

November 4, 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

We are counsel to Union Gas Limited ("Union"). Please accept this letter as Union's written argument in the above-noted matter.

By application dated September 30, 2010, Union applied to the Board for approval of both a firm C1 transportation rate from Union's interconnect at Kirkwall to Dawn, and a firm, bi-directional, M12-X transportation rate. Evidence in support of the application was also filed on September 30, 2010.

As set out in the evidence, this application is being made as a result of the significant interest expressed in recent open seasons conducted by Union. These open seasons revealed a market need for the two new services for which Union is seeking approval. The market need has arisen as a result of changing North American gas supply dynamics, including the decline in gas supplies from the Western Canadian Sedimentary Basin, and significant growth of supply from new sources of supply such as the Marcellus Shale.

Union is seeking approval by November 30, 2010 to modify its current C1 and M12 Rate Schedules effective September 1, 2011.

The proposed C1 Kirkwall to Dawn rate consists of the following components:

1. A firm monthly transportation demand charge of \$1.176/GJ applied to daily contracted demand. This component of the rate is intended to make a contribution towards the recovery of the fixed costs associated with the assets used to provide the transportation service, as well as recover the annual revenue requirement associated with Union's capital investment (for facility modifications required at Kirkwall); and
2. Seasonal fuel ratios to recover compressor fuel and UFG associated with providing the service in accordance with the C1 Rate Schedule.

The proposed M12-X rate consists of the following components:

1. A firm monthly transportation demand charge of \$2.877/GJ applied to daily contracted demand. This component of the rate combines Union's proposed 2011 M12 transportation rate from Dawn to Parkway and C1 transportation rate from Parkway to Dawn; and
2. Monthly fuel ratios in accordance with the proposed 2011 M12 and C1 Rate Schedules.

Union respectfully submits that the requested relief is fully supported by the evidence. The services are being introduced in response to market demand, and are supported by transportation contracts and open season interest.

Union received just three (3) interrogatories in response to its application, all from Board staff. The answers to the Board staff interrogatories further support the application. Union's approach to designing the demand charge for the C1 Kirkwall to Dawn firm transportation service is consistent with the rate design approved by the Board (EB-2005-0520) for the design of the C1 Parkway to Kirkwall/Dawn firm transportation demand charge.

Union respectfully requests that the Board approve the firm transportation rates as filed. Union is seeking approval by November 30, 2010 to modify its approved C1 and M12 Rate Schedules effective September 1, 2011. This will provide rate certainty to the market in contracting for services in conjunction with upstream paths, and will allow for the timely ordering of long lead materials for the required Kirkwall station modifications.

If necessary, Union reserves the right to submit reply argument on or before November 19, 2010 as provided for in the Board's Oct 5, 2010 Procedural Order 1.

Yours truly,



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EAK/jp

c.c.: Karen Hockin, Union Gas
Mark Kitchen, Union Gas
Lawrie Gluck, Board Staff
All EB-2010-0296 Intervenors