



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

Union Gas Limited

M12 and C1 Kirkwall to Parkway Transportation Services

Board File No. EB-2011-0257

August 30, 2011

Introduction

Union Gas Limited (“Union” or the “Applicant”) filed an application (the “Application”) on July 8, 2011 with the Ontario Energy Board (the “Board”) seeking approval to modify its current approved C1 and M12 rate schedules to accommodate firm transportation services from Union’s interconnect at Kirkwall to Parkway, effective November 1, 2012.

Customer Need

Union recently conducted a binding open season in April and May of 2011 to determine market interest in the Kirkwall to Parkway firm long-term transportation service. As a result of the open season, Union executed two 10-year firm M12 transportation service contracts with TransCanada Pipelines (“TCPL”) for a total of approximately 263,249 GJ/d from Kirkwall to Parkway beginning November 1, 2012 and November 1, 2013.

Board staff is of the view that the proposed transportation service offerings have been designed by Union to meet the evolving needs of its customers as a result of changing North American gas supply dynamics.

Rate Design

The proposed rate for the M12 Kirkwall to Parkway firm transportation service consists of the following components:

- 1) A firm monthly 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 per M12 Schedule “C”.

The proposed rate for the C1 Kirkwall to Parkway firm transportation service consists of the following components:

- 1) A firm monthly transportation demand charge of \$0.346/GJ applied to daily contracted demand; and
- 2) Seasonal fuel ratios consistent with the approved C1 fuel ratio design.

Board staff submits that the proposed rate designs for the C1 and M12 Kirkwall to Parkway firm transportation services are appropriate for the time being. Board staff notes that Union's proposal to review cost allocation and rate design for the new transportation services at the time of rebasing is reasonable¹. Board staff submits that, in its Decision, the Board should direct Union to complete a review of cost allocation and rate design for the M12 and C1 Kirkwall to Parkway transportation services as part of its 2013 rebasing proceeding.

All of which is respectfully submitted.

¹ See Union's response to Board Staff IR #2 (Ex. B1.2).