

**Ontario Energy
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**Commission de l'Énergie
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BY E-MAIL

December 21, 2010

Karen Hockin
Manager, Regulatory Initiatives
Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, ON N7M 5M1

Dear Ms. Hockin:

**Re: Pre-Approval of the Cost Consequences of Three Long-Term
Transportation Contracts
Board File No. EB-2010-0300**

The Board has reviewed Union's interrogatory responses dated November 30, 2010 regarding the above noted file and in order to proceed with the Application, it requires the following additional information:

1. With respect to the Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Transportation Contracts – Part V-Other Considerations, item 5.2 which states “an assessment of retail competition impacts and potential impacts on existing transportation facilities in the market (in term of Ontario customers)”.

In light of the recent TransCanada PipeLines Limited (“TCPL”) interim tolls application, filed with the National Energy Board (“NEB”) on December 9, 2010, please provide the financial impact(s) of decontracting long-haul services from TCPL's mainline for the equivalent volume associated with the three proposed long-term transportation contracts (i.e., 51,101 GJ/d) using the 2011 interim tolls filed in TCPL's application.

2. Is Union supportive of the December 9, 2010 TCPL application for 2011 interim tolls and the related settlement agreement filed with the NEB? Please explain.
3. The Canadian Association of Petroleum Producers ("CAPP") filed a letter dated December 10, 2010 with the NEB concerning TCPL's 2011 interim toll application. In that letter CAPP indicated that "the trend in the east has been increasingly to use the Mainline for short-haul transportation on TransCanada, in particular Dawn, while shedding long-haul". The current TCPL cost allocation and toll design methodologies have resulted in an increase in long-haul tolls and this has raised concerns regarding TCPL's ability to provide competitive access for supply to markets served by the Mainline. Taking into consideration CAPP's concerns, please comment on whether Union's application presently before the Ontario Energy Board exacerbate or mitigate the issues raised by CAPP in its letter as it relates to the transportation costs paid by Ontario consumers. Please explain.

Please make reference to the following issues: cost allocation, rate design, short-haul versus long-haul transportation in your response.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

cc All Intervenors of Record
Emily Kirkpatrick, Torys