



October 29, 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-2010-0296 – Union Gas Limited – C1 Kirkwall to Dawn and M12-X

Please find attached Union's responses to interrogatories specific to the above-noted proceeding. Pursuant to Procedural Order 1 dated October 5, 2010, attached are Union's responses to the interrogatories from Board staff.

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.: EB-2010-0207 Intervenors
Mark Kitchen, Union Gas
Emily Kirkpatrick, Torys
Lawrie Gluck, Board Staff

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Ref: Exhibit A – Customer Need

Union noted that it conducted two non-binding open seasons for the proposed C1 Kirkwall to Dawn transportation service and the proposed M12-X firm transportation service. The first open season was held in February / March 2010 and the second open season was held in July 2010. Union stated that the first open season resulted in 800,000 GJ/d of non-binding interest for service beginning September 2011. In addition, following the first open season, Union executed 10 year firm M12-X transportation service contracts with TCPL and Enbridge to convert a total of 328,000 GJ/d of existing M12 service to the new M12-X service.

- a) Please provide a breakdown, by service type, of the 800,000 GJ/d of nonbinding interest.
- b) Please confirm whether or not the contracted 328,000 GJ/d of M12-X service is in addition to the 800,000 GJ/d of non-binding interest.
- c) Please confirm that all of the contracted M12-X service is capacity converted from existing M12 service.
- d) Please provide an estimate of the expected contracted demand for C1 Kirkwall to Dawn and M12-X transportation service resulting from the February / March open season.

Union stated that the second open season resulted in 1,200,000 GJ/d of nonbinding interest for transportation service commencing as early as July 2012.

- e) Please confirm that the cited 1,200,000 GJ/d of non-binding interest is in addition to the 800,000 GJ/d of interest resulting from the February / March open season.
- f) Please provide a breakdown, by service type and proposed service commencement date, of the 1,200,000 GJ/d of non-binding interest.
- g) Please provide an estimate of the expected contracted demand for C1 Kirkwall to Dawn and M12-X transportation service resulting from the July open season.
- h) In total, how much of the estimated M12-X demand (as estimated in part (d) and (g) of Board Staff Interrogatory No. 1) is converted M12 demand.

Response:

- a) A breakdown by service type of the non-binding interest for the February/March open season is below.

Transportation Service	Quantity
C1 Kirkwall to Dawn	152,750 GJ/d
New M12-X	267,750 GJ/d
Converted M12 to M12-X	413,316 GJ/d
Total	833,816 GJ/d

- b) The contracted 328,000 GJ/d of M12-X transportation service is not in addition to the 800,000 GJ/d of non-binding bids received for the February/March open season.
- c) The contracted 328,000 GJ/d of M12-X transportation service is capacity converted from existing M12 service.
- d) The expected contract demand for M12-X transportation service as a result of the February/March open season is 328,000 GJ/d. There is no expected contract demand for C1 Kirkwall to Dawn service as a direct result of the February/March open season.
- e) The February/March and second open seasons were conducted independently. Bidders that participated in the February/March open season that had elected not to proceed at that time were free to rebid in the second open season. Union estimates that 102,750 GJ/d of C1 Kirkwall to Dawn transportation service and 202,750 GJ/d of requests for new M12-X transportation service were included in the second open season that were previously included in the February/March open season.
- f) A breakdown by service type and proposed service commencement date for the second open season is below.

Transportation Service	Quantity	Service Commencement Date
C1 Kirkwall to Dawn	200,000 GJ/d	July 1, 2012
C1 Kirkwall to Dawn	150,000 GJ/d	September 1, 2012
New M12-X	140,000 GJ/d	July 1, 2012
New M12-X	150,000 GJ/d	September 1, 2012
New M12-X	168,809 GJ/d	November 1, 2012
Converted M12 to M12-X	369,802 GJ/d	November 1, 2013
New Dawn to Kirkwall M12	29,000 GJ/d	November 1, 2011
Total	1,207,611 GJ/d	

- g) Union is still working with potential shippers to determine the level of interest that will be contracted for each of the C1 and M12-X transportation services as a result of the second open season. However for the purpose of calculating a C1 Kirkwall to Dawn rate Union assumed 100,000 GJ/d of contracted capacity commencing between November 2011 and November 2012.

- h) As noted in response to g) above, Union is still working with potential shippers from the second open season to determine the level of interest in converted demand for M12-X transportation service that will be contracted in addition to the 328,000 GJ/d contracted in the February/March open season.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: **Ref: Exhibit A – Customer Need**

Union stated that it executed 10 year firm M12-X transportation service contracts with TCPL and Enbridge to convert a total of 328,000 GJ/d of existing M12 service to the new M12-X service.

- a) Did any companies, other than TCPL and Enbridge, make a bid for either C1 Kirkwall to Dawn or M12-X transportation service?
- b) If other bids were received, please describe the basis upon which the bids were evaluated.

Response:

- a) Eight other companies in the February/March open season and three other companies in the second open season made bids for either C1 Kirkwall to Dawn or M12-X transportation service.
- b) The basis upon which the bids were evaluated for the February/March open season is included in the Open Season Description (Attachment 2 of the Pre-Filed Evidence, Section 3 – Submitting a Non-Binding Bid for Service). The basis upon which the bids were evaluated for the second open season is included in the Open Season Description (Attachment 3 of the Pre-Filed Evidence, Section 4 – Submitting a Non-Binding Bid for Service).

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: **Ref: Exhibit A – Rate Design**

Union noted that in order to receive volumes at Kirkwall and accommodate the proposed transportation services, Union must make modifications to its existing facilities at Kirkwall to allow for the reversal (and bi-directional flow) of the station. The estimated capital cost of the facilities is approximately \$4.7 million and construction is expected to occur in the summer of 2011 in order to meet contracted requirements.

- a) Please provide a detailed breakdown of the capital costs associated with the proposed Kirkwall modifications.
- b) Please confirm whether these facility modifications are required to provide the proposed M12-X service.
- c) Please confirm whether any of the capital costs associated with the Kirkwall modifications will be recovered from M12-X customers. If not, please provide the rationale.

Response:

- a) Detailed cost breakdown of the capital costs associated with the proposed Kirkwall modifications is shown below.

Item	Cost
Materials	\$2,226,000
Contract Labour	\$1,380,000
Company & Miscellaneous Labour	\$255,000
Contingency	\$772,000
Interest During Construction	\$69,000
Total	\$4,702,000

- b) The facility modifications at Kirkwall are required to provide the proposed M12-X service, given that Kirkwall will be a receipt point for the new M12-X as well as the new C1 Kirkwall to Dawn transportation service.

- c) None of the capital costs associated with the facilities modifications at Kirkwall are proposed to be recovered from the M12-X shippers. The M12-X rate is calculated as the sum of the existing M12 Dawn to Parkway rate and the C1 Parkway to Dawn rate.

Once Union has a better understanding of how M12-X shippers are utilizing Kirkwall as a receipt point, Union will review the cost allocation and rate design of the M12-X and C1 transportation services. This review will take place as part of Union's 2013 rebasing. Given the revenue, capital costs and revenue requirement of the new facilities, there will be no material impact on the M12-X rate.