

By Electronic Filing and By E-mail

November 12, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli

Union Gas Application for C1 and M12 Rate Schedules

Board File No.: EB-2010-0296

Our File No.: 339583-000089

As counsel for Canadian Manufacturers & Exporters ("CME"), we are writing to provide brief submissions pertaining to Union's request to modify its currently approved C1 and M12 Rate Schedules.

Union's Application is prompted, in part, by the recent and significant growth in new sources of shale gas supply in Pennsylvania and New York. It is arguable that this is an event that could not reasonably have been foreseen when Union and its Stakeholders entered into the five-year Incentive Regulation Mechanism ("IRM") Agreement upon which Union's rates will be based until December 31, 2012.

Union proposes two new firm transportation services under its C1 and M12 Rate Schedules in order to receive gas at the easterly end of its system and to provide firm transportation of that gas in a westerly direction to Dawn.

We accept that the open season results, upon which Union relies, establishes that the new firm services are needed.

We note that, under Union's proposal, the new services will not become effective until September 11, 2011. Accordingly, they will only be operative for a maximum of four months in 2011. However, the new services will be operative for the whole of 2012.

Union has not proposed any Z-factor treatment in 2011 for the incremental revenues and costs associated with these new services. We understand from the evidence that the incremental revenues for the new services are expected to be more than sufficient to recover their

incremental costs. However, we do not know the extent to which a full year of incremental revenues might exceed the incremental costs associated with the new services.

Because the new services would only be in effect for a short time in 2011, there is unlikely to be a net incremental revenue amount of sufficient magnitude to arguably qualify as a 2011 Z-factor. However, we wish to reserve our rights to explore the possible Z-factor implications of these new services for 2012. We appreciate that there may well be a Z-factor eligibility issue to be determined and we reiterate that we are not seeking a determination of that eligibility issue now. We are merely seeking a reservation of rights to explore that issue for 2012, if so advised.

We have no submissions to make about the specific amounts Union asks the Board to approve for the C1 Kirkwall to Dawn Firm Rate and the M12-X Firm Rate. We submit that in order to be found to be just and reasonable, the specific charges for these firm westerly transportation services should be compatible with the amounts Union charges for firm transportation in an easterly direction under the currently approved C1 and M12 Rate Schedules. We rely on the Board to make this compatibility determination.

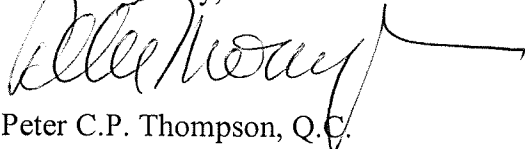
We agree with the submissions of Board Staff to the effect that an approval, in this case, of the new rates and charges Union proposes should be without prejudice to any cost allocation and rate design issues parties may wish to raise with respect to these particular rates in Union's 2013 re-basing application.

Subject to the foregoing, we support the Application.

We respectfully request that CME be awarded its reasonably incurred costs in participating in this proceeding.

Please contact me if there are any questions.

Yours very truly,

A handwritten signature in black ink, appearing to read "Peter Thompson", with a long horizontal flourish extending to the right.

Peter C.P. Thompson, Q.C.

PCT/kt

c Karen Hockin (Union Gas)
Emily A. Kirkpatrick (Torys LLP)
All Intervenors (EB-2010-0296)
Paul Clipsham (CME)

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