

September 9, 2011

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

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

We are counsel to Union Gas Limited ("Union"). Please accept this letter as Union's reply argument in the above-noted matter.

By application dated July 8, 2011, Union applied to the Board for approval of a firm M12 and C1 transportation rate from Union's interconnect at Kirkwall to Parkway. Evidence in support of the application was filed at the same time.

On July 19, the Ontario Energy Board (the "Board") issued its procedural order outlining the dates for interrogatories and arguments to be submitted to the Board.

Union received 10 interrogatories in total, from Board Staff, Canadian Manufacturers & Exporters ("CME"), Association of Power Producers of Ontario ("APPRO") and the Federation of Rental-Housing Providers of Ontario ("FRPO"). Union responded to these interrogatories. Subsequently, Board Staff, CME and FRPO submitted their arguments supporting the approval of Union's application. No other submissions were received.

Notwithstanding that Board Staff and FRPO recommended that the application be approved Union wishes to respond to comments made in their submissions.

### **Directive to Review the Ratemaking Methodology of the New Services**

Board Staff suggests that the Board approve the new services and issue a directive to Union to review the ratemaking methodology of these services as part of rebasing.

In Union's submission, it is not necessary for the Board to issue a directive that Union review the ratemaking methodology of the new services as part of rebasing. The ratemaking methodology for all of Union's regulated services is reviewed through the normal course of rebasing and will be as part of Union's 2013 rebasing application.

It should be noted that Union is already the subject of a directive from the Board to review the cost allocation and rate design associated with the M12-X and C1 Kirkwall to Dawn

transportation services as part of its 2013 rebasing application. While that directive does not specifically extend to reviewing the services at issue in this application, there is no need to extend that directive having regard to the breadth of the rebasing proceeding.

### **No Constraint on Dawn to Parkway Capacity**

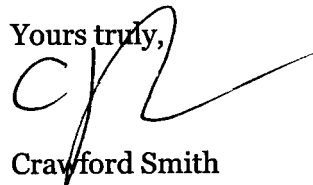
In its argument, FRPO suggests that incremental commitments “could create a bottleneck between Kirkwall and Parkway and that this constraint would tend to place upward pressure on in franchise rates”. FRPO’s assertion is unfounded.

As Union explained in Ex.B4.2, the contracting of Kirkwall to Parkway capacity will not materially impact Union’s ability to sell the Dawn to Parkway path. With the turnback of Dawn to Kirkwall capacity by TCPL, Union is expected to have excess capacity on the Dawn to Parkway system by November 2012. As a result of this excess capacity, there is no opportunity cost to Union of providing the Kirkwall to Parkway service and therefore no potential for upward cost pressure on in-franchise rates.

FRPO is equally unfounded in stating that Union did not provide complete answers to FRPO’s interrogatories. On any fair reading of Ex. 4.1 and 4.2 Union provided the requested information and explained that the premise of FRPO’s question – that there would be an opportunity cost associated with the service – was incorrect.

Union respectfully requests the Board’s approval of the firm transportation rates as filed. Union is seeking approval by September 30, 2011 to modify its M12 and C1 rates schedules effective January 1, 2012 for service beginning November 1, 2012.

Yours truly,



Crawford Smith

Tel 416.865.8209  
csmith@torys.com

CS

cc: Karen Hockin, Union Gas  
Mark Kitchen, Union Gas  
Lawrie Gluck, Board Staff  
All EB-2011-0257 Intervenors