

July 8, 2011

Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario  
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: EB-2011-0257 - Union Gas Limited – M12 and C1 Kirkwall to Parkway  
Transportation Service**

Dear Ms. Walli:

Please find attached Union Gas Limited's ("Union") application and evidence seeking approval of a firm M12 and C1 transportation rate from Union's interconnect at Kirkwall to Parkway. This application is made pursuant to section 36 of the *Ontario Energy Board Act, 1998*.

Union is seeking approval to modify its approved M12 and C1 Rate Schedules effective November 1, 2012. Union respectfully requests the approval of the enclosed application by September 30, 2011.

Please contact me at (519) 436-5473 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

*[Original signed by]*

Karen Hockin  
Manager, Regulatory Initiatives

c.c.: Emily Kirkpatrick, Torys  
Mark Kitchen, Union Gas

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

**AND IN THE MATTER OF** an Application by Union Gas Limited for an order or orders amending or varying its approved M12 and C1 rate schedules to accommodate a new firm transportation service;

**APPLICATION**

1. Union Gas Limited (“Union”) is a business corporation, incorporated under the laws of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts an integrated natural gas utility business that combines the operations of selling, distributing, transmitting and storing gas within the meaning of the *Ontario Energy Board Act, 1998* (the “Act”).
3. Union is proposing to modify its current approved M12 Rate Schedule to accommodate a firm transportation service from Union’s interconnect at Kirkwall to Parkway. Union plans to offer this service beginning November 1, 2012
4. Union is also proposing to modify its current approved C1 Rate Schedule to accommodate firm transportation service from Union’s interconnect at Kirkwall to Parkway. Union plans to offer this service beginning November 1, 2012.
5. The new service is being offered as a direct response to the changing North American gas supply dynamics. The continued decline in gas supplies from conventional sources such as the Western Canadian Sedimentary Basin, concurrent with the rapid and significant growth in new, unconventional sources of supply, including the Marcellus Shale in

Pennsylvania, will have an impact on the flow of natural gas, both into and out of Ontario.

6. Union conducted a binding open season in April and May of 2011 to determine market interest in the M12 Kirkwall to Parkway firm long term transportation service. As a result, Union executed two 10-year firm M12 transportation service contracts with TransCanada Pipelines for a total of approximately 263,249 GJ/d from Kirkwall to Parkway beginning November 1, 2012 and November 1, 2013.
7. Union hereby applies to the OEB pursuant to section 36 of the Act for an order or orders amending or varying the rate and other charges charged to customers served under the M12 and C1 rate schedule effective January 1, 2012.
8. Union also applies to the Board for such interim order or orders approving interim rates or other charges and accounting orders as may from time to time appear appropriate or necessary.
9. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
10. This application will be supported by written evidence. This evidence will be pre-filed and will be amended from time to time as required by the Board, or as circumstances may require.
11. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It

is impractical to set out in this application the names and addresses of such persons  
because they are too numerous.

12. The address of service for Union is:

Union Gas Limited  
P.O. Box 2001  
50 Keil Drive North  
Chatham, Ontario  
N7M 5M1

Attention: Karen Hockin  
Manager, Regulatory Initiatives  
Telephone: (519) 436-5473  
Fax: (519) 436-4641  
khockin@uniongas.com

- and -

Torys LLP  
79 Wellington Street West, Suite 3000  
Box 270, TD Centre  
Toronto, Ontario  
M5K 1N2

Attention: Emily A. Kirkpatrick  
Telephone: (416) 865-7337  
Fax: (416) 865-7380  
email: ekirkpatrick@torys.com

DATED: July 8, 2011.

UNION GAS LIMITED

By its Solicitors



Torys LLP  
79 Wellington Street West, Suite 3000  
Box 270, TD Centre  
Toronto, Ontario  
M5K 1N2

Attention: Emily A. Kirkpatrick  
Telephone: (416) 865-7337  
Fax: (416) 865-7380

1 **UNION GAS LIMITED**

2 **KIRKWALL to PARKWAY FIRM TRANSPORTATION RATE**

3 **PREFILED EVIDENCE**

4

5 The purpose of this evidence is to support the application of Union Gas Limited (“Union”) for  
6 approval of firm transportation rates from the Union Gas Kirkwall Custody Transfer Station  
7 (“Kirkwall”), Union’s interconnect with TransCanada PipeLines (“TCPL”), to the Parkway  
8 Compressor Station (“Parkway”) under Union’s M12 and C1 Rate Schedules.

9

10 The evidence is organized as follows:

- 11 1. Introduction
- 12 2. Customer Need
- 13 3. Rate Design
- 14 4. Summary
- 15

16 **1. INTRODUCTION**

17 In response to market needs, Union is applying for approval of a firm Kirkwall to Parkway  
18 transportation rate effective November 1, 2012. The new Kirkwall to Parkway transportation  
19 service is being offered in direct response to the changing North American gas supply  
20 dynamics. The continued decline in gas supplies from conventional sources such as the Western  
21 Canadian Sedimentary Basin, concurrent with the rapid and significant growth in new,  
22 unconventional sources of supply, including the Marcellus Shale in Pennsylvania, will have an

1 impact on the flow of natural gas into and out of Ontario.

2

3 Marcellus Shale gas will be able to flow to Kirkwall and access Ontario through upstream

4 pipelines in the United States that will bring the gas to the Canadian/U.S. border and then on

5 TCPL between the border and Kirkwall. Specifically, National Fuel Gas Supply Corporation

6 (“NFG”), Tennessee Gas Pipeline (“TGP”) and Dominion Transmission can flow gas from the

7 Marcellus area to export the gas at the TCPL point called Niagara and secondly, Empire State

8 Pipeline (“Empire”) can flow gas from the Marcellus area to export the gas at the TCPL point

9 called Chippawa. The gas will then flow on the TCPL system from Niagara and/or Chippawa to

10 Kirkwall where it will enter the Union Gas system.

11

12 The Kirkwall to Parkway firm transportation service will then provide Shippers with the ability

13 to contract for reliable, long-term firm transportation to move Marcellus supply to traditional

14 markets at Parkway, and further downstream, that are seeking additional supply diversity.

15 Please see Figure 1 below for a map of the Marcellus Shale and relevant points on both Union’s

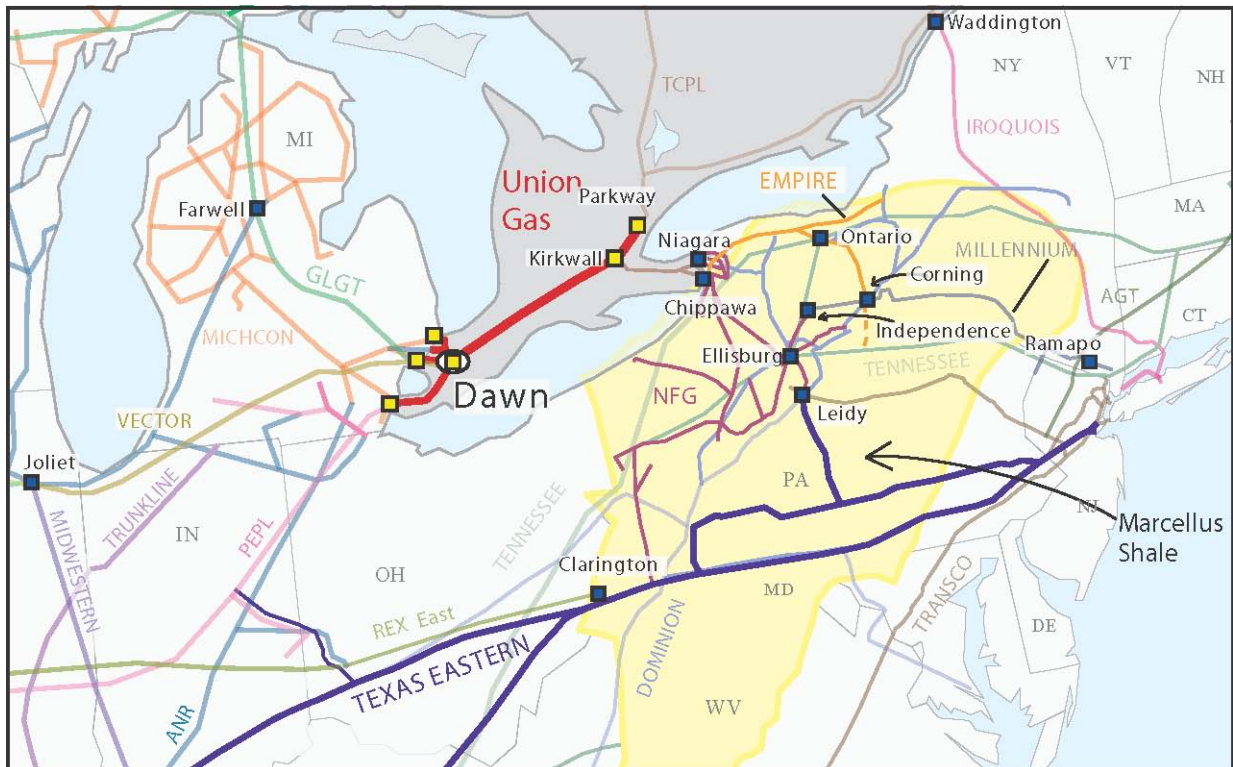
16 and TCPL’s system.

17

18

Figure 1

Map of Marcellus Shale and Relevant Receipt/Delivery Points



Union's Kirkwall to Parkway rate proposal is provided in Table 1.

Table 1

Proposed Firm Kirkwall-Parkway Transportation Rate

<u>Line No.</u>		<u>M12 Proposed</u> (a)	<u>C1 Proposed</u> (b)
1	Monthly Demand Charge (\$/GJ/d applied to Daily Contract Demand)	\$0.346	\$0.346
2	Customer Supplied Fuel & UFG	In accordance with M12 Schedule "C"	In accordance with the C1 Rate Schedule

1 Union seeks approval of the proposed rates by September 30, 2011 in order to provide rate  
2 certainty to the market in contracting for services in conjunction with upstream and downstream  
3 transportation providers.

4  
5 **2. CUSTOMER NEED**

6 Union held a binding open season for the Kirkwall to Parkway transportation service from April  
7 14 to May 18, 2011. Please find details in the 2012 Firm Transportation Open Season  
8 document at Attachment 1. The open season process concluded with two long-term firm M12  
9 transportation contracts, with Receipts at Kirkwall and Deliveries at Parkway, totalling 263,249  
10 GJ/d. Details on the two long-term firm contracts are found below at Table 2.

11  
12 Other services offered but not contracted during the open season included Westerly Firm  
13 Transportation service, M12X Firm Transportation Service and Dawn to Parkway Firm  
14 Transportation Service. The open season was timed to align with TCPL's Canadian Mainline  
15 New Capacity Open Season held from April 1, 2011 to April 15, 2011. In its open season,  
16 TCPL offered firm transportation capacity between Niagara or Chippawa to Kirkwall and other  
17 points on its system including Dawn and points east of Parkway. As indicated above, the  
18 Kirkwall to Parkway service provides a link to complete the path from Niagara or Chippawa to  
19 the Parkway path on Union's system and to points east of Parkway.



Table 2

Contract Detail Summary

<u>Line No.</u>	<u>Company Name</u>	<u>Quantity GJ/d</u>	<u>Receipt Point</u>	<u>Delivery Point</u>	<u>Start Date</u>	<u>Term (yrs)</u>
1	TransCanada Pipeline	88,497	Kirkwall	Parkway	01-Nov-12	10
2	TransCanada Pipeline	174,752	Kirkwall	Parkway	01-Nov-13	10

**3. RATE DESIGN**

As indicated above, Union is proposing to modify the current approved M12 and C1 Rate Schedules to accommodate the new Kirkwall to Parkway firm transportation service. Union's proposed rate design consists of the following components:

1. A firm monthly M12 and C1 transportation demand charge of \$0.346/GJ applied to daily contracted demand. This component of the rate is intended to make a contribution towards the recovery of Dawn-Trafalgar transportation costs required to provide the Kirkwall to Parkway firm transportation service; and
2. Monthly fuel ratios in accordance with the approved M12 Schedule "C" and seasonal fuel ratios calculated consistent with the approved C1 fuel ratio design and added to the proposed C1 Rate Schedule.

1 In its design of the transportation demand charges, Union considered:

- 2 • the forecasted physical flow of gas on the Dawn-Trafalgar system; and
- 3 • the rate design principles underpinning Union's existing approved rates.

4 Each component of the proposed rate is discussed in more detail below. A copy of the M12 and  
5 C1 Rate Schedules including the proposed Kirkwall to Parkway demand charge are provided at  
6 Attachments 2 and 3.

7  
8 Firm Monthly Transportation Demand Charge

9  
10 The firm monthly Kirkwall to Parkway transportation demand charge is calculated using the  
11 average cost of Dawn Trafalgar transmission per commodity kilometre, adjusted for the  
12 distance from Kirkwall to Parkway. This component of Union's proposed rate design provides  
13 for a reasonable contribution to the recovery of fixed costs associated with the assets used to  
14 provide the transportation service. Further, Union's approach to designing the rate for firm  
15 Kirkwall to Parkway transportation service is similar to rate design approved by the Board for  
16 the Dawn to Dawn-Vector transportation demand charge (EB-2007-0613). The derivation of  
17 this rate is attached as Schedule 1.

18  
19 Monthly Fuel Ratios – as per M12 Schedule "C"

20  
21 Union is proposing to set M12 monthly fuel ratios for easterly transportation service from  
22 Kirkwall to Parkway to be equal to the current approved M12-X Easterly Kirkwall to Parkway

1 monthly fuel ratios. These fuel ratios will recover Unaccounted For Gas (“UFG”) and Parkway  
2 compressor fuel, where applicable. The compressor fuel component for the Kirkwall to  
3 Parkway fuel ratios is the difference between Union’s current approved monthly M12 VT1  
4 Easterly fuel ratios from Dawn to Parkway (TCPL) and Dawn to Parkway (Consumers) per  
5 M12 Schedule “C”.

6  
7 The monthly fuel ratios for easterly transportation service from Kirkwall to Parkway are  
8 provided at Attachment 4.

9  
10 Seasonal Fuel Ratios – as per proposed C1 Rate Schedule

11  
12 Union is proposing to set C1 seasonal fuel ratios to recover UFG and Parkway compressor fuel  
13 as the simple average of the M12-X Easterly Kirkwall to Parkway (TCPL) monthly fuel ratios  
14 by season per M12 Schedule “C”. The proposed C1 summer fuel ratio for the firm Kirkwall to  
15 Parkway transportation service is 0.358%. The proposed C1 winter fuel ratio for the firm  
16 Kirkwall to Parkway transportation service is 0.537%. The proposed C1 Rate Schedule and  
17 associated fuel ratios are found at Attachment 3.

18  
19 **SUMMARY**

20 Union is proposing to modify its current approved M12 and C1 Rate Schedules as follows:

21

1        1. Union proposes to modify its M12 Rate Schedule to accommodate the Kirkwall to  
2        Parkway firm transportation service. The proposed rate design consists of two  
3        components:

4  
5        a) a firm monthly transportation demand charge of \$0.346/GJ applied to daily  
6        contracted demand. This component of the rate is intended to make a contribution  
7        towards the recovery of Dawn Trafalgar costs; and

8        b) monthly fuel ratios per M12 Schedule "C".  
9

10      2. Union proposes to modify its C1 Rate Schedule to accommodate the Kirkwall to  
11      Parkway firm transportation service. The proposed rate design consists of two  
12      components:

13  
14      a) the same firm monthly transportation demand charge of \$0.346/GJ applied to daily  
15      contracted demand as per the proposed M12 Rate Schedule; and

16      b) a seasonal fuel ratio of 0.358% for the period April to October and a seasonal fuel  
17      ratio of 0.537% for the period November to March to recover compressor fuel and  
18      UFG.  
19

20      Union seeks approval of the proposed rates by September 30, 2011 to be effective November 1,  
21      2012.

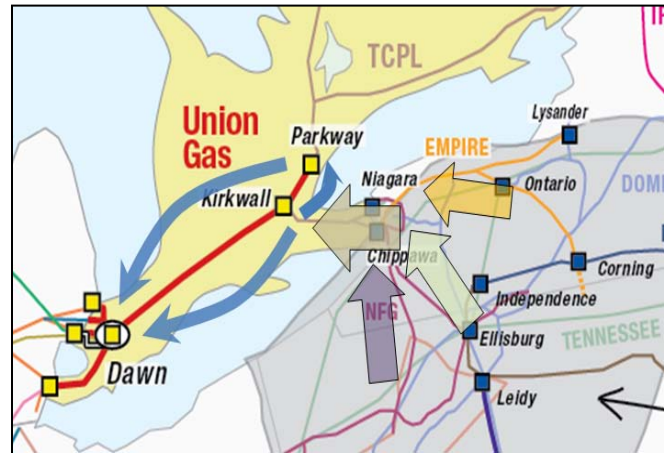


April 14, 2011

Union Gas is working closely with other pipelines to bring Marcellus basin supplies to Ontario and to provide transport to and from the liquid Dawn Hub. The **new Kirkwall to Parkway Firm Transportation Service** will provide Shippers with the ability to contract for reliable firm transportation to move Marcellus supply to premium markets at Parkway and further downstream. Based on Shipper interest in moving gas from the Parkway and Kirkwall interconnects to the Dawn Hub, Union Gas is also offering a **Westerly Firm Transportation Service** originating at either Parkway or Kirkwall and transporting gas to the Dawn Hub.

The integrated Dawn Hub is one of the most liquid physical natural gas trading locations in North America. Shippers at Dawn have access to a full suite of world-class, flexible and innovative storage and balancing services.

In alignment with upstream and downstream open seasons, Union Gas is also offering the flexible **M12-X Firm Transportation Service** between Dawn, Parkway, and Kirkwall. This service provides Shippers with the optionality to transport gas between the three interconnects on Union Gas' system in any direction on a firm basis. Shippers looking to move gas from Dawn to Parkway and points downstream also have the opportunity to request **Dawn to Parkway Firm Transportation Service**.



### **2012 Transportation Open Season**

Union Gas, a Spectra Energy Company, hereby invites all existing and potential Shippers to submit binding bids for the following four services (the "Open Season"):

1. **NEW - Kirkwall to Parkway Firm Transportation Service** commencing either November 1, 2012 or November 1, 2013.
2. **Westerly Firm Transportation service between either Parkway or Kirkwall and Dawn** commencing either November 1, 2012 or November 1, 2013.
3. **M12-X Firm Transportation Service** commencing November 1, 2012.
4. **Firm Transportation Service between Dawn and Parkway** commencing November 1, 2012.

The rate for the new Kirkwall to Parkway service is subject to Ontario Energy Board (OEB) approval. Union Gas will file the appropriate applications for the new service with the OEB, and approval is expected during the 4<sup>th</sup> quarter of 2011. The term of all services offered in this Open Season shall be a minimum of ten (10) years, with an end date of October 31. The minimum term aligns with the terms offered in recent open seasons by other upstream and downstream pipelines.

**This Open Season closes at 12:00 noon Eastern Daylight Time / 11:00 am Central Daylight Time on May 18, 2011**

If you would like an Open Season closing date reminder added to your Outlook Calendar, please use our [calendar invitation](#).

<b>KIRKWALL TO PARKWAY FIRM TRANSPORTATION SERVICE</b>	
<b>Total Capacity Available:</b>	300,000 GJ/day
<b>Start Date:</b>	November 1, 2012 or November 1, 2013
<b>Term:</b>	Minimum of 10 years
<b>Receipt Point:</b>	Kirkwall
<b>Delivery Point:</b>	Parkway
<b>Rate:</b>	M12 Tariff Rate. Anticipated demand charge for this service is between \$0.010-\$0.015 CDN/GJ/d, subject to OEB approval
<b>Fuel:</b>	Expected to be the same as the M12-X Easterly Kirkwall to Parkway fuel ratio. Subject to quarterly fuel true-up (YCR adjustment). View <a href="#">current ratios</a> . Currently, this ratio ranges from 0.328% to 0.558% in accordance with the M12 Rate Schedule, subject to OEB approval.
<ul style="list-style-type: none"> <li>• M12 Kirkwall to Parkway Firm Transportation <a href="#">Bid Form</a></li> <li>• M12 Kirkwall to Parkway Firm Transportation <a href="#">Agreement</a></li> <li>• <a href="#">M12 Rate Schedule</a></li> </ul>	

<b>WESTERLY FIRM TRANSPORTATION SERVICE</b>	
<b>Total Capacity Available:</b>	300,000 GJ/day
<b>Start Date:</b>	November 1, 2012 or November 1, 2013
<b>Term:</b>	Minimum of 10 years
<b>Receipt Point:</b>	Parkway or Kirkwall
<b>Delivery Point:</b>	Dawn (Facilities)
<b>Rate:</b>	As per C1 tariff: Currently; Parkway to Dawn is \$0.0179 GJ/day ; Kirkwall to Dawn is \$0.0387 GJ/day
<b>Fuel:</b>	As per C1 tariff: Currently; November to March = 0.353%, April to October = 0.328%. View <a href="#">current ratios</a> .
<ul style="list-style-type: none"> <li>• C1 Parkway or Kirkwall to Dawn Firm Transportation <a href="#">Bid Form</a></li> <li>• C1 Parkway or Kirkwall to Dawn Firm Transportation <a href="#">Agreement</a></li> <li>• <a href="#">C1 Rate Schedule</a></li> </ul>	

<b>M12-X FIRM TRANSPORTATION SERVICE</b>	
<b>Total Capacity Available:</b>	300,000 GJ/day *
<b>Start Date:</b>	November 1, 2012
<b>Term:</b>	Minimum of 10 years
<b>Receipt Point:</b>	Dawn, Parkway, Kirkwall
<b>Delivery Point:</b>	Dawn (Facilities), Parkway, Kirkwall
<b>Rate:</b>	As per M12 tariff: Currently, \$0.0946 GJ/day
<b>Fuel:</b>	As per M12 tariff, subject to quarterly fuel true-up (YCR adjustment). View <a href="#">current ratios</a> .
<ul style="list-style-type: none"> <li>• M12-X Firm Transportation <a href="#">Bid Form</a></li> <li>• M12-X Firm Transportation <a href="#">Agreement</a></li> <li>• <a href="#">M12 Rate Schedule</a></li> </ul>	

DAWN TO PARKWAY FIRM TRANSPORTATION SERVICE	
<b>Total Capacity Available:</b>	300,000 GJ/day *
<b>Start Date:</b>	November 1, 2012
<b>Term:</b>	Minimum of 10 years
<b>Receipt Point:</b>	Dawn
<b>Delivery Point:</b>	Parkway
<b>Rate:</b>	As per M12 tariff: Currently, \$0.0767 GJ/day
<b>Fuel:</b>	As per M12 tariff, subject to quarterly fuel true-up (YCR Adjustment). View <a href="#">current ratios</a> .
<ul style="list-style-type: none"> <li>M12 Dawn to Parkway Firm Transportation <a href="#">Bid Form</a></li> <li>M12 Dawn to Parkway Firm Transportation <a href="#">Agreement</a></li> <li><a href="#">M12 Rate Schedule</a></li> </ul>	

\* Capacity available for the M12-X and Dawn to Parkway transportation service is 300,000 GJ/day combined.

## SUBMITTING A BID

If you wish to participate in this Open Season, please complete, sign and return the appropriate bid form via email or fax to:

Attn: Warren Reinisch  
Email: [wreinisch@uniongas.com](mailto:wreinisch@uniongas.com)  
Fax: (519) 436-4643



Capacity requests received during this Open Season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand in accordance with the Union Gas M12 and C1 tariffs. Union Gas will notify bidders of their bid status and award capacity on or before May 26, 2011. Successful bidders are expected to execute the standard form contract and any other applicable agreements within 10 (ten) business days of receipt of the contract from Union Gas. The date for Shippers to satisfy the Conditions Precedent as referred to in Article XXI of M12 Rate Schedule "A 2010" is June 30, 2011.

UNION GAS TRANSPORTATION SERVICE ADVANTAGES		
<b>Location:</b> The Dawn Hub is one of the largest underground storage facilities in North America. It offers customers an important link between Western Canadian and U.S. supply basins to markets in central Canada, the Great Lakes region, and the northeast United States.	<b>Rate Stability:</b> Union Gas transportation rates have a long history of toll stability. Our suite of transportation and exchange services help you move gas cost effectively into and around Ontario.	<b>Reliability:</b> Union Gas offers a wide range of reliable Transportation Services. Our Dawn to Parkway/Kirkwall pipe offers a cost effective, reliable way to transport gas from the liquid Dawn Hub to markets in Eastern Canada and the Northeast United States.

Effective  
2012-11-01  
Rate M12  
Page 1 of 5

### TRANSPORTATION RATES

**(A) Applicability**

The charges under this schedule shall be applicable to a Shipper who enters into a Transportation Service Contract with Union.

**(B) Services**

Transportation Service under this rate schedule shall be for transportation on Union's Dawn - Oakville facilities.

**(C) Rates**

The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

	Monthly Demand Charge (applied to daily contract demand) Rate/GJ	Commodity and Fuel Charges  Fuel Ratio %	AND	Commodity Charge Rate/GJ
<b><u>Firm Transportation (1)</u></b>				
Dawn to Oakville/Parkway	\$2.332			
Dawn to Kirkwall	\$1.985	Monthly fuel rates and ratios shall be in accordance with schedule "C".		
Kirkwall to Parkway	\$0.346			
Parkway to Dawn	n/a			

<b><u>M12-X Firm Transportation</u></b>				
Between Dawn, Kirkwall and Parkway	\$2.877	Monthly fuel rates and ratios shall be in accordance with schedule "C".		

<b><u>Limited Firm/Interruptible Transportation (1)</u></b>				
Dawn to Parkway – Maximum	\$5.597	Monthly fuel rates and ratios shall be in accordance with schedule "C".		
Dawn to Kirkwall – Maximum	\$5.597			
Parkway (TCPL) to Parkway (Cons) (2)		0.328%		

**Authorized Overrun (3)**

Authorized overrun rates will be payable on all quantities in excess of Union's obligation on any day. The overrun charges payable will be calculated at the following rates. Overrun will be authorized at Union's sole discretion.

	If Union supplies fuel Commodity Charge Rate/GJ	Commodity and Fuel Charges  Fuel Ratio %	AND	Commodity Charge Rate/GJ
Transportation Overrun				
Dawn to Parkway				\$0.077
Dawn to Kirkwall		Monthly fuel rates and ratios shall be in accordance with schedule "C".		\$0.065
Kirkwall to Parkway				\$0.011
Parkway to Dawn				\$0.077
Parkway (TCPL) Overrun (4)	n/a	0.540%		n/a
M12-X Firm Transportation				
Between Dawn, Kirkwall and Parkway		Monthly fuel rates and ratios shall be in accordance with schedule "C".		\$0.095



**(C) Rates (Cont'd)**

Unauthorized Overrun

Authorized Overrun rates will be payable on all quantities up to 2% in excess of Union's contractual obligation.

The Unauthorized Overrun shall be the higher of the reported daily spot price of gas at either Dawn, Parkway, Niagara or Iroquois in the month of or the month following the month in which the overrun occurred plus 25% for all usage on any day in excess of 102% of Union's contractual obligation.

Nomination Variances

Where Union and the shipper have entered into a Limited Balancing Agreement ("LBA"), the rate for unauthorized parking or drafting which results from nomination variances shall equal the "Balancing Fee" rate as described under Article XXII of TransCanada PipeLines Transportation Tariff.

Notes for Section (C) Rates:

- (1) The annual transportation commodity charge is calculated by application of the YCRR Formula, as per Section (D). The annual transportation fuel required is calculated by application of the YCR Formula, as per Section (D).
- (2) This rate is for westerly transportation within the Parkway yard, from Parkway (TCPL) to Parkway (Cons) or Lisgar.
- (3) For purposes of applying the YCRR Formula or YCR Formula (Section (D)) to transportation overrun quantities, the transportation commodity revenue will be deemed to be equal to the commodity charge of the applicable service as detailed in Section (B).
- (4) This ratio will be applied to all gas quantities for which Union is obligated to deliver to Parkway (Cons) or Lisgar and has agreed to deliver to Parkway (TCPL) on an interruptible basis. This will be in addition to any rate or ratio paid for transportation easterly to Parkway (Cons) or Lisgar.
- (5) A demand charge of \$0.690/GJ/day/month will be applicable for customers contracting for firm all day transportation service in addition to the demand charges appearing on this schedule for firm transportation service to either Kirkwall or Parkway

**(D) Transportation Commodity**

The annual fuel charge in kind or in dollars for transportation service in any contract year shall be equal to the sum of the application of the following equation applied monthly for the 12 months April through March (The "YCRR" or "YCR" Formula). An appropriate adjustment in the fuel charges will be made in May for the previous 12 months ending March 31st to obtain the annual fuel charges as calculated using the applicable "YCRR" or "YCR" Formula. At Union's sole discretion Union may make more frequent adjustments than once per year. The YCRR and YCR adjustments must be paid/remitted to/from Shippers at Dawn within one billing cycle after invoicing.

**(D) Transportation Commodity (Cont'd)**

$$YCR = \sum_1^4 [(0.003280 \times (QT1 + QT3)) + (DSFx(QT1 + QT3)) + FST] \text{ For June 1 to Sept. 30}$$

plus

$$\sum_5^{12} [(0.003280 \times (QT1 + Q3)) + (DWFxQT1) + FWT] \text{ For Oct. 1 to May 31}$$

$$YCRR = \sum_1^4 [(0.003280 \times (QT1 + QT3)) + (DSFx(QT1 + QT3)) + FST] \times R \text{ For June 1 to Sept. 30}$$

plus

$$\sum_5^{12} [(0.003280 \times (QT1 + Q3)) + (DWFxQT1) + FWT] \times R \text{ For Oct. 1 to May 31}$$

where: DSF = 0.00000 for Dawn summer fuel requirements  
DWF = 0.0020 for Dawn winter fuel requirements

in which:

YCR Yearly Commodity Required

The sum of 12 separate monthly calculations of Commodity Quantities required for the period from April through March.

YCRR Yearly Commodity Revenue Required

The sum of 12 separate monthly calculations of Commodity Revenue required for the period April through March.

QT1 Monthly quantities in GJ transported easterly hereunder received at Dawn at not less than 4 850 kPa but less than 5 860 kPa (compression required at Dawn).

QT3 Monthly quantities in GJ transported westerly hereunder received at the Parkway (Oakville) Delivery Point.

FWT The individual Shipper's monthly share of compressor fuel used in GJ which was required at Union's Lobo, Bright, Trafalgar and Parkway Compressor Stations ("Lobo", "Bright", "Trafalgar" and "Parkway") to transport the same Shipper's QT1 monthly quantities easterly.

Lobo, Bright, Trafalgar and Parkway compressor fuel required by each Shipper will be calculated each month.

The monthly Lobo and Bright compressor fuel will be allocated to each Shipper in the same proportion as the Shipper's monthly quantities transported is to the monthly transported quantity for all users including Union.

The monthly Parkway and Trafalgar compressor fuel used will be allocated to each Shipper in the same proportion as the monthly quantity transported to Parkway (TCPL) for each user is to the total monthly quantity transported for all users including Union.

**(D) Transportation Commodity (Cont'd)**

FST      The individual Shipper's monthly share of compressor fuel used in GJ which was required at Union's Lobo, Bright, Trafalgar and Parkway compressor stations to transport the same Shipper's quantity on the Trafalgar system.

Lobo, Bright, Trafalgar and Parkway compressor fuel required by each Shipper will be calculated each month.

R      Union's weighted average cost of gas in \$/GJ.

**Notes**

- (i)      In the case of Easterly flow, direct deliveries by TCPL at Parkway to Union or on behalf of Union to Union's Transportation Shippers will be allocated to supply Union's markets on the Dawn-Oakville/Parkway facilities starting at Parkway and proceeding westerly to successive laterals until exhausted.

**(E) Provision for Compressor Fuel**

For a Shipper that has elected to provide its own compressor fuel.

**Transportation Fuel**

On a daily basis, the Shipper will provide Union at the delivery point and delivery pressure as specified in the contract, a quantity (the "Transportation Fuel Quantity") representing the Shipper's share of compressor fuel and unaccounted for gas for transportation service on Union's system.

The Transportation Fuel Quantity will be determined on a daily basis, as follows:

Transportation Fuel Quantity = Transportation Quantity x Transportation Fuel Ratio.

In the event that the actual quantity of fuel supplied by the Shipper was different from the actual fuel quantity as calculated using the YCR formula, an adjustment will be made in May for the previous 12 months ending March 31st.

**Nominations**

The Shipper will be required to nominate its Transportation Fuel Quantity in addition to its normal nominations for transportation services.

**(F) Terms of Service**

The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A" for contracts in effect before October 1, 2010. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A 2010" for contracts in effect on or after October 1, 2010.

**(G) Nominations**

Nominations under this rate schedule shall be in accordance with the attached Schedule "B" for contracts in effect before October 1, 2010.

Nominations under this rate schedule shall be in accordance with the attached Schedule "B 2010" for contracts in effect on or after October 1, 2010.

**(H) Monthly Fuel Rates and Ratios**

Monthly fuel rates and ratios under this rate schedule shall be in accordance with Schedule "C".

**(I) Receipt and Delivery Points and Pressures**

Receipt and Delivery Points and Pressures under this rate schedule shall be in accordance with Schedule "D 2010" for contracts in effect on or after October 1, 2010.

Effective

November 1, 2012  
O.E.B. Order # EB-2011-XXXX

Chatham, Ontario

Supersedes EB-2011-0135 Rate Schedule effective July 1, 2011

Effective  
2012-11-01  
**Rate C1**  
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CROSS FRANCHISE TRANSPORTATION RATES

**(A) Applicability**

To a Shipper who enters into a Contract with Union for delivery by Shipper of gas to Union at one of Union's points listed below for redelivery by Union to Shipper at one of Union's points.

<u>Applicable Points</u>	(1)	(2)
	Ojibway	WDA
	St. Clair	NDA
	Dawn*	SSMDA
	Parkway	SWDA
	Kirkwall	CDA
	Bluewater	EDA

\*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)

**(B) Services**

Transportation Service under this rate schedule is transportation on Union's pipeline facilities between any two Points as specified in Section (A), column 1.

**(C) Rates**

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

**Transportation Service:**

	Monthly Demand Charge (applied to daily contract demand)	Commodity Charges			
		If Union supplies fuel		If Shipper supplies fuel	
		Commodity Charge		Fuel Ratio	
		Apr.1-Oct.31	Nov.1-Mar.31	Apr.1-Oct.31	Nov.1-Mar.31
	<u>Rate/GJ</u>	<u>Rate/GJ</u>	<u>Rate/GJ</u>	<u>%</u>	<u>%</u>
a) Firm Transportation					
Between:					
St.Clair & Dawn	\$0.971	\$0.023	\$0.027	0.352%	0.431%
Ojibway & Dawn	\$0.971	\$0.030	\$0.033	0.496%	0.566%
Bluewater & Dawn	\$0.971	\$0.023	\$0.027	0.352%	0.431%
From:					
Parkway to Kirkwall	\$0.545	\$0.023	\$0.021	0.353%	0.328%
Parkway to Dawn	\$0.545	\$0.023	\$0.021	0.353%	0.328%
Kirkwall to Dawn	\$1.176	\$0.023	\$0.021	0.353%	0.328%
Dawn to Kirkwall	\$1.985	\$0.032	\$0.071	0.517%	1.136%
Dawn to Parkway	\$2.332	\$0.032	\$0.071	0.517%	1.136%
Kirkwall to Parkway	\$0.346	\$0.023	\$0.033	0.358%	0.537%
b) Interruptible and Short Term (1 year or less) Firm Transportation:					
Maximum		\$75.00	\$75.00		
c) Firm Transportation between two points within Dawn					
Dawn to Dawn-Vector	\$0.042	n/a	n/a	0.205%	n/a
Dawn to Dawn-TCPL	\$0.220	n/a	n/a	0.328%	0.638%
d) Interruptible Transportation between two points within Dawn*					
*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)				0.328%	0.328%

**(C) Rates (Cont'd)**

**Authorized Overrun:**

The following Overrun rates are applied to any quantities transported in excess of the Contract parameters. Overrun will be authorized at Union's sole discretion.

	If Union supplies fuel		Commodity Charges If Shipper supplies fuel		
	Commodity Charge		Fuel Ratio		Commodity Charge
	Apr.1-Oct.31	Nov.1-Mar.31	Apr.1-Oct.31	Nov.1-Mar.31	
	<u>Rate/GJ</u>	<u>Rate/GJ</u>	<u>%</u>	<u>%</u>	<u>Rate/GJ</u>
a) Firm Transportation					
Between:					
St.Clair & Dawn	\$0.054	\$0.060	0.352%	0.431%	\$0.032
Ojibway & Dawn	\$0.063	\$0.067	0.496%	0.566%	\$0.032
Bluewater & Dawn	\$0.054	\$0.060	0.352%	0.431%	\$0.032
From:					
Parkway to Kirkwall	\$0.021	\$0.019	0.947%	0.923%	\$0.018
Parkway to Dawn	\$0.021	\$0.019	0.947%	0.923%	\$0.018
Kirkwall to Dawn	\$0.021	\$0.019	0.947%	0.923%	\$0.039
Dawn to Kirkwall	\$0.078	\$0.116	1.112%	1.731%	\$0.065
Dawn to Parkway	\$0.089	\$0.126	1.112%	1.731%	\$0.077
Kirkwall to Parkway	\$0.059	\$0.070	0.963%	1.142%	\$0.011
b) Firm Transportation within Dawn					
Dawn to Dawn-Vector	n/a	n/a	0.438%	n/a	\$0.001
Dawn to Dawn-TCPL	n/a	n/a	0.328%	0.638%	\$0.007

Authorized overrun for short-term firm transportation is available at negotiated rates.

**Unauthorized Overrun:**

The Unauthorized Overrun rate shall be the higher of the reported daily spot price of gas at either, Dawn, Parkway, Niagara, Iroquois or Chicago in the month of or the month following the month in which the overrun occurred plus 25% for all usage on any day in excess of 102% of Union's contractual obligation.

**(D) Terms of Service**

The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A" for contracts in effect before October 1, 2010. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A 2010" for contracts in effect on or after October 1, 2010.

**(E) Nominations**

Nominations under this rate schedule shall be in accordance with the attached Schedule "B" for contracts in effect before October 1, 2010.  
Nominations under this rate schedule shall be in accordance with the attached Schedule "B 2010" for contracts in effect on or after October 1, 2010.

**(F) Receipt and Delivery Points and Pressures**

Receipt and Delivery Points and Pressures under this rate schedule shall be in accordance with Schedule "C 2010" for contracts in effect on or after October 1, 2010.

Effective

November 1, 2012  
O.E.B. Order # EB-2011-XXXX

Chatham, Ontario

Supersedes EB-2011-0135 Rate Schedule effective July 1, 2011

UNION GAS LIMITED

## Derivation of M12 Kirkwall to Parkway Firm Monthly Transportation Demand Charge

Effective November 1, 2012

Line No.	Particulars	
	<u>Dawn Trafalgar Transmission Revenue Requirement Calculation (\$000's)</u>	
1	2007 Board Approved Dawn Trafalgar Transmission Revenue Requirement (\$000's)	127,790
2	2008-2011 IR Changes (includes one-time adjustments, Z-factor adjustments and PCI changes)	<u>(3,338)</u>
3	Total 2011 Dawn Trafalgar Transmission Revenue Requirement (\$000's)	124,452
	<u>Dawn Trafalgar Unit Cost Calculation</u>	
4	2007 Board Approved Design Day Demands (distance weighted 106m3 /km)	31,988
5	Unit Rate Dawn Trafalgar (\$/km 103m3) (line 3/ line 4/1,000)	3.891
6	Monthly Demand Unit Rate Dawn Trafalgar (\$/km 103m3) (line 5/12)	0.324
	<u>Derivation of the Kirkwall to Parkway Monthly Demand Charge</u>	
7	Monthly Demand Charge - Kirkwall to Parkway (\$/103m3) (line 6 * 40.27 km)	13.056
8	Monthly Demand Charge - Kirkwall to Parkway(\$/GJ) (line 7/37.68)	0.346

**UNION GAS LIMITED**

**M12 Monthly Transportation Fuel Ratios and Rates**

Firm or Interruptible Transportation Commodity

Effective July 1, 2011

Month	VT1 Easterly to Parkway (TCPL) With Dawn Compression		VT1 Easterly to Kirkwall, Lisgar, Parkway (Consumers) With Dawn Compression		VT3 Westerly to Kirkwall, Dawn	
	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)
April	0.763	0.047	0.763	0.047	0.328	0.021
May	0.624	0.038	0.624	0.038	0.328	0.021
June	0.416	0.026	0.328	0.021	0.416	0.026
July	0.357	0.021	0.328	0.021	0.357	0.021
August	0.350	0.022	0.328	0.021	0.350	0.022
September	0.368	0.022	0.348	0.022	0.368	0.022
October	0.745	0.046	0.697	0.044	0.328	0.021
November	0.948	0.058	0.765	0.048	0.328	0.021
December	1.174	0.071	0.950	0.059	0.328	0.021
January	1.306	0.081	1.076	0.066	0.328	0.021
February	1.207	0.073	0.991	0.060	0.328	0.021
March	1.046	0.064	0.854	0.052	0.328	0.021

Month	M12-X Easterly Kirkwall to Parkway (TCPL)		M12-X Easterly Kirkwall to Lisgar, Parkway (Consumers)		M12-X Westerly to Kirkwall, Dawn	
	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)
April	0.328	0.021	0.328	0.021	0.353	0.023
May	0.328	0.021	0.328	0.021	0.353	0.023
June	0.416	0.026	0.328	0.021	0.353	0.023
July	0.357	0.022	0.328	0.021	0.353	0.023
August	0.350	0.022	0.328	0.021	0.353	0.023
September	0.348	0.022	0.328	0.021	0.353	0.023
October	0.376	0.023	0.328	0.021	0.353	0.023
November	0.511	0.031	0.328	0.021	0.328	0.021
December	0.551	0.033	0.328	0.021	0.328	0.021
January	0.558	0.034	0.328	0.021	0.328	0.021
February	0.544	0.033	0.328	0.021	0.328	0.021
March	0.520	0.032	0.328	0.021	0.328	0.021



**UNION GAS LIMITED****M12 Monthly Transportation Authorized Overrun Fuel Ratios and Rates**

Firm or Interruptible Transportation Commodity

Effective July 1, 2011

Month	VT1 Easterly to Parkway (TCPL) With Dawn Compression		VT1 Easterly to Kirkwall, Lisgar, Parkway (Consumers) With Dawn Compression		VT3 Westerly to Kirkwall, Dawn	
	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)
April	1.368	0.161	1.368	0.150	0.933	0.134
May	1.228	0.152	1.228	0.140	0.933	0.134
June	1.021	0.138	0.933	0.123	1.021	0.138
July	0.962	0.138	0.933	0.123	0.962	0.138
August	0.955	0.136	0.933	0.123	0.955	0.136
September	0.972	0.136	0.952	0.125	0.972	0.136
October	1.350	0.160	1.302	0.146	0.933	0.134
November	1.553	0.172	1.370	0.151	0.933	0.134
December	1.779	0.186	1.555	0.161	0.933	0.134
January	1.911	0.194	1.681	0.169	0.933	0.134
February	1.812	0.188	1.596	0.163	0.933	0.134
March	1.651	0.179	1.458	0.156	0.933	0.134

Month	M12-X Easterly Kirkwall to Parkway (TCPL)		M12-X Easterly Kirkwall to Lisgar, Parkway (Consumers)		M12-X Westerly to Kirkwall, Dawn	
	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)	Fuel Ratio (%)	Fuel Rate (\$/GJ)
April	0.933	0.134	0.933	0.134	0.958	0.135
May	0.933	0.134	0.933	0.134	0.958	0.135
June	1.021	0.139	0.933	0.134	0.958	0.135
July	0.962	0.135	0.933	0.134	0.958	0.135
August	0.955	0.135	0.933	0.134	0.958	0.135
September	0.953	0.135	0.933	0.134	0.958	0.135
October	0.981	0.136	0.933	0.134	0.958	0.135
November	1.115	0.145	0.933	0.134	0.933	0.134
December	1.156	0.148	0.933	0.134	0.933	0.134
January	1.163	0.149	0.933	0.134	0.933	0.134
February	1.149	0.148	0.933	0.134	0.933	0.134
March	1.125	0.146	0.933	0.134	0.933	0.134