



BOARD STAFF SUBMISSION

**UNION GAS LIMITED
Application for Approval of Revised Proposed Transportation Tariffs
EB-2010-0155**

July 23, 2010

Background

On December 9, 2009, the Board issued a new rule, known as the Storage and Transportation Access Rule ("STAR") which came into force on June 16, 2010.

Sections 2.3.3 and 2.4.3 of the STAR require a transmitter to include in its tariff the standard terms of service for each of its transportation services and that the tariff must be filed for Board approval. Further, section 2.3.4 of the STAR outlines the standard terms of service.

On April 1, 2010, in accordance with sections 2.3.3 and 2.4.3 of the STAR, Union Gas Limited ("Union") filed an application seeking Board approval of tariffs for its M12, C1 and M16 transportation services to be effective as of June 16, 2010.

On June 3, 2010, the Board issued a Decision with Reasons (the "STAR Decision") approving Union's M16 tariff as filed on April 1, 2010. Also, in the STAR Decision, the Board directed Union to make certain changes to its C1 and M12 tariffs as filed on April 1, 2010. On July 9, 2010, Union filed its proposed changes to its M12 and C1 tariffs.

Below are Board staff's ("staff") submissions with respect to Union's proposed changes to its M12 and C1 tariffs.

Allocation of Capacity (XVI):

1. XVI (1) – Union included "proposed payment" in this sub-section.

Staff submits that Union should clearly define the term "proposed payment" in its tariffs. Also, as part of this definition, staff proposes that Union should explain whether the term "proposed payment" means that Union may accept a premium or a discount on the regulated firm transportation rate.

2. XVI (4) – Union changed "effective rate" to "proposed per-unit rate" in this sub-section.

Staff suggests that Union should clearly define the term "proposed per-unit rate" in its tariffs. Also, as part of this definition, staff submits that Union should explain whether the "proposed per-unit rate" means that Union may accept a premium or a discount on the regulated firm transportation rate.

3. XVI (5) – Union has deleted the transmitter-specific allocation methods – direct negotiations and first come, first served – from its proposed C1 and M12 tariffs.

Staff notes that Union has outlined the rules associated with its allocation of capacity. Staff's concern is that the wording used to describe this allocation of capacity needs to be clearly defined. The lack of specificity makes it susceptible to interpretation and therefore may lead to the potential for Union to treat shippers differently.

4. XVI (5) (c) i) – Union stated that “if there is insufficient Available Capacity to fully meet the request ... Union must offer to supply the Available Capacity to the potential shipper”.

Staff notes that the “offer to supply the Available Capacity to the potential shipper” provision is currently included in the sub-section that sets out the reasons for Union to reject an offer. For clarity, staff submits that this provision should be set out in a separate sub-section that comes before (5) (c) i) and after (5) (b) i).

5. XVI (5) (c) iii) – Union indicated that if prior to Union accepting a request for transportation service, Union receives requests from other potential shippers and there is insufficient transportation capacity, Union will follow the procedure set out in section 5 (d).

Staff suggests that Union should clearly define what is meant by “accepting a request” in its tariffs. Staff also submits that Union should provide clarification on the process and the length of time it takes Union to accept a request for long-term firm transportation services and short-term firm transportation services as per section XVI (1).

Staff proposes that clarification is also required on why the allocation of available capacity (not in an open season) is triggered when the requests are accepted and not when the requests are received.

Further, staff notes that in section 4.3 of Enbridge Gas Distribution Inc.'s (“Enbridge”) GT&C, Enbridge stated that if two or more requests for service are received at the same time (i.e., within 5 minutes of each other), Enbridge would offer a proportional share of available capacity to each potential shipper that submitted a request. Staff suggests that Union adapt a similar process to ensure non-discriminatory access to transportation services.

6. XVI (5) (d) ii) – Union indicated that when it has limited available capacity and it receives multiple requests, the potential shippers must resubmit their requests.

Staff submits that Union's requirement for resubmission of service requests when multiple requests are received is inconsistent with industry practice and may lead to unfair treatment of potential shippers. Staff is

aware that industry practice for allocating limited available capacity is typically on a pro-rata basis. This means that multiple capacity requests are awarded starting with the requests with the highest economic value. If the economic values of two or more requests are equal, then the capacity is allocated on a pro-rata basis. Therefore, resubmission is not required.

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