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APPrO
ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

November 17, 2010

Union Gas – Pre-Approval of the Cost Consequences of Three Long Term Transportation Contracts
EB-2010-0300

Information Requests of the Association of Power Producers of Ontario

1. With respect to Union's proposed 10 year agreement with TransCanada for service between Niagara and Kirkwall:
    a. What term of supply agreement will Union enter into if the Board approves this arrangement?
    b. In the second paragraph on page 7 of Union's evidence, Union implies that TransCanada may not be able to provide service through the full term of the contract for operational reasons.
        i. What are the implications if TransCanada is unable to fulfill its commitment?
        ii. Was it necessary or desirable to enter into a 10 year contract with TransCanada for service from Niagara if it appears that TransCanada may not operationally be able to provide the service through the full term?
        iii. Union also notes that TransCanada is unable to provide the service then Union could simply enter into an exchange service between Niagara and the Union system. Could Union not use such an exchange in lieu of entering into a long term contract?
        iv. Is it Union's intention now or in the future to contract for any capacity in the US 'upstream' of Niagara?
    c. Union noted that the landed cost of Niagara supplies are less than supplies from Alberta. Given that the TransCanada Mainline flows are declining resulting in higher tolls for the remaining shippers, did Union do a comparison of this new route, and the attendant benefits, to contracting longhaul on the TransCanada Mainline that could have the impact of lower TransCanada tolls for Union and other ratepayers? If such an analysis was completed, please provide the analysis.
    d. Are there any related expansions of the Dawn-Kirkwall or Dawn- Parkway corridor or any other commercial arrangements required to facilitate

movement of gas from Kirkwall required as result of the proposal to source gas at Niagara?

  e. During the recent 2010 Natural Gas Review, the Board engaged ICF International to provide some assessment of the overall market dynamics as a result of shale gas supplies. The ICF representative indicated that they expected Marcellus shale gas supplies to be transported to Dawn in the off peak period to access storage and these volumes would be subsequently exported at Niagara during peak times. Union is one of the major storage providers at Dawn. In the event that parties are interested in this import/export, is it Union's intention to help facilitate these winter exports via an exchange? If so is this part of the rationale to contract for this 10 year capacity?
  f. In the event that Union does facilitate exports at Niagara through an exchange by utilizing this capacity, how will the costs/benefits of such an arrangement be shared with the ratepayers?

2. With respect to the 10 year contracts between Parkway and the EDA and Parkway and the NDA:
   a. Does Union require expansion of the Dawn-Trafalgar system to deliver gas into these contracts? If so has Union considered the incremental costs of providing such capacity to Parkway (vs. the approved tolls) and were these factored into the overall economics of the landed gas?
   b. As in 1 c above, as an alternative to its contract proposal, has Union done a comparison of the benefits to its ratepayers of contracting long haul on TransCanada which might result in lower tolls for all rather than just an analysis of the current toll forward costs?
   c. Does Union know what expansion is necessary downstream of Parkway by TransCanada and if this expansion will result in other TransCanada rates increasing to accommodate this expansion?
   d. Union notes on page 11, clause 1 of its evidence that this capacity will serve year-round base load demands in the EDA and NDA. Appendix F contains a comparison of landed costs using both Empress and Dawn as the points of supply. It appears that the landed cost to the NDA via Empress is $9.14/GJ and the landed cost via Dawn is $9.20/GJ. Since Union is proposing a route that requires incremental facilities to be constructed on TransCanada are there reasons that Union is advocating a more expense route to the NDA that also requires new facilities to be constructed?
   e. Given the excess capacity on the Mainline, it is understood that short term contracts are available for capacity from Empress to both the NDA and EDA. Since the route via Parkway requires new facilities and a 10 year contractual commitment, how does Union take into account the risk differences between contracting on these two routes? In the event that this capacity via Parkway becomes surplus to Union's requirements within the term of the 10 year contract, who bears this risk of excess capacity?