm transportation service between
16 Dawn and the Dawn-TCPL interconnect. Therefore, Union is proposing to modify the C1 rate
17 schedule to accommodate a firm transportation service from Dawn to Dawn-TCPL. Union's
18 rate proposal is provided in Table 1.

19

Table 1

Proposed Firm Dawn to Dawn-TCPL Transportation Rate

Line No.		<u>Proposed</u>
1	Monthly Demand Charge (\$/GJ applied to Daily Contract Demand)	\$0.309
2	Customer Supplied Fuel & UFG – April 1 to October 31	0.210%
3	Customer Supplied Fuel & UFG – November 1 to March 31	0.650%

A detailed description of Union's proposed rate design is provided later in this evidence.

2. CUSTOMER NEED

TransCanada has requested firm transportation service from Dawn to Dawn -TCPL. The physical design of the Dawn yard is based on gas imports from the west (Western Canadian Sedimentary Basin) and exports to the east (Ontario, Quebec, New York). However, as customer needs change, Union may be required to add additional facilities and/or develop firm transportation rates to accommodate changes in gas flows in the Dawn area.

Currently, Union can accommodate requests for westerly exports to Dawn-TCPL on an interruptible basis, via displacement. Providing this service is currently contingent on having sufficient easterly flowing gas from Great Lakes Gas Transmission Company ("Great Lakes") to Dawn-TCPL.

To provide firm service between interconnects within the Dawn yard, Union must ensure that it

1 has sufficient facilities and the appropriate rate structure in place. Union has applied for, and the
2 Board has approved, a rate for similar firm transportation services between interconnects within
3 the Dawn yard in the past. For example, at the request of Greenfield Energy Centre LP (GEC),
4 Union applied for approval of a firm transportation service from Dawn to Dawn-Vector (EB-
5 2007-0613). The Dawn to Dawn-Vector service supports the export of gas west out of Dawn to
6 the Vector pipeline. In its Decision (dated June 28, 2007), the Board approved this service
7 effective January 1st, 2008.

8
9 In the case of transportation service from Dawn to Dawn-TCPL, Union's system has always
10 provided the ability to export gas from Dawn to Dawn-TCPL on an interruptible basis for
11 transportation on Great Lakes. However, customers have expressed a desire for reliability in the
12 form of a firm transportation service between these two points on Union's system. Attachment
13 A is an article from the April 2010 Union Gas S&T newsletter "Dawn Horizon" detailing the
14 history and natural gas flow dynamics impacting the Dawn Hub.

15
16 TransCanada currently sells short-haul transportation services with a receipt point of Dawn-
17 TCPL and a delivery point further east, including the CDA, EDA and Waddington.

18 TransCanada's firm commitments for these transportation routes are approximately 500,000
19 GJ/day greater than the easterly contracted capacity it has on Union's system between Dawn and
20 Parkway. To meet these obligations east of Parkway, TransCanada has historically used a
21 combination of Dawn to Parkway contracts with Union, along with the flexibility provided by
22 its integrated system.

1 Union conducted an open season from April 27, 2010 to May 19, 2010 for firm Dawn to Dawn-
2 TCPL transportation. A copy of the open season is provided at Attachment B (revised as
3 described below). The open season provided customers the ability to request firm transportation
4 from Dawn to Dawn-TCPL for a quantity up to 500,000 GJ/d and a term of 10 years.

5
6 As the open season progressed, TransCanada requested two changes to the open season; i) an
7 extension to the close of the open season to allow all interested parties additional time to
8 understand the issue and reach consensus on who should participate in the open season (either
9 individual shippers or TransCanada on behalf of its shippers); and, ii) a shorter contract term (5
10 years) to be more closely aligned with the terms of the shipper contracts on its system as well as
11 the contract TransCanada holds on Great Lakes to transport gas from Dawn-TCPL to St. Clair to
12 Emerson. Union was able to accommodate both requests. The open season was extended to May
13 27, 2010 and an additional offer of a 5-year term and an associated 5-year rate was made
14 available.

15
16 At the close of the open season, TransCanada submitted a binding request for a firm
17 transportation contract for Dawn to Dawn-TCPL for a daily quantity of 500,000 GJ/d and a term
18 of 5 years. Union and TransCanada will execute a firm transportation contract on or about June
19 11, 2010. This timeline is necessary given the fact facility modifications and an approved rate
20 structure need to be in place by November 1, 2010.

1 **3. RATE DESIGN**

2 As indicated above, Union is proposing to modify the current approved C1 rate schedule to
3 accommodate firm transportation service from Dawn to the Dawn-TCPL interconnect. Union's
4 proposed rate design consists of the following components:

- 5 1. A firm monthly transportation demand charge of \$0.309/GJ applied to daily contracted
6 demand. This component of the rate is intended to make a contribution towards the
7 recovery of existing Dawn compression costs and to recover the costs associated with
8 the new facilities necessary to provide firm transportation service.
- 9 2. Seasonal fuel ratios to recover incremental Dawn compressor fuel and UFG associated
10 with providing the service.

11
12 In its design of the firm monthly transportation demand charge, Union considered;

- 13 1. The physical flow of gas between Dawn and the Dawn-TCPL interconnect; and
14 2. The rate design principles underpinning Union's existing approved rates.

15
16 Each component of the proposed rate is discussed in more detail below. A copy of the C1 rate
17 schedule with the proposed firm Dawn to Dawn-TCPL rates is provided at Schedule 1.

18
19 **FIRM MONTHLY TRANSPORTATION DEMAND CHARGE**

20 As indicated above, TransCanada has requested 500,000 GJ's per day of firm transportation
21 service from Dawn to Dawn-TCPL for a five year period. During the winter months, and some
22 days during the summer months, Union will physically transport gas westerly from Dawn to the

1 Dawn-TCPL interconnect to facilitate the Dawn to Dawn-TCPL transportation service. The
2 details on the facilities required to physically transport gas westerly to the Dawn-TCPL
3 interconnect are discussed below.

4
5 To physically transport gas from Dawn to the Dawn-TCPL interconnect, Union will use existing
6 compression facilities at Dawn and incur incremental compressor fuel and UFG costs. Union
7 will also require modifications to its existing facilities to allow for custody transfer metering at
8 the anticipated volumetric levels. The capital cost associated with the station and metering
9 modifications is approximately \$3.3 million.

10
11 Union proposes that the firm monthly Dawn to Dawn-TCPL transportation demand charge of
12 \$0.309/GJ be comprised of two parts.

13
14 The first part of the firm monthly demand charge is calculated using Dawn transmission
15 compression-related costs included in the firm rate for transportation service on the Ojibway/St.
16 Clair transmission system, adjusted for the estimated number of days compression is required.
17 Union estimates that there will be approximately 211 days per year (151 days in winter and 60
18 days in summer) when gas requiring Dawn compression flows through the Dawn-TCPL
19 interconnect. This component of Union's proposed rate design provides for a reasonable
20 contribution to the recovery of fixed costs associated with the assets used to provide the
21 transportation service. This rate design is consistent with the Board approved rate design of the
22 Dawn to Dawn-Vector firm transportation rate.

1 The second part of the firm monthly demand charge recovers the costs associated with the
2 capital investment of approximately \$3.3 million required to provide the firm transportation
3 service. As described above, Union will require modifications to its existing facilities at the
4 Dawn-TCPL interconnect to allow for custody transfer metering at the anticipated volumetric
5 levels.

6
7 As indicated above, TransCanada is contracting for a firm transportation service from Dawn to
8 the Dawn-TCPL interconnect for five years only. Union has no assurance from TransCanada
9 that the contract will be renewed beyond the term of 5 years. TransCanada is the only
10 participant in the open season and the market interest in this firm transportation service is
11 limited. Further, if TransCanada did not renew its contract upon expiration, the traditional rate
12 design methodology would not recover all of the capital costs required to construct the facilities.
13 Accordingly, Union proposes to recover the costs associated with the capital investment of
14 approximately \$3.3 million over five years. All costs associated with the capital investment to
15 facilitate the firm transportation service will be recovered solely from TransCanada in the
16 proposed firm monthly transportation demand charge. This approach is appropriate given the
17 short term nature of the service and to ensure that the costs associated with the capital
18 investment are not borne by other ratepayers. The calculation of the average annual revenue
19 requirement to recover the costs of the capital investment over five years can be found at
20 Schedule 2.

21
22 The derivation of both parts of the firm monthly Dawn to Dawn-TCPL transportation demand

charge can be found at Schedule 3.

COMMODITY CHARGE

Union is proposing to set the seasonal fuel ratios to recover incremental Dawn compressor fuel and UFG for the number of days compression is required. The proposed fuel ratio for summer transportation is 0.210% which recovers Dawn compressor fuel and UFG for 60 days of compression. The proposed fuel ratio for winter transportation is 0.650% which recovers Dawn compressor fuel and UFG for 151 days of compression. The derivation of these fuel ratios can be found at Schedule 4.

3. SUMMARY

Union is proposing to modify its current approved C1 rate schedule to accommodate firm transportation service from Dawn to the Dawn-TCPL interconnect. Union's proposed rate design consists of the following components:

1. A firm monthly transportation demand charge of \$0.309/GJ applied to daily contracted demand. This component of the rate is intended to make a contribution towards the recovery of Dawn compression costs as well as recover the revenue requirement associated with Union's capital investment at Dawn; and
2. Seasonal fuel ratios to recover incremental Dawn compressor fuel and UFG associated with providing the service.

- 1 This service has been requested by TransCanada to meet its winter 2010/2011 transportation
- 2 requirements on behalf of its customers. Accordingly, Union is seeking approval of the
- 3 proposed rates effective November 1, 2010.

The Dawn Hub Explained

With market dynamics changing, the Dawn Hub is continually evolving. In response to market requests, Union Gas is considering the introduction of a new firm transportation service between two points within the Dawn Hub; Dawn, the main storage and name change location, and Dawn (TCPL), TransCanada Pipeline's interconnect in the Dawn Hub.

The Changing Market

The North American natural gas market continues to evolve. As Western Canadian supply declines and Marcellus Shale supply expands, the gas flows into and out of the Dawn Hub will likely change.

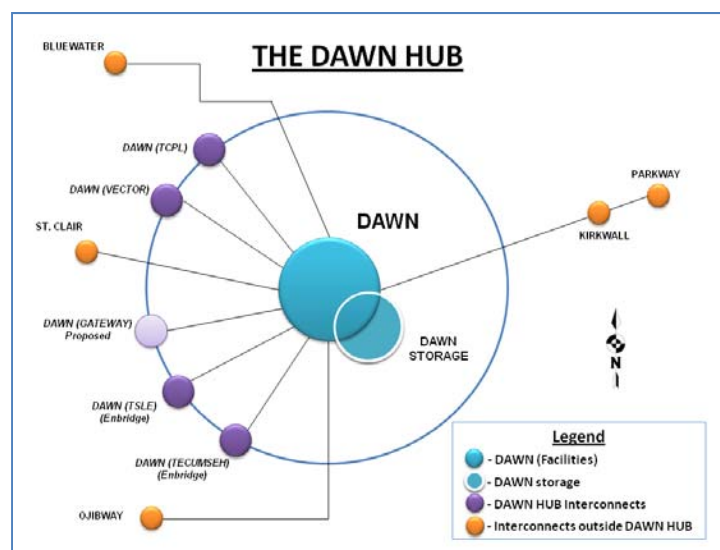
In response to the changing market, Union Gas is investigating and considering a new firm transportation service. This possible new service, which will also require new facilities, will provide Shippers with firm transportation from Dawn to the Dawn (TCPL) pipeline interconnect. If developed, this service will enable Shippers to move gas physically, on a firm basis, from Dawn to TransCanada Pipeline's ("TCPL") interconnect within the Dawn Hub without relying on displacement.

The History of the Dawn Hub

Since its origins in the late 1950s, the Dawn Hub has attracted gas from Western Canada, the US Midwest and the Gulf of Mexico. As the Dawn Hub grew over the years, facilities have expanded to move gas arriving from the west into storage at Dawn or onto Union Gas' Dawn-Parkway/Kirkwall pipeline system for transportation to Eastern Canada and the North Eastern US markets.

The Dawn Hub consists of several pipelines and storage interconnects with Union: Dawn (the location of Union Gas' storage facilities), Dawn (TCPL), Dawn (Vector), Dawn (TSLE), and Dawn (Tecumseh). The Bluewater, Ojibway, St.Clair, Kirkwall and Parkway interconnects are all upstream or downstream of the Dawn Hub and are connected to Union Gas' transmission system.

The vast majority of trading activity (title transfers) at the Dawn Hub takes place at the center – "Dawn". This is where storage injections and withdrawals occur and where the Union Gas Dawn to Parkway system originates. The other locations within the Dawn Hub facilitate the transportation between interconnecting pipelines and the Dawn trading and storage center.

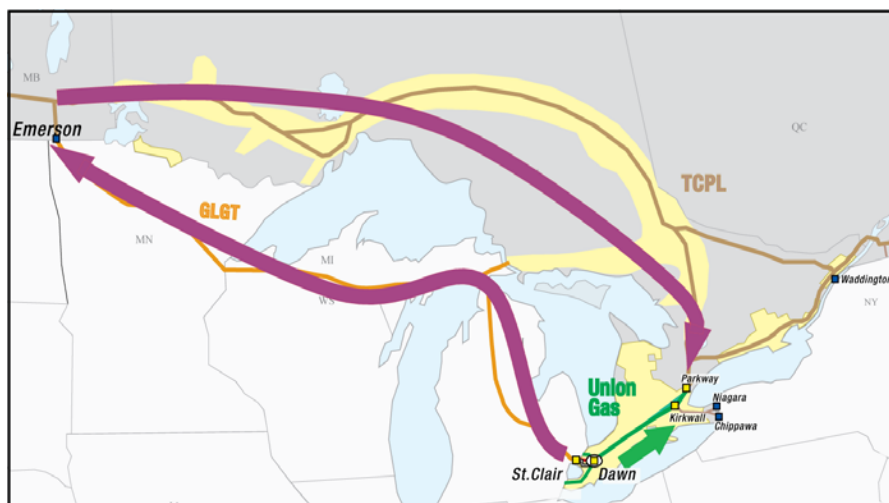


The physical design of the Dawn yard has traditionally been based on imports from the west and exports to the east. Gas flowing into the Dawn Hub (imports) is dependent on the physical capacity of the upstream pipeline to deliver gas to the Hub. Any gas arriving from the interconnecting pipelines at the Dawn Hub (flowing west to east) – TCPL, Vector, and Enbridge - is able to flow, subject to interconnection agreement parameters, to the main trading, receipt and delivery point – "Dawn". Union Gas currently has some facilities in place to meet obligations arising from firm Dawn to Dawn (Vector) and Dawn to Dawn (Tecumseh/TSLE) contracts. These facilities are the result of market requests for services to flow gas east to west.

Each day, Union Gas receives nominations for both imports and exports to each of the Dawn Hub interconnects. Quantities nominated above the firm capacity for transportation westerly, away from the Hub – including exports to TCPL, Vector, Enbridge – can be accommodated through displacement, provided there is sufficient easterly flowing gas. The quantity of gas available for export to the TCPL, Vector or Enbridge interconnects above firm entitlements is limited to the quantity of imports from the corresponding interconnect on that same day and is considered to be interruptible.

Recent Market and Contracting Changes around Dawn

The market currently has two options to transport gas from Dawn to Parkway and points further east. Union Gas offers Dawn to Parkway transportation and, since 2005, has expanded the Dawn to Parkway system by 1.2 PJ/day to meet market requests. An alternative is to contract with TCPL for capacity from Dawn to Parkway and points east of Parkway.



To meet these obligations, TCPL has historically used a combination of Dawn to Parkway contracts with Union Gas, and the flexibility provided by their integrated system, to achieve a similar result. Since 2003, TCPL has been able to divert supplies at Emerson destined for Dawn (through Great Lakes Gas Transmission) onto un-

contracted capacity on their Northern Mainline. TCPL Shippers with delivery points east of Parkway have experienced a seamless service regardless of TCPL's approach. TCPL's long-term firm commitments for transportation between Dawn, Parkway and points east, is approximately 500,000 GJ/day greater than the easterly contracted capacity they have on Union Gas between Dawn and Parkway. This "around the horn" service works well as long as there is gas scheduled to flow from Emprress to Dawn, Niagara or Chippawa equal to or exceeding 500,000 GJ/day. For the last 2 winters, TCPL has used a temporary

program to ensure that sufficient quantities are flowing Emerson to Dawn to meet this obligation. With declining quantities leaving western Canada, the need to export gas physically from Dawn onto Great Lakes may become a reality.

The Impact to Dawn Hub Market Participants

Currently, Shippers importing gas from Vector, TSLE or Tecumseh nominate from the respective interconnect point within the Dawn Hub: Dawn (Vector), Dawn (TSLE), Dawn (Tecumseh) to Dawn. Starting in the summer of 2010, to ensure consistent treatment of all interconnecting pipelines, Shippers importing gas from TCPL's system into Dawn will also nominate the Dawn (TCPL) to Dawn path. Any exports to the Dawn (TCPL), Dawn (Vector), Dawn (TSLE) and Dawn (Tecumseh) will also require a nomination. Transportation that is nominated using an interruptible service to move gas from Dawn to any of these points, may realize scheduling reductions on days where interruptible export requests cannot be facilitated by displacement. This change will not affect any Shippers who have bought a firm transportation service between Dawn and an export point within the Hub. These firm contracts do not rely on displacement to meet the obligation.

A New Firm Transportation Service to TCPL at Dawn

Over the next few weeks, Union Gas will continue to investigate the development of a firm transportation service from Dawn to Dawn (TCPL). If this new service is developed, capacity will be available through an Open Season.

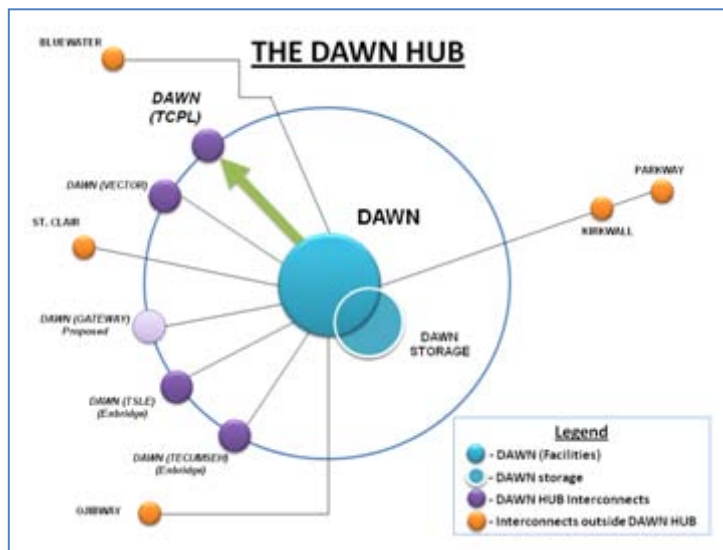
Shippers who are interested in firm Dawn to Dawn (TCPL) service should ensure that they are added to the Union Gas Open Season distribution list to receive the Open Season notice. If you have any questions about the Dawn Hub or would like to express interest in the firm Dawn to Dawn (TCPL) transport service, please contact your Account Manager.

Firm Dawn to Dawn (TCPL) Transportation Service Open Season

May 19, 2010

In response to Shipper interest in exports at Dawn to TransCanada Pipelines, firm transportation from Dawn to Dawn (TCPL) is being offered in a binding open season for service commencing November 1, 2010.

The North American natural gas market continues to evolve. As Western Canadian supply declines and Marcellus Shale supply expands, the gas flows into and out of the Dawn Hub will likely change. In response to the changing market, Union Gas is developing this new firm transportation service. This proposed new service, which will also require modifications to the facilities at the Dawn Hub, will provide Shippers with firm transportation from Dawn to the Dawn (TCPL) pipeline interconnect. If developed, this service will enable Shippers to move gas physically, on a firm basis, from Dawn to TransCanada Pipeline's ("TCPL") interconnect within the Dawn Hub without relying on displacement. More information about the Dawn Hub and Dawn to Dawn (TCPL) transportation route is available in the April 2010 edition of [Dawn Horizon](#), the Union Gas Storage & Transportation newsletter.



This open season closes at **12:00 noon Eastern Time on May 27, 2010.**

Firm Transportation Service Parameters - 10 year term

- Receipt point - Dawn Facilities
- Delivery point - Dawn (TCPL)
- Minimum Term - 10 years
- Demand Charge - expected to be approximately \$0.005 to \$0.010 per GJ/day
 - Dependent on quantities contracted
 - subject to Ontario Energy Board ("OEB") approval
- Fuel - Summer approximately 0.20%, winter approximately 0.75%
 - In accordance with C1 Rate Schedule
 - Subject to OEB approval

At the request of market participants, Union Gas is now offering a second term option for this service. A 5-year term offering has been added as a option for Shippers to select. The Demand Charge for this option has been adjusted to reflect the shorter term.

Firm Transportation Service Parameters - 5 year term

- Receipt point - Dawn Facilities
- Delivery point - Dawn (TCPL)
- Minimum Term - 5 years
- Demand Charge - expected to be approximately \$0.010 to \$0.020 per GJ/day
 - Dependent on quantities contracted
 - subject to Ontario Energy Board ("OEB") approval
- Fuel - Summer approximately 0.20%, winter approximately 0.75%
 - In accordance with C1 Rate Schedule
 - Subject to OEB approval

Union Gas is offering up to 500,000 GJ/d of capacity for this new firm transportation service. The service is proposed to be in accordance with Union's C1 Rate Schedule. Union Gas anticipates submitting a rate application for this new service during second quarter of 2010.

If you would like an Open Season closing date reminder added to your Outlook Calendar, please use our [calendar invitation](#).

Documents, Contracts and Bid Forms

Successful open season bidders will be required to execute a Union Gas [C1 Transportation Contract](#). The current [C1 Rate Schedule](#) and [General Terms and Conditions](#) are available online, and is subject to revision from time to time.

If you have any questions about this Dawn to Dawn (TCPL) open season, please contact either your account manager or:

Warren Reinisch wreinisch@uniongas.com (519) 436-4663

Tina Hodgson thodgson@uniongas.com (519) 436-4606

Submitting Bids and Awarding of Service

All valid bids will be responded to in writing within 4 business days advising each Shipper by written notice on or before 2:30 p.m. Eastern Time on June 3, 2010 advising of the actual quantity awarded to Shipper, if any. Contracts must be executed by the Shipper and all Shipper conditions precedents waived by no later than June 11, 2010 in order for Union to have the service in place by the commencement date.

Union has the right to reject any and all bids, in its sole discretion. Without limiting the foregoing, Union may, but is not required to, reject any bids that do not conform to the Dawn to Dawn (TCPL) Open Season parameters, are incomplete with the terms and conditions outlined herein, contain additional or modified terms, or are otherwise deficient in any respect. Capacity shall be allocated first to those bids with the longest term. If the terms of separate bids are equal, then service shall be offered on a pro-rata basis.

By participating in this Open Season, Shipper further agrees to the terms and conditions set out in the Dawn to Dawn (TCPL) Transportation Service Bid Form.

Completed form must be returned on or before 12:00 noon Eastern Time on May 27, 2010.

DAWN-to-DAWN (TCPL) TRANSPORTATION SERVICE BID FORM

If you wish to participate in the Dawn-to-Dawn (TCPL) Open Season ("Open Season"), please complete and return this Dawn-to Dawn (TCPL) Transportation Service Bid Form on or before **12:00 noon Eastern Time on May 27, 2010** via e-mail or fax to:

ATTN: Tina Hodgson **E-mail:** thodgson@uniongas.com **Fax:** (519) 436-4643

This is a binding bid. By signing and returning this Dawn-to-Dawn (TCPL) Transportation Service Bid Form, subject to Union's acceptance and notification of quantities allocated to Shipper, Shipper hereby irrevocably commits to enter into the Firm Transportation Service Agreement for C1 Transportation Service (found at uniongas.com/openseason) (the "C1 Contract") with Union on the terms outlined below. If this does not occur by June 11, 2010, Union may, in its sole discretion, elect by written notice to Shipper within 10 days thereafter, to either terminate Shipper's participation in this Open Season; or treat Shipper's signature and return of the Dawn-to-Dawn (TCPL) Transportation Service Bid Form together with the C1 Contract as the legally binding agreement (modified as applicable by Union notification of the quantities allocated to Shipper) between Union and Shipper for the Firm Transportation Service outlined below:

Firm Transportation Service Binding Bid:

Receipt Point	Dawn (Facilities)
Delivery Point	Dawn (TCPL)
Start Date	November 1, 2010
Quantity (GJ/d)	_____

Select Term option:

5-year Term Offering

Term (years) _____ (minimum 5 years)

10-year Term Offering

Term (years) _____ (minimum 10 years)

Dated this _____ day of _____ 2010.

SHIPPER LEGAL NAME:

By: _____
Signature

Name

Phone



CROSS FRANCHISE TRANSPORTATION RATES

(A) Applicability

To a Shipper who enters into a Contract with Union for delivery by Shipper of gas to Union at one of Union's points listed below for redelivery by Union to Shipper at one of Union's points.

<u>Applicable Points</u>	(1)	(2)
	Ojibway	WDA
	St. Clair	NDA
	Dawn*	SSMDA
	Parkway	SWDA
	Kirkwall	CDA
	Bluewater	EDA

*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)

(B) Services

Transportation Service under this rate schedule is transportation on Union's pipeline facilities between any two Points as specified in Section (A), column 1.

(C) Rates

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Transportation Service:

	Monthly Demand Charge (applied to daily contract demand) <u>Rate/GJ</u>	Commodity Charges			
		If Union supplies fuel Commodity Charge		If Shipper supplies fuel Fuel Ratio	
		Apr.1-Oct.31 <u>Rate/GJ</u>	Nov.1-Mar.31 <u>Rate/GJ</u>	Apr.1-Oct.31 <u>%</u>	Nov.1-Mar.31 <u>%</u>
a) Firm Transportation					
Between:					
St.Clair & Dawn	\$0.985	\$0.026	\$0.031	0.356%	0.436%
Ojibway & Dawn	\$0.985	\$0.035	\$0.041	0.502%	0.572%
Bluewater & Dawn	\$0.985	\$0.026	\$0.031	0.356%	0.436%
From:					
Parkway to Kirkwall	\$0.551	\$0.026	\$0.023	0.357%	0.332%
Parkway to Dawn	\$0.551	\$0.026	\$0.023	0.357%	0.332%
Dawn to Kirkwall	\$2.014	\$0.037	\$0.081	0.523%	1.149%
Dawn to Parkway	\$2.366	\$0.037	\$0.081	0.523%	1.149%
b) Interruptible and Short Term (1 year or less) Firm Transportation:					
Maximum		\$75.00	\$75.00		
c) Firm Transportation between two points within Dawn					
Dawn to Dawn-Vector	\$0.043	n/a	n/a	0.207%	n/a
Dawn to Dawn-TCPL	\$0.309	n/a	n/a	0.210%	0.650%
d) Interruptible Transportation between two points within Dawn*					
				0.332%	0.332%

*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)



(C) Rates (Cont'd)

Authorized Overrun:

The following Overrun rates are applied to any quantities transported in excess of the Contract parameters. Overrun will be authorized at Union's sole discretion.

	If Union supplies fuel Commodity Charge		Commodity Charges If Shipper supplies fuel Fuel Ratio		Commodity Charge Rate/GJ
	Apr.1-Oct.31 Rate/GJ	Nov.1-Mar.31 Rate/GJ	Apr.1-Oct.31 %	Nov.1-Mar.31 %	
a) Firm Transportation					
Between:					
St.Clair & Dawn	\$0.058	\$0.064	0.356%	0.436%	\$0.033
Ojibway & Dawn	\$0.068	\$0.075	0.502%	0.572%	\$0.033
Bluewater & Dawn	\$0.058	\$0.064	0.356%	0.436%	\$0.033
From:					
Parkway to Kirkwall	\$0.030	\$0.028	0.958%	0.933%	\$0.018
Parkway to Dawn	\$0.030	\$0.028	0.958%	0.933%	\$0.018
Dawn to Kirkwall	\$0.090	\$0.134	1.124%	1.750%	\$0.066
Dawn to Parkway	\$0.101	\$0.145	1.124%	1.750%	\$0.078
b) Firm Transportation within Dawn					
Dawn to Dawn-Vector	n/a	n/a	0.443%	n/a	\$0.001
Dawn to Dawn-TCPL	n/a	n/a	0.449%	0.650%	\$0.010

Authorized overrun for short-term firm transportation is available at negotiated rates.

Unauthorized Overrun:

The Unauthorized Overrun rate shall be the higher of the reported daily spot price of gas at either, Dawn, Parkway, Niagara, Iroquois or Chicago in the month of or the month following the month in which the overrun occurred plus 25% for all usage on any day in excess of 102% of Union's contractual obligation.

(D) Terms of Service

General Terms and Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A".

(E) Nominations

Nominations under this rate schedule shall be in accordance with the attached Schedule "B".

Effective

November 1, 2010
O.E.B. ORDER # EB-2010-0207

Chatham, Ontario

Supersedes EB-2010-0040 Rate Schedule effective April 1, 2010.

UNION GAS LIMITED
Derivation of Average Annual Revenue Requirement for Capital Investment
Effective November 1, 2010

Line No.	Particulars (\$000's)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
		(a)	(b)	(c)	(d)	(e)	(f)
	Rate Base						
1	Plant Investment	3,332	2,666	1,999	1,333	666	
2	Depreciation	666	666	666	666	666	
3	Net Plant Investment	2,666	1,999	1,333	666	0	
	Revenue Requirement						
4	Operating and Maintenance Costs	0	0	0	0	0	0
5	Depreciation	666	666	666	666	666	3,332
6	Property Taxes	0	0	0	0	0	0
7	Income Taxes	202	75	124	161	189	751
8	Return	238	185	132	79	26	660
9	Total Revenue Requirement	<u>1,106</u>	<u>926</u>	<u>922</u>	<u>906</u>	<u>881</u>	<u>4,743</u>
10	Average Annual Revenue Requirement						<u>949</u>

UNION GAS LIMITED
Derivation of C1 - Firm Dawn to Dawn-TCPL Transportation Rate
Effective November 1, 2010

Line No.	Particulars	
	<u>Dawn to Dawn (TCPL) - Monthly Firm Demand Rate</u>	
	Compression Only (no additional capital and no additional compression)	
1	Dawn Compression Revenue Requirement (\$000's)	1,791
2	Maximum Day Demand (GJs)	572,246
3	Monthly Demand per Unit (\$/GJ/d/month) (line 1 * 1000 / line 2 / 12)	0.261
4	Adjusted Monthly Demand per Unit (\$/GJ/d/month) (line 3 * (211/365))	0.151
	Capital; Measuring and Regulating - Dawn to Dawn TCPL Export Only	
5	Incremental Capital Costs - Measurement (\$000's)	3,332
6	Annual Revenue Requirement (\$000's) (1)	949
7	Maximum Day Demand (GJs)	500,000
8	Monthly Demand per Unit (\$/GJ/d/month) (line 6 * 1000 / line 7 / 12)	0.158
9	Monthly Firm Demand Rate - 211 day service (\$/GJ/d/month) (line 4 + line 8)	<u>0.309</u>

Notes:

(1) Schedule 1, Line 10

UNION GAS LIMITED
Derivation of C1 - Firm Dawn to Dawn-TCPL Transportation Fuel Ratios
Effective November 1, 2010

Line No.	Particulars		Fuel (a)	UFG (b)	Total (c)
<u>November 1 to March 31</u>					
1	Total Fuel and UFG Over 151 Days	GJ	240,000	250,434	490,434
2	Consumption Over 151 Days (1)	GJ	75,500,000	75,500,000	75,500,000
3	Fuel Ratio Over 151 Days (2)	%	0.3179%	0.3317%	<u>0.650%</u>
<u>April 1 to October 31</u>					
4	Total Fuel and UFG Over 60 Days	GJ	50,000	39,804	89,804
5	Consumption Over 60 Days (3)	GJ	12,000,000	12,000,000	12,000,000
6	Fuel Ratio Over 60 Days (4)	%	0.4167%	0.3317%	0.748%
7	Consumption Over 214 Days (5)	GJ	42,800,000	42,800,000	42,800,000
8	Fuel Ratio Over 214 Days (6)	%	0.1168%	0.0930%	<u>0.210%</u>

Notes:

- (1) 500,000 GJ/d * 151 days
- (2) Line 1 / Line 2
- (3) 200,000 GJ/d * 60 days
- (4) Line 4 / Line 5
- (5) 200,000 GJ/d * 214 days
- (6) Line 4 / Line 7