

At the outset, the Federation of Rental-housing Providers of Ontario (FRPO) would like to make it clear that we support Union's initiative to provide a new service to market participants that will benefit natural gas stakeholders in Ontario. Further, we appreciate the coordination of open seasons as stated by Union. Therefore, we support the application made and consider the ratemaking as an expeditious approach to moving forward with the service. Although, we support Union's application, we make the following comment consistent with our submissions to the 2010 Natural Gas Market Review<sup>1</sup>.

Given that Union Gas is in an Incentive Regulation period, we would respectfully encourage the Board to approve this rate and underlying methodology as an interim approach. In this proceeding, Union Gas is seeking approval for rates to provide a non-traditional flow path using traditional cost allocation and ratemaking approaches. At the time of re-basing, we believe that the underlying assumptions and ratemaking methodology can be refined or evolved given a better understanding of seasonal flow patterns and demands. In this way, if the development of shale gas significantly changes the flow pattern and asset utilization, new services can contribute to the recovery of asset costs to mitigate reduction in demand for traditional services.

In our view, while it is appropriate to defer the review to the rebasing period, the deferral can be beneficial. As was noted in the record of the Market Review proceeding, there is significant uncertainty as to the magnitude and rate of change of natural gas flow patterns due to the increased production of shale gas. At the time of rebasing, Union, intervenors and the Board can be informed about the results of flow pattern evolution to establish improved cost allocation and ratemaking for future periods.

Respectfully submitted on behalf of FRPO,



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Principal  
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<sup>1</sup> 2010 Natural Gas Market Review, FRPO Submissions, Submitted to the Board Nov. 2, 2010, Page 3.