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

AND IN THE MATTER OF an application filed by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2013.

CANADIAN MANUFACTURERS & EXPORTERS ("CME") COMPENDIUM OF DOCUMENTS GAS SUPPLY WITNESS PANEL

From: Thompson, Peter C. P.

Sent: Wednesday, July 11, 2012 12:37 PM

To: csmith@torys.com; 'mkitchen@uniongas.com'; 'Ripley, Chris'

Cc: Aiken, Randy; 'Bartlett, James'; 'Beauchamp, John'; 'Berg, Laura-Marie'; 'Berge, Nadine'; 'Brett, Thomas'; Buonaguro, Michael; Butters, David; Cameron, Gord; Cass, Fred; Clipsham, Paul; DeRose, Vincent J.; 'Fraser, Marion'; 'Girvan, Julie'; Gruenbauer, Jim; 'Higgin, Roger'; 'Kerr, Paul'; MacIntosh, David; 'McNally, Wayne'; Mondrow, Ian; 'Nadeau, Eric'; 'Newton, Murray'; 'Ott, Brandon'; 'Petruzzella, Nick'; 'Quinn, Dwayne'; Ross, Murray; 'Rubenstein, Mark'; Ruzycki, Nola; Ryckman, Norm; 'Serafini, Pete'; Shepherd, Jay; Stacey, Jason; Thompson, Peter C. P.; Warren, Robert; Wightman, James; 'Wolnik, John'; 'Wong, Angela'; Young, Valerie

Subject: Gas Supply Witness Panel

Importance: High

Gentlemen,

The email that was sent to me on June 29, 2012, indicates that questions pertaining to Gas Supply deferral account administration are to be posed to the Gas Supply witness panel.

In that connection, please have the witnesses obtain and bring to the hearing the following information:

(a) for each of the years 2004 to 2012 to date inclusive, the amount by month that Union received in its monthly invoices from TCPL for FT-RAM credits;

(b) in each of the months 2004 to 2012 inclusive, the portion of the FT-RAM credit amounts received that were flowed to ratepayers through Union's Gas Supply deferral accounts and identify each Gas Supply deferral account in which the amounts of FT-RAM credits, if any, were recorded. It would be appreciated if a document containing this information could be delivered to me before I commence my cross-examination of the Gas Supply panel.

Also, please have the witnesses obtain the year-by-year amounts of TCPL's 100% load factor toll to its Northern and Eastern Zones for each of the years 2004 to 2012 inclusive.

Peter T.

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada PipeLines Limited ("TCPL")

Reference: Exhibit C1, Tab 3, pg 12, lines 5-6 "The single biggest factor contributing to growth in exchange revenue was the utilization of the TCPL FT RAM program starting 2008."
Exhibit C1, Tab 3, pg 11, lines 13-14 "The 2012 forecast assumes the TCPL FT RAM program will be eliminated on November 1, 2012. A full year impact of FT RAM program being discontinued is reflected in 2013."
Exhibit D1, Tab 1, pg 3, line 2

Preamble: TransCanada has applied to the National Energy Board to eliminate the RAM feature of TransCanada's FT service and Union and others have filed evidence in support of retaining RAM. Due to the uncertainty thus surrounding FT RAM, and the impact of potential FT RAM revenues on the Short-Term Transportation and Exchanges Revenue Forecast, TransCanada seeks to better understand the historical and forecast amount of revenue attributable to FT RAM and how the uncertain future of FT RAM will be managed by Union with respect to the 2013 rates.

a) Please provide the following historical information, for November 2007 to March 2012, by month:
   i) Total revenue attributable to FT RAM, in dollars.
   ii) Average revenue attributable to FT RAM, in $/GJ.

b) Please provide the following forecast information, for the months of April 2012 through to December 2012, by month:
   i) Total revenue attributable to FT RAM, in dollars.
   ii) Average revenue attributable to FT RAM, in $/GJ.

c) In the event FT RAM is not discontinued as of November 1, 2012, please describe how Union will alter the Short-Term Transportation and Exchange Revenue forecast for 2012-2013 for the purposes of establishing rates.

d) Please provide the amount of FT RAM credits, in dollars, that Union has generated by month since November 2007.

e) Please provide a monthly breakdown of the Exchange Revenue shown in Exhibit C1, Tab 3 Table 4 into the following categories:
   i) Use of Union's upstream transportation capacity to provide exchange services to third parties.
   ii) Net revenue generated from capacity releases
   iii) Revenue obtained as a result of TCPL's FT RAM program.
   iv) Other
   v) Total exchange revenue.

f) Please explain how the 2013 Exchange Revenue forecast is treated in determining Union's revenue requirement.

g) Please explain how any variance between actual and forecast 2013 Exchange Revenue is allocated between Union shareholders and Union ratepayers.

Response:

a) Please see Attachment 1, lines 1 and 2.

b) Please see Attachment 1, lines 1 and 2.

c) For 2012, Union forecasted revenue of $14.2 million attributable to RAM, assuming the RAM program was eliminated November 1, 2012. If TCPL's RAM program is not eliminated on November 1, 2012, Union's 2012 forecast of exchange revenue attributable to RAM would increase by $3.6 million to $17.8 million. For 2012, exchange revenues, including those associated with RAM, are subject to Union's EB-2007-0606 earnings sharing mechanism.

   If TCPL's RAM program is not eliminated on November 1, 2012, Union's 2013 revenue forecast attributable to RAM would be $11.6 million. The forecast of $11.6 million assumes the structure and parameters of TCPL's RAM program does not change materially, and is based on actual 2011 activity. The 2013 revenue decreases compared to the 2012 forecast are due to expected TCPL toll reductions, price anomaly corrections, and turnback of some of Union's capacity on TCPL.

   For 2013, there are two primary options to manage the possibility of TCPL's RAM program continuing beyond 2012:

1. Increase the S&T forecast to include revenue of $11.6 million and create a deferral account to manage the difference between the forecast revenue and the actual revenue attributable to RAM; or,

2. Maintain the current S&T forecast and create a deferral account to manage the difference between the forecast revenue and the actual revenue attributable to RAM.

d) Please see Attachment 1 Table 1, line 3.

e)

i. Please see Attachment 2 Table 2, line 1.
ii. Please see Attachment 2 Table 2, line 2.
iii. Please see Attachment 2 Table 2, line 3.
iv. Please see Attachment 2 Table 2, line 4.
v. Please see Attachment 2 Table 2, line 6.

f) The exchange revenue forecast of $9.1 million for 2013 is included as a reduction to delivery rates. Please see Union's S&T transactional margin included in the 2013 in-franchise rates at Exhibit H3, Tab 10, Schedule 1, Updated.

g) Union will retain the variance, positive or negative, between the 2013 forecast and actual exchange revenues, subject to the earnings sharing mechanism associated with Union's incentive regulation framework.

Impact of RAM Program *
$ Millions **

Line No.		2007	2008	2009	2010	2011	2012 Forecast
1	Net Revenue Attributable to RAM Benefit ***	$ 0.4	$ 5.0	$ 14.0	$ 11.7	$ 22.0	$ 14.2
2	Net Revenue ($/GJ)****	$ 0.01	$ 0.03	$ 0.09	$ 0.08	$ 0.16	$ 0.11
3	RAM credits generated	$ 1.1	$ 16.7	$ 14.5	$ 31.8	$ 32.2	n/a

* Includes STS and FT RAM
** Unless otherwise noted
*** Union's approximation of exchange revenue related to the RAM program. This is a subset of Net Exchange Revenue.
**** Net Revenue ($/GJ) calculated using Union's contracted quantities eligible for STS and FT RAM.

Components of Net Exchange Revenue
$Millions

Line No.		2007	2008	2009	2010	2011	2012 Forecast	2013 Forecast
1	Base exchanges	$ 3.0	$ 6.6	$ 6.5	$ 8.0	$ 9.7	$ 6.9	$ 9.1
	RAM Revenue:							
2	Capacity Assignments	0.4	3.1	10.2	10.7	14.4	1.4	-
3	RAM Optimization *	-	0.0	2.8	4.7	9.6	13.7	-
4	Other	-	1.9	1.0	(3.7)	(2.0)	(0.9)	-
5	Subtotal **	$ 0.4	$ 5.0	$ 14.0	$ 11.7	$ 22.0	$ 14.2	-
6	Total Net Exchange Revenue	$ 3.40	$ 11.60	$ 20.50	$ 19.70	$ 31.70	$ 21.1	$ 9.1

* Union's approximation of exchange revenue related to the RAM program. Includes
** Net revenue attributable to RAM benefits.

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada PipeLines Limited ("TCPL")

Reference: Exhibit C1, Tab 3, pg 12, lines 5-6 "The single biggest factor contributing to growth in exchange revenue was the utilization of the TCPL FT RAM program starting 2008."
Exhibit C1, Tab 3, pg 11, lines 17-19 "Exchange revenue is comprised of activity using Union's upstream transportation capacity to provide exchange services to third-parties. It also includes net revenue generated from pipe releases or revenue from TCPL's FT RAM program."

Preamble: TransCanada requires more information about Union's Exchange Revenues to be able to determine if the 2013 Short Term Transportation and Exchanges Revenue Forecast is appropriate.

a) Please provide a detailed description of how Union obtains revenue as a result of FT RAM.

b) Please provide sample agreements of each type of transaction that results in the FT RAM revenue as described in reference 1 and 2.

c) Please provide, by month since 2008, quantities of FT capacity that Union has assigned to other counterparties that generated Exchange revenue or otherwise reduced Union's transportation costs. For each assignment, please provide the quantity, assignee, toll, and path of the transport assigned.

d) Please explain how Union exchanges gas between points on the Union system and points on the TransCanada system.

e) Please explain what transportation service is used to affect the exchange and how Union determines what to charge for the service.

f) Are exchanges done on a firm basis or an interruptible basis?

Response:

a) Union recognizes the benefit of the RAM Program in three general ways.

First, when balancing supply for its system customers, Union periodically has excess TCPL capacity that Union releases in the market. Union sees higher value for that capacity due to the RAM feature. All proceeds from that released capacity, including those higher proceeds earned as a result of the RAM Program, are returned directly to system customers to offset Unabsorbed Demand Charges (UDC).

Second, prior to November, 2007, Union used the RAM program primarily to fund a base minimal level of Interruptible Transportation (IT) to manage LBA fees in its northern delivery areas. Union expects this base level of IT to continue, regardless of the RAM program.

Third, starting in 2007, Union realized benefits of the RAM Program when optimizing its transportation portfolio. Union began to assign various long-haul firm transportation assets on a monthly, seasonal and annual basis in order to realize some of the value the market placed on TCPL pipe as a result of the RAM program. Since Union continued to purchase supply at Empress, alternative arrangements were required to deliver these supplies to Union's market once the capacity was assigned.

In 2008, Union began to use the RAM program by applying available RAM credits earned on empty FT pipe to transport Empress supplies to various delivery areas to meet market demands for customers. The flexibility to apply RAM credits to any path allowed Union to deliver supply to franchise customers across multiple delivery areas, such as the MDA, WDA, NDA, SSMDA, NCDA, CDA, EDA and SWDA. In addition, these credits could be used alone, or in combination with, other assets to serve exchanges to customers outside Union's franchise area. The credits earned via the RAM program are one of the resources Union employed to serve our customers.

b) Union's standard exchange agreements are included as Attachments 3 and 4 and can be found on Union's website at: http://www.uniongas.com/storagetransportation/resources/pdf/standardcontracts/Confirmation_Exchange.pdf for interruptible agreements and http://www.uniongas.com/storagetransportation/resources/pdf/standardcontracts/EnhancedExchangeAgreement.pdf for firm agreements.

c) Please see Attachment 1 and 2. Attachment 1 reports capacity assignments by month and by zone from November, 2007 which are related to RAM. It does not include any capacity assignments to Union's franchise customers. Attachment 2 shows TCPL tolls also by month and by zone from November 2007.

Union has not identified assignees as that information is commercially sensitive.

d) Union exchanges gas between Dawn and points east or west of Parkway by utilizing TCPL's interruptible transportation services as well other TCPL services such as diversions of firm contracts.

e) Interruptible services provided by TCPL are used to effect the exchange. When negotiating with customers for exchange services, Union includes in its considerations the basis differentials between points of receipt and delivery and the costs of providing the service.

f) Exchanges are done on both a firm and interruptible basis.

Capacity Assignments*

GJ/d

Line No.	Receipt Point	Delivery Area	Winter 07/08					Summer '08						
			Nov '07	Dec '07	Jan '08	Feb '08	Mar '08	Apr '08	May '08	June '08	Jul '08	Aug '08	Sept '08	Oct '08
1	Empress	Eastern Zone	-	35,000	35,000	35,000	35,000	65,753	80,753	60,753	60,753	60,753	65,753	65,753
2	Empress	Northern Zone	-	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000
3	Empress	Western Zone	-	-	-	-	-	-	-	-	12,000	12,000	8,000	5,000

Line No.	Receipt Point	Delivery Area	Winter 08/09					Summer '09						
			Nov '08	Dec '08	Jan '09	Feb '09	Mar '09	Apr '09	May '09	June '09	Jul '09	Aug '09	Sept '09	Oct '09
4	Empress	Eastern Zone	28,000	48,000	48,000	48,000	48,000	77,556	97,556	97,556	108,556	108,556	108,556	97,556
5	Empress	Northern Zone	8,000	8,000	8,000	8,000	8,000	-	-	-	-	40,000	-	30,000
6	Empress	Western Zone	-	-	-	-	-	-	-	-	-	-	-	20,000

Line No.	Receipt Point	Delivery Area	Winter 09/10					Summer '10						
			Nov '09	Dec '09	Jan '10	Feb '10	Mar '10	Apr '10	May '10	June '10	Jul '10	Aug '10	Sept '10	Oct '10
7	Empress	Eastern Zone	80,000	80,000	80,000	80,000	80,000	92,832	92,832	92,832	92,832	92,832	92,832	92,832
8	Empress	Northern Zone	20,062	20,062	-	-	-	-	30,000	40,000	40,000	40,000	40,000	20,000
9	Empress	Western Zone	-	-	-	-	-	-	-	-	-	-	-	-

Line No.	Receipt Point	Delivery Area	Winter 10/11					Summer 11						
			Nov '10	Dec '10	Jan '11	Feb '11	Mar '11	Apr '11	May '11	June '11	July '11	Aug '11	Sept '11	Oct '11
10	Empress	Eastern Zone	60,000	60,000	60,000	60,000	60,000	60,000	96,796	110,000	110,000	110,000	110,000	110,000
11	Empress	Northern Zone	-	-	-	-	-	40,000	40,000	49,000	49,000	49,000	49,000	49,000
12	Empress	Western Zone	-	-	-	-	-	-	-	-	-	-	-	-

Line No.	Receipt Point	Delivery Area	Winter 11/12					Summer 12	
			Nov '11	Dec '11	Jan '12	Feb '12	Mar '12	Apr '12	May '12
13	Empress	Eastern Zone	74,796	60,000	60,000	60,000	80,000	117,796	117,796
14	Empress	Northern Zone	-	-	-	-	-	40,000	48,500
15	Empress	Western Zone	-	-	-	-	-	-	-

* not including capacity assignments to Union's franchise customers

100% Load Factor Posted Tolls

$C/GJ

Line No.	Receipt Point	Delivery Area												
			Winter 07/08					Summer '08						
			Nov '07	Dec '07	Jan '08	Feb '08	Mar '08	Apr '08	May '08	June '08	Jul '08	Aug '08	Sept '08	Oct '08
1	Empress	Eastern Zone	1.03032	1.03032	1.09000	1.09000	1.09000	1.31000	1.31000	1.39999	1.39999	1.39999	1.39999	1.39999
2	Empress	Northern Zone	0.79389	0.79389	0.83269	0.83269	0.83269	1.02310	1.02310	1.09338	1.09338	1.09338	1.09338	1.09338
3	Empress	Western Zone	0.51804	0.51804	0.55056	0.55056	0.55056	0.67581	0.67581	0.72208	0.72208	0.72208	0.72208	0.72208
			Winter 08/09					Summer '09						
			Nov '08	Dec '08	Jan '09	Feb '09	Mar '09	Apr '09	May '09	June '09	Jul '09	Aug '09	Sept '09	Oct '09
4	Empress	Eastern Zone	1.39999	1.39999	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000
5	Empress	Northern Zone	1.09338	1.09338	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313
6	Empress	Western Zone	0.72208	0.72208	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425
			Winter 09/10					Summer '10						
			Nov '09	Dec '09	Jan '10	Feb '10	Mar '10	Apr '10	May '10	June '10	Jul '10	Aug '10	Sept '10	Oct '10
7	Empress	Eastern Zone	1.19000	1.19000	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808
8	Empress	Northern Zone	0.91313	0.91313	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894
9	Empress	Western Zone	0.59425	0.59425	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513
			Winter 10/11					Summer 11						
			Nov '10	Dec '10	Jan '11	Feb '11	Mar '11	Apr '11	May '11	June '11	July '11	Aug '11	Sept '11	Oct '11
10	Empress	Eastern Zone	1.63808	1.63808	1.63808	1.63808	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290
11	Empress	Northern Zone	1.25894	1.25894	1.25894	1.25894	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219
12	Empress	Western Zone	0.81513	0.81513	0.81513	0.81513	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287
			Winter 11/12					Summer 12						
			Nov '11	Dec '11	Jan '12	Feb '12	Mar '12	Apr '12	May '12					
13	Empress	Eastern Zone	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290					
14	Empress	Northern Zone	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219					
15	Empress	Western Zone	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287					

[Union Gas Logo]

[HUB___B_____]
[SA_____]
[Agreement Date]

Confirmation

Exchange

Attention: [Shipper Rep]

This Exchange Confirmation ("**Confirmation**") incorporates all of the terms and conditions of the Interruptible Service Hub Contract ([HUB___]) between Union Gas Limited ("**Union**") and [Shipper Name] ("**Shipper**") dated [Latest Amendment Date] (the "**Contract**"). All terms and conditions contained in the Contract, and any Schedules referenced by the Contract as amended from time to time, shall apply to this Confirmation, unless specifically set forth herein. In the event of any conflict or inconsistency between the terms and conditions of this Confirmation and those of the Contract, the terms and conditions of this Confirmation shall prevail.

Confirmation terms and conditions:

Service Type: Interruptible	
Term Start: [start date]	**Term End:** [end date]
Receipt Point (to Union): [receipt point]	**Delivery Point (to Shipper):** [delivery point]
Minimum Quantity: [Quantity] GJ/day ([converted] MMBtu/day)	**Maximum Quantity:** [Quantity] GJ/day ([converted] MMBtu/day)
Fuel: [fuel %] – up to [Quantity] GJ/day ([converted]mmbtu/day) at [location]	
Nominations: Must be received [hours] before the [window] nomination window	
Rate: Shipper agrees to pay Union $[Commodity Rate] [Currency]/[UOM] ([Converted Rate] [Currency] /[Converted UOM] which will be invoiced as utilized.	

If on any day Shipper fails to deliver the Authorized Quantity to any of the above noted Receipt Point(s), Shipper agrees to pay $0.1500000/GJ ($0.1582584/MMBtu) multiplied by the difference between the Authorized Quantity and the actual quantity delivered at the Receipt Point ("**Delivery Shortfall**") for every day that the Delivery Shortfall, or any portion thereof, remains, plus any verifiable costs incurred by Union that are directly attributable to Shipper's failure to deliver the Delivery Shortfall. Union retains the right to replace the Delivery Shortfall at any time throughout the period that the Delivery Shortfall, or any portion thereof, remains and Shipper shall use due diligence to deliver the Delivery Shortfall to Union promptly at the Receipt Point or Dawn (Facilities), as decided at Union's discretion. Should Union choose to replace the Delivery Shortfall, Shipper agrees to pay Union's costs to replace such gas at the Receipt Point or Dawn (Facilities), as decided at Union's discretion, plus an additional 25% of such costs.

If on any day, Shipper fails to accept the Authorized Quantity at any of the above noted Delivery Point(s) Shipper agrees to pay $0.1500000/GJ ($0.1582584/MMBtu) multiplied by the difference between the Authorized Quantity and the actual quantity accepted ("**Receipt Shortfall**") for every day that the Receipt Shortfall, or any portion thereof, remains, plus any verifiable costs incurred by Union that are directly attributable to the Shipper's failure to accept the Receipt Shortfall.

Shipper and Union agree that each party shall use reasonable efforts in order to balance as nearly as possible the quantity exchanged on a daily basis and to resolve any imbalances in a timely manner.

[Union Gas Logo]

All quantities will be converted to GJ for billing purposes. Conversion: 1 MMBtu = 1.055056 GJ.

This Confirmation may be signed and sent by facsimile or other electronic communication and this procedure shall be as effective as signing and delivering an original copy.

Please acknowledge your agreement to all of the above terms and conditions by signing and sending this Confirmation to Union Gas Limited at fax: (519) 358-4064 or email to both:
[email address of S&T Account Manager] and Storage.Transportation@uniongas.com.

Failure to provide a signed copy of this Confirmation to Union, or failure to object in writing to any specified terms in this Confirmation, within two business days of receipt of this Confirmation will be deemed acceptance of the terms hereof.

[Electronic Signature]

[S&T Account Manager]

[Shipper Name]
Authorized Signatory

[Union Gas Logo]

[HUB___E___]
[SA____]
[Month day, year]

(Note: This document shell is for obligated firm Agreements; interruptible and other less firm Agreements are also available; please contact your Account Manager.)

Attention: [Shipper Rep]

Enhanced Exchange Service Agreement

This Enhanced Exchange Service Agreement ("**Agreement**") incorporates all of the terms and conditions of the Interruptible Service Hub Contract ([HUB___]) between Union Gas Limited ("**Union**") and [Shipper Name] ("**Shipper**") dated [Latest Amendment Date] (the "**Contract**"). All terms and conditions contained in the Contract, and any Schedules referenced by the Contract, as amended from time to time, shall apply to this Agreement, unless specifically set forth herein. In the event of any conflict or inconsistency between the terms and conditions of this Agreement and those of the Contract, the terms and conditions of this Agreement shall prevail.

Agreement terms and conditions:

Service Type: [Firm]	
Term Start: [start date]	**Term End:** [end date]
Receipt Point (to Union): [receipt point]	**Delivery Point (to Shipper):** [delivery point]
Firm Exchange Quantity: [Quantity] GJ/day ([converted] MMBtu/day)	
Minimum Quantity: [Quantity] GJ/day ([converted] MMBtu/day)	**Maximum Quantity:** [Quantity] GJ/day ([converted] MMBtu/day)
Fuel: [fuel %] - [Quantity] GJ/day ([converted]mmbtu/day) at [location]	
Nominations: Must be received [hours] before the [window] nomination window.	
Rate: Shipper agrees to pay Union, a demand charge of $[Demand Charge] [Currency] which shall be invoiced in [#] equal monthly instalment(s).	

Shipper is obligated to deliver the Firm Exchange Quantity to the above noted Receipt Point(s), each and every day. If on any day Shipper fails to deliver the Firm Exchange Quantity to any of the above noted Receipt Point(s), Shipper agrees to pay $3.0000000/GJ ($3.1651680/MMBtu) multiplied by the quantity of gas not delivered to Union ("**Delivery Shortfall**"). In addition, should Union choose to replace such Delivery Shortfall, Shipper agrees to pay Union's costs to replace such gas at the Receipt Point or Dawn, as decided at Union's discretion, plus an additional 25% of such costs. If Union chooses not to replace such gas, Shipper agrees to pay $0.1500000/GJ ($0.1582584/MMBtu) for every day that the Delivery Shortfall, or any portion thereof, exists. Union retains the right to replace the Delivery Shortfall at any time throughout the period that the Delivery Shortfall, or any portion thereof, remains and Shipper shall use due diligence to deliver the Delivery Shortfall to Union promptly at Receipt Point or Dawn, as decided at Union's discretion.

Shipper is obligated to accept the Firm Exchange Quantity at the above noted Delivery Point(s) each and every day. If on any day, Shipper fails to accept the Firm Exchange Quantity at any of the above noted Delivery Point(s), Shipper agrees to pay $3.0000000/GJ ($3.1651680/MMBtu) multiplied by the quantity of gas not accepted ("**Receipt Shortfall**"), plus the verifiable costs incurred by Union that are directly attributable to the Shipper's failure to accept the Receipt Shortfall.

Shipper and Union agree that each party shall use reasonable efforts in order to balance as nearly as possible on a daily basis and to resolve any imbalances in a timely manner.

All quantities will be converted to GJ for billing purposes. Conversion: 1 MMBtu = 1.055056 GJ.

This Agreement may be signed and sent by facsimile or other electronic communication and this procedure shall be as effective as signing and delivering an original copy.

Please acknowledge your agreement to all of the above terms and conditions by signing and sending this Agreement to Union Gas Limited at fax: (519) 358-4064 or email Storage.Transportation@uniongas.com with a copy to [email address of S&T Account Manager] or mail to **Union Gas Limited, 50 Keil Drive North, P.O. Box 2001, Chatham, ON, N7M 5M1, Attention: S&T Contracting.**

[Union Representative] (519) 436-____
Account Manager, Union Gas Limited

Acknowledged and Accepted
this ______ day of [Month, year]

[SHIPPER]
Authorized Signatory

____

UNION GAS LIMITED
Authorized Signatory

____

UNION GAS LIMITED

Undertaking of Mr. Quinn
To Mr. Isherwood

Please provide an actual numeric example of each of the categories to show how net revenue is calculated; to show all the costs associated with the transaction.

Below are the three categories that support Exchange revenue.

Base Exchange:

Example: Union sells Dawn-Niagara exchange for 20,000 GJ/d for one month at $0.35/GJ. Union serves this exchange with TCPL IT transportation.

Revenue from Dawn-Niagara Exchange	$217,000
Cost from Dawn-Niagara Exchange	
IT Cost	180,476
Fuel Cost	6,448
Pressure Charge	12,115
Total Cost	199,039
Net Revenue	$17,961

Capacity Assignment:

Example: Union assigns to a third party 20,000 GJ/d of Empress-Union EDA capacity for one month. The same counterparty also agrees to accept Union's supply at Empress and redelivers the equivalent quantity to Dawn. Customer pays Union $0.04/GJ. In this example, prior to the capacity assignment, the gas is not required in the EDA and would have been transported to Dawn for storage using TCPL STS service.

Revenue from pipe release	$240,000
Costs from pipe release	-
Net Revenue	$240,000

RAM Optimization:

Example: Union sells Dawn-Niagara exchange for 20,000 GJ/d for one month at $0.35/GJ. Union serves this exchange with TCPL IT transportation funded by RAM credits.

Revenue from Dawn-Niagara exchange	$217,000
IT minimum charge	8,643
Fuel Cost	6,448
Pressure Charge	12,115
Total Costs	27,206
Net Revenue	$189,784

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Ref: Pages 2 and 3

In what years did TCPL offer an FT RAM credit? Were Union's FT RAM revenue subject to the Earnings Sharing Agreement in each year over the recent IRM period? Please discuss, showing amounts of FT RAM credits in each year. If not, why not? Please discuss fully. Were the FT RAM credits Z-factors for each IRM year during which Union participated in them? Please discuss.

Response:

Please see Attachment 1 for a timeline of what years TCPL offered RAM credits. Please see the response at Exhibit J.C-4-7-1 c).

Please see the response at Exhibit J.C-4-7-9 d) for the amount of RAM credits generated by year. RAM credits do not meet the Z-factor criteria in Union's current IRM.

TransCanada

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

Tel: (403) 920-2046
Fax: (403) 920-2347
Email: murray_sondergard@transcanada.com

January 16, 2009

National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

Filed Electronically

Attention: Ms. Claudine Dutil-Berry, Secretary

Dear Ms. Dutil-Berry:

Re: TransCanada PipeLines Limited ("TransCanada")
Amendments to TransCanada's Canadian Mainline Transportation Tariff

TransCanada hereby files an application with the National Energy Board ("Board") pursuant to Section 60(1)(b) of the *National Energy Board Act* for an order or orders approving certain amendments to TransCanada's Mainline Transportation Tariff's Interruptible Transportation ("IT") Toll Schedule. The proposed amendments were presented to the Tolls Task Force ("TTF") and were unopposed by the TTF in Resolution 04.2009, FT-RAM, STS-RAM and STSL-RAM Permanent Tariff Feature, voted on January 7, 2009.

TTF Resolution 04.2009 describes amendments to the IT Toll Schedule to add the current Risk Alleviation Mechanism ("RAM") for Firm Transportation ("FT") Service, Storage Transportation Service ("STS") and Storage Transportation Linked Service ("STS-L") as permanent features of the Mainline transportation services.

The FT-RAM pilot was originally approved by the Board in a letter dated July 15, 2004 as a feature of FT service for a one year period commencing November 1, 2004 per TTF Resolution 02.2004. The FT-RAM pilot was subsequently extended for a period of one year by the Board in a letter dated September 6, 2005 as per TTF Resolution 20.2005 and again by the Board in a letter dated April 21, 2006 as per TTF Resolution 05.2006. Modifications to apply the FT-RAM pilot to short-haul contracts were made effective April 1, 2006 by Board Order TG-1-2006, and in accordance with the Board's decision in RHW-2-2005.. In a letter dated March 2, 2007, the Board approved an additional two-year extension of the FT-RAM pilot commencing November 1, 2007 as per TTF Resolution 03.2007 and extended the FT-RAM pilot to include Storage Transportation Service (STS-RAM) and Storage Transportation Service Linked (STSL-RAM) for a two-year term commencing November 1, 2007 as per TTF Resolution 02.2007.

During the various RAM pilot periods, the mechanism has been used by a broad spectrum of shippers including producers, producer/marketers, LDCs and end-users TransCanada notes that use of the RAM mechanism does not limit the service entitlements of current FT service.

In support of its application, TransCanada attaches for the Board's information blacklined and clean copies of the IT Toll Schedule and a copy of TTF Resolution 04.2009. TransCanada proposes that these changes become effective November 1, 2009.

Should the Board require additional information, please contact Stella Morin at (403) 920-6844 or stella_morin@transcanada.com.

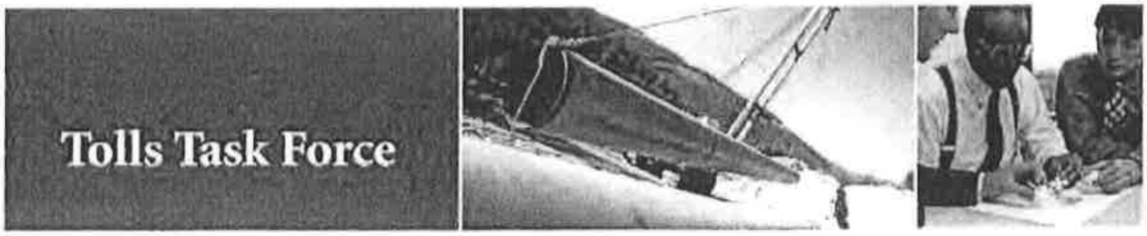
Yours truly,

Original Signed by

Murray Sondergard
Director, Regulatory Services

Attachments

cc: Tolls Task Force (on-line notification)
Mainline Customers (on-line notification)



2008 TOLLS TASK FORCE ISSUE	
Date Accepted As Issue: September 4, 2008	**Resolution:** 04.2009
Date Issue Originated: September 4, 2008	**Sheet Number:** 1 of 3
Issue Originated By:	Shell Energy North America (Canada) Inc.
Individual to Contact: Tomasz Lange	**Telephone Number** (403) 216-3580

ISSUE: FT-RAM, STS-RAM and STSL-RAM Permanent Tariff Feature

RESOLUTION:

The TTF agrees to the addition of the current FT - Risk Alleviation Mechanism (FT-RAM), STS-RAM and STSL-RAM pilots, to the TransCanada tariff as permanent features of the transport services effective November 1, 2009 as per the attached black lined IT Toll Schedule.

BACKGROUND:

On May 6, 2004 the TTF approved, as an unopposed resolution, the initial FT-RAM pilot (Resolution 02.2004) for a one-year period beginning November 1, 2004. The initial pilot program was adopted as a flexibility feature of long-haul FT contracts only. Long-haul FT contracts are those contracts, which have a primary receipt point originating from Empress or Saskatchewan.

On August 3, 2005 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot for an additional one-year term commencing November 1, 2005 and ending October 31, 2006 (Resolution 20.2005).

On February 24, 2006 the NEB approved an application by Coral Energy Canada (now Shell Energy North America (Canada) Inc.) for modifications to the FT-RAM pilot effective April 1, 2006 and ending October 31, 2006, to extend FT-RAM credits to short-haul contracts, which when combined with a long-haul contract create a continuous long-haul contract (Board Order TG-1-2006 in RHW-2-2005 proceeding).

The short-haul and long-haul contracts must be held by the same shipper and must share a common location; i.e. the receipt point of the short-haul contract must be the same as the delivery point of the long-haul contract. For example, a Dawn to EDA short-haul contract when combined with a long-haul contract from Empress or Saskatchewan to SWDA if held by the same shipper, effectively results in a long-haul contract to EDA. In keeping with the intent of the FT-RAM Pilot of encouraging firm long-haul contracts, FT-RAM credits will be granted on the full path or both contracts.

On April 5, 2006 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot, as modified by the NEB in the RHW-2-2005 decision, for an additional one-year period commencing November 1, 2006 and ending October 31, 2007 (Resolution 05.2006).

On February 9, 2007 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot for an additional two-year term commencing November 1, 2007 and ending October 31, 2009 (Resolution 03.2007)

Also on February 9, 2007 the TTF approved, as an unopposed resolution, a new RAM pilot for Storage Transportation Service and Storage Transportation Service Linked (STS-RAM and STSL-RAM) for a two-year term commencing November 1, 2007 and ending October 31, 2009 (Resolution 02.2007). On July 4, 2007 the TTF approved, as an unopposed resolution, tariff language for the STS-RAM and STSL-RAM pilot (Resolution 08.2007). STS service was originally designed to work in combination with LDC held long-haul FT service on TransCanada and with market storage. It was designed to allow LDCs to meet seasonal and daily fluctuations in market demand while maintaining their long-haul service at a high load factor. STS shipper must hold long-haul FT. The flow of gas and the capacity rights are virtually identical under STS and STSL. The only difference is that under STS, the long-haul contract is held by the LDC, whereas under STSL, the end-users and marketers hold the long-haul contract.

RAM is a tool to mitigate unabsorbed demand charges and provides greater flexibility in order to give shippers increased confidence in contracting for long-haul FT service on the TransCanada Mainline. The motivation behind RAM is to promote the renewal of and incremental contracting for long-haul FT service. During the various pilot periods, the mechanism has been used by a broad spectrum of shippers including producers, producer/marketers, LDCs and end-users. The mechanism will not limit the service entitlements of current FT service.

VOTING RESULTS:

Tolls Task Force

Unopposed resolution at the January 7, 2009 TTF meeting in Calgary.

Description

RAM is a service feature applicable to the Mainline's Firm Transportation (FT) service, Storage Transportation Service (STS), and Storage Transportation Service — Linked (STS-L). It allows for the mitigation of unutilized demand charges and is intended to give shippers increased confidence in contracting for long-haul FT service on the Mainline.

Under RAM, credits are applied against a Mainline shipper's Interruptible Transportation (IT) service invoice at the end of each month, regardless of the path(s) used for IT service, based on any eligible unutilized demand charges (UDCs) from that shipper's long-haul FT, "linked" short-haul FT, STS and STS-L contracts. A shipper's monthly IT invoice will however be subject to a minimum charge (please see the RAM formulas below for more information).

The RAM credit is a dollar amount and is designed to allow a shipper to transport a quantity of IT equal to the quantity of unutilized FT (for example) if used over the same path, for no additional charge beyond the minimum commodity charge, assuming the IT is bid at the IT floor price. For example, a shipper's eligible FT contract with UDCs that has a daily demand toll of $1.00/GJ would generate a RAM credit of approximately $1.10/GJ towards that shipper's monthly IT invoice.

The RAM service feature does not change the nomination or allocation processes for FT, STS, STS-L or IT service. Shippers still access those services in their usual manner.

Contracts Eligible for RAM Credits

Long-haul FT Contracts

These are FT contracts which have primary receipt points originating in Alberta and Saskatchewan.

Short-haul FT Contracts "linked" to a Long-haul FT Contract at a Common Location

Short-haul FT contracts are eligible for RAM credits as long as the shipper that holds the short-haul contract also holds a long-haul FT contract that has a delivery point at the same location as the receipt point of the shipper's short-haul contract.

STS and STS-L Contracts

For markets downstream of storage:

- STS and STS-L RAM credits will only be generated during the firm Winter Withdrawal period; and only if the STS Balance or STS-L Balance is above zero;
- Injection and withdrawal nominations, except STS overrun, will be considered as usage of the STS and STS-L contracts; and
- The maximum amount of STS or STS-L RAM credits which can be generated each day will be capped by the withdrawal contract demand.

For markets upstream of storage:

- STS and STS-L RAM credits will only be available during the firm Summer Injection period;
- Injection and withdrawal nominations, except STS overrun, will be considered as usage of the STS and STS-L contracts; and
- The maximum amount of STS or STS-L RAM credits which can be generated each day will be capped by the injection contract demand.

Key Points about RAM

RAM credits:

- Are dollar credits, not quantity credits
- Are calculated daily from Unutilized Demand Charges (UDCs)
- Are accumulated in a month and are applied against that shipper's Interruptible Transportation (IT) invoice for that month
- Cannot be carried over to another month
- Are not assignable to third parties
- Are non-refundable
- Are not path specific
- Are not eligible if a contract is terminated or suspended
- Apply to the assignee's account commencing on the date the assignment takes effect, if all or a portion of a qualifying contract is assigned

RAM Formulas & Examples

Note: Formulas are for the applicable primary contract path calculated on a daily basis

Long-haul FT RAM Formula

Long-haul FT RAM credit = (Unutilized Daily Quantity) x [(100% load factor long-haul FT toll x 1.1) – FT long-haul Commodity]

Example:

Assume long-haul FT Contract:
- Contract Demand = 100 GJ/d
- Tolls: Daily Demand = $1.00/GJ, Commodity = $0.05/GJ
- Utilization on a day = 0 GJ

RAM credit for that day =
- (Unutilized Daily Quantity) x [(100% load factor long-haul FT toll x 1.1) – FT long-haul Commodity]
- (100 – 0) x [(($1.00 + $0.05) x 1.1) – $0.05]
- $110.50

RAM Formulas & Examples *continued*

Linked Short-haul FT RAM Formula

Linked Short-haul FT RAM credit = (Short-haul Allocation Factor) x (Unutilized Daily Quantity) x [(100% load factor short-haul FT toll x 1.1) – FT short-haul Commodity]

Where:

Short-haul Allocation Factor = (Sum of all shipper's long-haul contract demand to the common location) ÷ (Sum of all shipper's short-haul contract demand from the common location)

Note: Short-haul Allocation Factor cannot be greater than 1.

Example:

Assume linked long-haul FT Contract:
- Contract Demand = 50 GJ/d
- Tolls: Daily Demand = $1.00/GJ, Commodity = $0.05/GJ
- Utilization on a day = 30 GJ

Assume linked short-haul FT Contract:
- Contract Demand = 100 GJ/d
- Tolls: Daily Demand = $0.60/GJ, Commodity = $0.02/GJ
- Utilization on a day = 40 GJ

Long-haul RAM credit for that day =
- (Unutilized Daily Quantity) x [(100% load factor long-haul FT toll x 1.1) – FT long-haul Commodity]
- (50 – 30) x [(($1.00 + $0.05) x 1.1) – $0.05]
- $22.10

Short-haul RAM credit for that day =
- (Short-haul Allocation Factor) x (Unutilized Daily Quantity) x [(100% load factor short-haul FT toll x 1.1) – FT short-haul Commodity]
- (50/100) x (100 – 40) x [(($0.60 + $0.02) x 1.1) – $0.02]
- $19.86

STS RAM Formula

STS RAM Credit = (STS Unutilized Daily Quantity) x [(100% load factor STS toll x 1.1) – STS Commodity]

STS-L RAM Formula

STS-L RAM Credit = (STS-L Unutilized Daily Quantity) x [(100% load factor STS toll x 1.1) – STS Commodity]

Minimum Monthly IT Invoice = ∑ (IT quantity) x (FT Commodity Toll), for each IT path nominated and authorized within the month

IT Floor Price = 1.1 x 100% load factor FT toll for service over the applicable path

Frequently Asked Questions Concerning RAM

1. How does the RAM enhancement work?

RAM takes the form of a credit for your unutilized demand charges under your long-haul FT, linked short-haul FT, STS and STS-L contracts, which is applied to your monthly invoice for Interruptible Transportation (IT) service provided by TransCanada. You access these credits simply by using IT service.

2. Why has RAM been structured as a credit to IT, instead of a separate, nominated RAM service?

A RAM credit mechanism offers a number of important benefits to shippers, including:

a) The credit mechanism can be implemented more quickly and at far less cost.

b) The credit mechanism will be simple for shippers to use. Shippers can nominate IT service as done today. A new type of nominated service would have required new contracts, new nominations groups, additional daily nominations, new priority of service and allocations rules, etc...

c) A credit mechanism offers unparalleled flexibility to capture the value of the services. You can use your credits to purchase IT service on any path on the system, either long-haul or short-haul. A separate nominated RAM service would typically limit the RAM to the primary path of your contract.

Further, you have greater choice on when you use your RAM credits. You can choose to nominate for a steady amount of IT during the month, or you can use your credits by nominating for a large amount of IT on a single day in the month.

3. Will I get RAM credits if my FT diversion or alternate receipt point nomination is not authorized?

Under the RAM feature, FT contract diversion and alternate receipt point nominations that are authorized are considered "usage" of those FT contracts.

If your diversion or alternate receipt point nomination is not authorized, you get to use those unutilized demand charges to purchase IT. That way, you do not lose capacity and dollars if your diversion or alternate receipt point is not authorized.

4. Can I use my credits for Interruptible Backhaul service?

No. The credits can only be used to reduce your invoice for IT service.

5. Will credits be given for FT Delivery Pressure charges?

No. Credits are not available for FT Delivery Pressure Charges. As well, RAM credits cannot be applied against Delivery Pressure Charges on IT service.

6. If I do not use all my credits in one month, can I use the credits in the following month?

No. Credits accumulate and are used within each particular month. Credits that are not used within the month expire and cannot be used in subsequent months.

7. Do I have to sign an IT contract to make use of the credits?

Yes. A single "master" IT contract can give you the ability to nominate for IT service on all paths.

8. In order to use RAM credits, do I need a separate IT contract for each FT, STS or STS-L contract?

You only need a single master IT contract. TransCanada can automatically pool the credits under all of your FT, STS and STS-L contracts and apply the total credit against your IT transportation charges. However, the IT contract must be held by the same legal entity as the FT, STS or STS-L contract. If your contracts are held in different legal names, you will need a separate IT contract for each name.

9. Do I have to use the RAM credits for IT service over the same path as my FT, STS or STS-L contract?

No. Credits can be used for IT over any path on the system. For example, a long-haul FT shipper could use the credits to purchase short-haul IT.

Frequently Asked Questions Concerning RAM *continued*

10. Can my Agent nominate for IT on my behalf to make use of the credits?

Yes. If you have a nominating Agent for your contracts, you can designate that Agent to nominate under your IT contract.

11. How will I know how many credits I've got each day?

Each shipper will be responsible for tracking their credits and IT usage within the month. TransCanada will also provide a daily report via the web to assist shippers in tracking their credits. The Shipper Operational Report called RAM Credits Status Report will provide details on how credits were calculated and then applied to your IT charges. You can track, on a daily basis, the amount of credits available and used during the month. Also, at month end you can use this report to verify against the credits that appear on your IT invoice.

12. Who gets the credits if I assign my FT contract?

The credits are calculated each day and are the "property" of the holder of the contract on each day. If an FT contract is assigned on the 11th day of a month, the original shipper receives the credits for the first 10 days of the month. The assignee receives the credits for the remaining days in the month starting on the 11th.

13. Can I assign my RAM credits to another shipper?

No. The credits can only be applied against the IT transportation charges of the holder of each particular FT, STS or STS-L contract.

14. How will RAM credits be calculated if I am authorized a FT contract shift by TransCanada?

The credit will be calculated based on the FT primary contract path that you are billed on. For contract shifts, you are billed on the "higher of" the original primary contract path or the shifted contract path (subject to certain provisions). The Credits Status Report will indicate which primary contract path (original or shifted) was used in calculating your credit.

15. Why is there a minimum IT charge applied in the RAM calculation?

The minimum IT charge is to ensure recovery of all commodity charges for transportation used. Without the minimum charge, shippers who transported gas would not be contributing to the variable cost of transportation (commodity toll) on the system, which would cause an under-collection of commodity revenues.

For further information about RAM:

The Pipe Line: **403.920.PIPE (7473)**

E-mail: **customer_express@TransCanada.com**

TransCanada
In business to deliver

1.4 References:

(i) Written Evidence of the MAS, pages 32, line 10-11.

(ii) Written Evidence of the MAS, page 33, lines 20-26 and page 34, lines 1-3.

Preamble: Reference (i) states: "MAS believe that RAM provides a unique tool for Mainline long haul FT shippers to mitigate their risk of unutilized demand charges and differentiates TCPL from other pipelines."

Further, in reference (ii) MAS states: "TCPL reported that $440 million of RAM credits were applied by Mainline shippers in 2010. [reference cited] These applied credits demonstrate the value of RAM to Mainline shippers who make use of the RAM feature. Clearly the value of these RAM credits are material to Mainline shippers who use RAM and far exceeds any potential derived calculation that eliminating RAM *may* increase annual discretionary revenue that would otherwise lower Mainline tolls. TCPL has added only $50 million of discretionary revenue to reflect their recommendation to eliminate RAM, so this appears to be a poor trade-off."

TransCanada requires additional information to better understand how Union extracts value from RAM and the value that Union places on RAM.

Requests:

(a) Please provide a detailed explanation of how Union utilizes the RAM feature in relation to its individual contract profile and gas management strategy.

(b) For the period starting November, 2004, please provide a table showing all assignments of Mainline FT by month for transportation from Union that exceeds 4,000 GJ/D. Please include: assignee, receipt point, delivery point, Toll and volume since November 2004.

(c) For all assignments in (b) above, please provide any costs invoiced either from assignee to Union or from Union to the assignee as a result of the assignments in $/GJ.

(d) For all assignments in (b) above, please provide any other consideration (such as discounted storage, delivered gas, or any other consideration) provided either from assignee to Union or from Union to the assignee as a result of the assignment in $/GJs.

(e) Please provide details on any arrangements Union has entered into with third Parties for purposes of managing Union's transportation contracts and/or transportation requirements on TransCanada for 2012. Please also provide a forecast for any additional arrangements Union plans to enter into for these arrangements.

(f) Based on TransCanada's Mainline Transportation Invoices to Union please provide on a monthly basis, Union's Total Interruptible Transportation charges (before RAM Credits) and the Net Interruptible charges (after RAM Credits) for Mainline service from November 2004 to March 2012.

(g) Please provide the quantities of FT and STS not utilized which account for the RAM dollar figures outlined in (f) above. Please provide the quantities and transportation paths, by month, from November 2004 to March 2012.

(h) For the years 2004 through 2012, please provide a detailed explanation of how the value derived from the assignment of Mainline capacity is credited in whole or in part to Union's rate payers. If any portion of revenue derived through the assignment of Mainline capacity is retained by Union shareholders, please identify the mechanism and dollar amounts.

(i) In each year from 2004 through 2011, what was the total amount received by Union through RAM and what was the share credited to Union's customers.

(j) Please provide a forecast for the period 2012 through 2017 of the total amount expected to be received by Union through RAM and the share of that amount expected to be credited to Union's customers.

(k) Prior to the implementation of RAM, please describe how Union mitigated its unutilized demand charges.

Response:

a) Union recognizes the benefit of the RAM Program in three general ways.

First, when balancing supply for its system customers, Union periodically has excess TCPL capacity that Union releases in the market. Union sees higher value for that capacity due to the RAM feature. All proceeds from that released capacity, including the higher value earned as a result of the RAM Program, are returned directly back to system customers to offset Unabsorbed Demand Charges (UDC).

Second, prior to November, 2007, Union used the RAM program primarily to fund a base minimal level of Interruptible Transportation (IT) to manage LBA fees in its northern delivery areas. Union expects this base level of IT to continue, regardless of the RAM program, but at greater costs to the customers.

Third, starting in 2007, Union realized benefits of the RAM Program when optimizing its transportation portfolio. Union began to assign various long-haul firm transportation assets on a monthly, seasonal and annual basis in order to realize some of the value the market placed in TCPL pipe as a result of the RAM program. Since Union continued to purchase supply at Empress, alternative arrangements were required to deliver these supplies to Union's market once the capacity was assigned.

In 2008, Union began to use the RAM program by applying available RAM credits earned on empty FT pipe to transport Empress supplies to various delivery areas to meet market demands for customers. The flexibility to apply RAM credits to any path allowed Union to deliver supply to franchise customers across multiple delivery areas, such as the MDA, WDA, NDA, SSMDA, NCDA, CDA, EDA and SWDA. In addition, these credits could be used alone, or in combination with, other assets to serve exchanges to customers outside Union's franchise area. The credits earned via the RAM program are one of the resources Union employed to serve our customers. These arrangements are invoiced as exchange revenue and not "RAM revenue" because Union contracts with customers to provide exchange services and not "RAM services".

The RAM program continues to support the purchase of Empress supply and transportation on TCPL's system. In addition, the RAM program supports liquidity at Empress and a depth of market participants that continues to benefit Union as well as other FT shippers. For example, since 2008, the capacity assignments have been transacted with nearly 20 different shippers, contributing to the activity at Empress and on the TCPL mainline. Additionally, due to the RAM program, Union has been much more active in transacting at more locations on the TCPL system. In 2011, Union transacted transportation and exchange activity on approximately 60 different paths, compared to only 11 paths in 2007.

The impact of Union's use of the RAM program can be seen in Tables 1 and 2. Table 1 reports RAM credits available and used, IT charges, and unutilized capacity data. Table 1 also includes the volume of IT Union has flowed on TCPL since 2007. It is important to note that if the RAM program was discontinued, this same level of IT would not continue to flow on TCPL. Union estimates that Union would likely flow approximately 2 PJs of IT transport annually if the RAM program was eliminated (Table 1, line 7). This means that between 2007 and 2011, approximately 200 PJs of total IT was incremental to TCPL's system as a result of the RAM program.

Table 2 summarizes revenue impacts of the RAM program. "Net Exchange Revenue" includes revenue Union collected from all exchanges, regardless of how the exchange was facilitated; it includes revenue that is unrelated to TCPL or TCPL's RAM program. "Union's Calculated RAM Benefit" is an approximation of the subset of "Net Exchange Revenue" that relates to the use of RAM or TCPL pipe assignments. As noted earlier, Union uses RAM as one of the resources, or in combination with other resources, to generate exchange revenue. Therefore, the benefit of the RAM program is not easily identifiable.

Overall, TCPL, Union and Union's ratepayers have benefitted from the RAM Program. TCPL benefits by offering their FT customers an enhanced value package while still earning the FT revenue. Union and Union's customers benefitted through reduced UDC for system customers and a greater contribution to the exchange revenue over the term of Union's Incentive Rate Mechanism (2008-2012). The elimination of the RAM Program will directly impact Union's ratepayers through increased rates and reduced opportunities.

As indicated in Table 2, as a result of TCPL's proposal to eliminate the RAM Program, Union has not forecast any RAM benefit in 2013 rebasing proceeding. As a result, Union's revenue deficiency and subsequent rate increase is higher than it would otherwise be.

It has taken Union and other the market participants several few years to gain experience with the RAM program and to fully understand how to realize its full benefit. Likewise, Union developed new processes, procedures, and tools to utilize the program. After such a short tenure, Union does not support the elimination of such a valued program. Instead, Mainline shippers require and value predictability of service, particularly on a pipeline that has suffered such toll volatility.Please refer to attached Table 3 and Table 4. Table 3 reports capacity assignments by month and by zone from November, 2007 which are related to RAM. It does not include any capacity assignments to Union's franchise customers. Table 4 shows TCPL tolls also by month and by zone from November 2007.

Union has not identified assignees as that information is viewed as commercially sensitive.

b) Costs and revenues for third party transactions are included in the "Net Exchange Revenue" and "Net Revenue Attributable to RAM Benefit" reported in Table 2.
c) There was no other consideration provided to assignees as a result of the assignments.

d) Union has not entered into any asset management agreements with its transportation contracts on TCPL.

f)-g) Please refer to Table 1. Union's Total Interruptible Transportation charges (before RAM credits) and Net Interruptible charges (after RAM credits) can be found at lines 4 and 5 respectively. Union has also provided Available RAM Credits and RAM credits Used at lines 1 and 2 respectively. The average total FT and STS capacity unutilized per day underpinning the Available RAM Credits has been provided at line 3.

Please note, data has been provided annually commencing in November, 2007 when Union began to fully use the RAM program. Union has provided the detail necessary to demonstrate how Union's use of the RAM program has grown over time, and the magnitude of its benefit to Union and its ratepayers.

h) Union's current approved rates (2008-2012) include $6.9 million associated with transportation and exchange revenues.

During the term of Union's incentive mechanism, transportation and exchange revenue is one component of Union's regulated earnings and is not subject to any special sharing mechanism beyond that already included in rates.

During the IR term, total regulated earnings in excess of 200 Bps above Union's regulated ROE are shared 50/50 with ratepayers. Any earnings in excess of 300 Bps is shared 90/10 in favour of ratepayers.

On rebasing, Union's forecast transportation and exchange revenue, which would have included any revenue associated with RAM, would have been included in rates to the benefit of Union's ratepayers.

However, as indicated above, Union has not forecast any revenue associated with the RAM program in 2013. This is based on TCPL's Business and Services Restructuring Proposal which includes the elimination of the RAM program.

i) The benefit derived from the program is reflected in Union's Net Exchange revenue, as provided in Table 2. The mechanism by which this revenue was shared with ratepayers is described in h).

j) For 2012, Union has forecasted that the exchange revenue attributable to RAM will be $14.2 million. In their Business and Services Restructuring Proposal, TCPL has proposed the elimination of the RAM program. As a result, Union did not forecast any exchange revenues attributable to RAM past November 1, 2012 for 2013 or beyond. For 2012, the treatment of revenues from all exchanges will be consistent with the revenue treatment outlined in h). The treatment of all exchange revenue in 2013 will be the subject of Union's 2013 rates application.

k) Prior to the implementation of RAM, unutilized capacity due to system supply balancing was released primarily through the use of temporary assignments where possible. The resulting assignment proceeds were passed on to ratepayers to reduce the unutilized demand charges (UDC). Since the implementation of the RAM program, the treatment of unutilized demand has not changed, however it is Union's view that the level of costs recovered has increased with the value of the pipe due to the RAM feature. The benefit of the increased recovery goes directly to Union's ratepayers.

An indication of the incremental value that the RAM program has added to the TCPL FT capacity can be seen in a recent example where Union released a portion of its capacity from Empress to the WDA. Since Empress-WDA is not a traded location, Empress-Emerson is used as a proxy for Empress-WDA value in this example. Normally, one would expect the value of the capacity to simply be the "spread" between the receipt and delivery point. For April, 2012, the average spread for Empress-Emerson capacity was $0.59/GJ, or 76% of tolls. Instead, Union realized a value of 85% of tolls. Union attributes this incremental value to the RAM feature of that capacity.

Union Response to TCPL 1.4 a)

TABLE 1
RAM Credits & Interruptible Transportation Summary
$Millions*

Line No.		2007	2008	2009	2010	2011	2012 YTD March
1	Available RAM credits	$ 1.1	$ 16.7	$ 14.5	$ 31.8	$ 32.2	$ 9.7
2	RAM credits used	$ 0.7	$ 16.6	$ 14.5	$ 31.7	$ 32.2	$ 9.7
3	Average unutilized capacity (TJ/d)	20.2	68.3	57.2	81.6	61.0	46.5
4	Total IT charges	$ 0.9	$ 18.2	$ 15.9	$ 33.3	$ 35.2	$ 10.1
5	Net IT charges	$ 0.1	$ 1.7	$ 1.4	$ 1.6	$ 3.1	$ 0.9
6	Total IT used (PJ's)	1.9	31.1	47.8	63.4	64.3	18.8
7	Base IT (PJ's)	1.9	1.4	1.3	1.9	1.7	n/a

* Unless otherwise noted

Union Response to TCPL 1.4 a)

TABLE 2
Net Exchange Revenue & RAM
$Millions

Line No.		2007	2008	2009	2010	2011	2012 Forecast	2013 Forecast
1	Net Exchange Revenue	$ 3.4	$ 11.6	$ 20.5	$ 19.7	$ 31.7	$ 21.1	$ 9.1
2	Net Revenue Attributable to RAM Benefit*	$ 0.4	$ 5.0	$ 14.0	$ 11.7	$ 22.0	$ 14.2	$ -

* Union's approximation of exchange revenue related to the RAM program. This is a subset of Net Exchange Revenue.

Union Response to TCPL 1.4 b)

TABLE 3
Capacity Assignments*
gj/d

Line No.	Receipt Point	Delivery Area	Winter 07/08					Summer '08						
			Nov '07	Dec '07	Jan '08	Feb '08	Mar '08	Apr '08	May '08	June '08	Jul '08	Aug '08	Sept '08	Oct '08
1	Empress	Eastern Zone	-	35,000	35,000	35,000	35,000	65,753	80,753	60,753	60,753	60,753	65,753	65,753
2	Empress	Northern Zone	-	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000
3	Empress	Western Zone	-	-	-	-	-	-	-	-	12,000	12,000	8,000	5,000

Line No.	Receipt Point	Delivery Area	Winter 08/09					Summer '09						
			Nov '08	Dec '08	Jan '09	Feb '09	Mar '09	Apr '09	May '09	June '09	Jul '09	Aug '09	Sept '09	Oct '09
4	Empress	Eastern Zone	28,000	48,000	48,000	48,000	48,000	77,556	97,556	97,556	108,556	108,556	108,556	97,556
5	Empress	Northern Zone	8,000	8,000	8,000	8,000	8,000	-	-	-	-	40,000	-	30,000
6	Empress	Western Zone	-	-	-	-	-	-	-	-	-	-	-	20,000

Line No.	Receipt Point	Delivery Area	Winter 09/10					Summer '10						
			Nov '09	Dec '09	Jan '10	Feb '10	Mar '10	Apr '10	May '10	June '10	Jul '10	Aug '10	Sept '10	Oct '10
7	Empress	Eastern Zone	80,000	80,000	80,000	80,000	80,000	92,832	92,832	92,832	92,832	92,832	92,832	92,832
8	Empress	Northern Zone	20,062	20,062	-	-	-	-	30,000	40,000	40,000	40,000	40,000	20,000
9	Empress	Western Zone	-	-	-	-	-	-	-	-	-	-	-	-

Line No.	Receipt Point	Delivery Area	Winter 10/11					Summer 11						
			Nov '10	Dec '10	Jan '11	Feb '11	Mar '11	Apr '11	May '11	June '11	July '11	Aug '11	Sept '11	Oct '11
10	Empress	Eastern Zone	60,000	60,000	60,000	60,000	60,000	60,000	96,796	110,000	110,000	110,000	110,000	110,000
11	Empress	Northern Zone	-	-	-	-	-	40,000	40,000	49,000	49,000	49,000	49,000	49,000
12	Empress	Western Zone	-	-	-	-	-	-	-	-	-	-	-	-

Line No.	Receipt Point	Delivery Area	Winter 11/12					Summer 12	
			Nov '11	Dec '11	Jan '12	Feb '12	Mar '12	Apr '12	May '12
13	Empress	Eastern Zone	74,796	60,000	60,000	60,000	80,000	117,796	117,796
14	Empress	Northern Zone	-	-	-	-	-	40,000	48,500
15	Empress	Western Zone	-	-	-	-	-	-	-

* not including capacity assignments to Union's franchise customers

Union Response to TCPL 1.4 b)

TABLE 4

100% Load Factor Posted Tolls

$C/GJ

Line No.	Receipt Point	Delivery Area	Winter 07/08					Summer '08						
			Nov '07	Dec '07	Jan '08	Feb '08	Mar '08	Apr '08	May '08	June '08	Jul '08	Aug '08	Sept '08	Oct '08
1	Empress	Eastern Zone	1.03032	1.03032	1.09000	1.09000	1.09000	1.31000	1.31000	1.39999	1.39999	1.39999	1.39999	1.39999
2	Empress	Northern Zone	0.79389	0.79389	0.83269	0.83269	0.83269	1.02310	1.02310	1.09338	1.09338	1.09338	1.09338	1.09338
3	Empress	Western Zone	0.51804	0.51804	0.55056	0.55056	0.55056	0.67581	0.67581	0.72208	0.72208	0.72208	0.72208	0.72208
			Winter 08/09					Summer '09						
			Nov '08	Dec '08	Jan '09	Feb '09	Mar '09	Apr '09	May '09	June '09	Jul '09	Aug '09	Sept '09	Oct '09
4	Empress	Eastern Zone	1.39999	1.39999	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000	1.19000
5	Empress	Northern Zone	1.09338	1.09338	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313	0.91313
6	Empress	Western Zone	0.72208	0.72208	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425	0.59425
			Winter 09/10					Summer '10						
			Nov '09	Dec '09	Jan '10	Feb '10	Mar '10	Apr '10	May '10	June '10	Jul '10	Aug '10	Sept '10	Oct '10
7	Empress	Eastern Zone	1.19000	1.19000	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808	1.63808
8	Empress	Northern Zone	0.91313	0.91313	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894	1.25894
9	Empress	Western Zone	0.59425	0.59425	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513	0.81513
			Winter 10/11					Summer 11						
			Nov '10	Dec '10	Jan '11	Feb '11	Mar '11	Apr '11	May '11	June '11	July '11	Aug '11	Sept '11	Oct '11
10	Empress	Eastern Zone	1.63808	1.63808	1.63808	1.63808	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290
11	Empress	Northern Zone	1.25894	1.25894	1.25894	1.25894	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219
12	Empress	Western Zone	0.81513	0.81513	0.81513	0.81513	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287
			Winter 11/12					Summer 12						
			Nov '11	Dec '11	Jan '12	Feb '12	Mar '12	Apr '12	May '12	June '12	July '12	Aug '12	Sept '12	Oct '12
13	Empress	Eastern Zone	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290	2.24290
14	Empress	Northern Zone	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219	1.74219
15	Empress	Western Zone	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287	1.13287

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17682. **MR. STAUFT:** And if RAM is eliminated, as you recommend, you will preserve -- I take it -- and this is the objective more of the primary market for TransCanada where I'm speaking of TransCanada as a supplier of IT service in the primary market, that's the whole point; right?

17683. **MR. REED:** The whole point is to enhance the economics of providing that service in the primary market by not allowing a secondary market distortion to undercut that. So there, I would agree with you.

17684. **MR. STAUFT:** Okay. Thank you very much, panel.

17685. Those are my questions, Mr. Chairman.

17686. **THE CHAIRMAN:** Thank you very much, Mr. Stauft.

17687. Now we will have Mr. Smith for Union Gas Limited.

--- (A short pause/Courte pause)

17688. **MR. SMITH:** Just have a minute, sir?

17689. **THE CHAIRMAN:** Take your time, Mr. Smith.

17690. **MR. SMITH:** Thanks.

--- (A short pause/Courte pause)

--- EXAMINATION BY/INTERROGATOIRE PAR MR. SMITH:

17691. **MR. SMITH:** Good morning, gentlemen. My name is Smith and I represent Union Gas.

17692. Mr. Pohlod, FT-RAM was not initially TransCanada's idea; is that fair?

17693. **MR. POHLOD:** I would say that's fair.

17694. **MR. SMITH:** And would you agree that it was the Mainline shippers that conjured up the idea of risk alleviation for long-haul contracts?

--- (A short pause/Courte pause)

17695. **MR. REED:** Mr. Smith, if you'll give us just a moment, we're trying to determine what we can say without violating TTF restrictions.

17696. **MR. SMITH:** Well let me try and help you, the -- would you agree that it was the shippers that sponsored FT-RAM at the TTF?

17697. **MR. POHLOD:** I don't think that we could agree that it was shippers that sponsored it. I think that we could agree that it was one individual company that sponsored it.

17698. **MR. SMITH:** All right. And just to uncloak any of the mystery around how it got to be a service, TransCanada did file -- I believe this was discussed with Centra's counsel on Friday -- TCPL did file the resolution which had been agreed to by the TTF and which made RAM a permanent feature of your tariff; isn't that true?

17699. **MR. POHLOD:** Yes, it did.

17700. **MR. SMITH:** And that would have been under cover of a TransCanada letter January 16th, 2009, and the resolution was 04.2009; does that sound right?

17701. **MR. POHLOD:** Yes, that sounds right.

17702. **MR. SMITH:** Do you have a copy of that document with you? Any of the members of the panel.

17703. **MR. POHLOD:** I don't.

17704. **MR. SMITH:** Someone back there is fanning through paper.

17705. **MS. HIRAK:** I'm checking but I'm not sure if I have it.

17706. **MR. SMITH:** Okay. Could I ask -- just for the completeness of the record that we put that document -- it's already a public document -- but put it on file here; would that be something you could take by way of an undertaking?

17707. That is the TransCanada letter January 16th, 2009; my understanding is it's signed by a Mr. Sondergard, and the resolution is 04.2009.

17708. **MR. CAMERON:** If Mr. Smith wishes to use this as an aid to cross, he should produce it.

17709. **MR. SMITH:** No, I'm asking if it could be provided by way of an undertaking, just for the completeness of the record, which is what I said.

17710. **MR. CAMERON:** Well, it will land on the record without any cross-examination on it, is that your intention?

17711. **MR. SMITH:** It would be for the information of the Board, yes.

17712. **MR. CAMERON:** We have no objection to providing ---

17713. **MR. SMITH:** Thank you.

17714. **MR. CAMERON:** --- simply for the record.

17715. **MR. SMITH:** Now, if we could just go through a little history, it was originally proposed for a one-year pilot starting the 1st of November 2004; correct?

17716. **MR. CAMERON:** Just pause to get an undertaking number for that please.

17717. **MR. SMITH:** Oh, I'm sorry.

17718. **THE REGULATORY OFFICER:** Undertaking 9.

--- UNDERTAKING NO./ENGAGEMENT No. U-9:

For TransCanada to provide Mr. Smith with a copy of a letter dated January 16th, 2009 concerning resolution number 04.2009

17719. **MR. SMITH:** Thank you.

17720. Do you want me to repeat that question or can you field it from there?

17721. **MR. POHLOD:** Please.

17722. **MR. SMITH:** Okay, the -- I just want to go through, quickly, the history of how this developed. It was originally put in place on a one-year pilot basis, starting the 1st of November 2004; is that fair?

17723. **MR. POHLOD:** I think that's fair.

17724. **MR. SMITH:** And then it was extended sort of year by year twice separately for 1 November 2005 and again 1 November 2006, and those were all pursuant to TTF resolutions and approvals of the Board.

17725. Is that fair?

17726. **MR. POHLOD:** That's correct.

17727. **MR. SMITH:** And obviously with the support of TransCanada?

17728. **MR. POHLOD:** Or at least without the opposition of TransCanada.

17729. **MR. SMITH:** All right. What are we to take from your caveat that it was absent the opposition of TransCanada that you allowed your tariff to be amended in this way three times in a row?

17730. **MR. POHLOD:** Take it as a statement of fact.

17731. **MR. SMITH:** All right. And it was extended after that for two years, starting the 1st of November 2007 through October 31st, 2009, but this time it applied as well to STS and STS-Linked.

17732. Is that fair? Does that sound right?

17733. **MR. POHLOD:** Yes.

17734. **MR. SMITH:** And so in 2009, pursuant to what would be produced as U -- in response to U-2009 -- sorry, in response to U-9, the RAM feature was made permanent, a permanent feature of your tariff.

17735. **MR. POHLOD:** I believe that was in January of 2009, yes.

17736. **MR. SMITH:** Now, would you agree that RAM is a tool to mitigate unabsorbed demand charges and provide greater flexibility in order to give shippers increased confidence in contracting for long-haul FT service on the Mainline?

17737. **MR. POHLOD:** I would agree with that, but I would also add that it was a tool that was put in place to encourage the contracting of firm transportation.

17738. **MR. SMITH:** What does RAM stand for, sir?

17739. **MR. POHLOD:** I believe it stands for Risk Alleviation Mechanism.

17740. **MR. SMITH:** Risk Alleviation Mechanism. And is it fair to say that the risk alleviation that parties were looking for was the risk associated with unabsorbed demand charges, sir?

17741. **MR. POHLOD:** I would say that is probably fair to say.

17742. **MR. SMITH:** All right. And viewed from the perspective of long-haul shippers, would you agree that RAM has been a great success in terms of alleviating the risk of unabsorbed demand charges?

17743. **MR. POHLOD:** I would agree that some of our shippers probably would see it that way. I'm not sure that I would agree that all of our shippers would see it that way. Some of our shippers that operate at, you know, relatively high load factors have probably not made use of RAM very significantly, other shippers have made use of it in various ways.

17744. We've had ---

17745. **MR. SMITH:** Well, sir, I asked you whether, viewed from the perspective ---

17746. **MR. CAMERON:** Sorry. Mr. Pohlod was answering the question. Could you let him complete it, please?

17747. **MR. SMITH:** As long as he's answering the question.

17748. **MR. POHLOD:** I'm trying.

17749. **MR. SMITH:** So am I.

17750. **MR. POHLOD:** We've had shippers make use of it in various ways.

17751. **MR. SMITH:** Right.

17752. **MR. POHLOD:** We've had local distribution companies even incorporate it into their incentive earnings mechanisms to the point where RAM -- the use of RAM or the value that they've derived from RAM has contributed significantly to shareholder earnings.

17753. Union Gas even, in response to one of the information requests that we asked of Union Gas in their rate case in front of the Ontario Energy Board provided a response that's indicated that $67.3 million in FT-RAM revenue has contributed to their earnings.

17754. **MR. SMITH:** Where does that appear on this record, sir?

17755. **MR. POHLOD:** It does not, but I can file that if you would like as well.

17756. **MR. SMITH:** Well, Mr. Pohlod, you know, I've noticed that you have been trying very hard to get this new evidence on the other record with other questioners and again with myself. I put it to you it's a little unfair when somebody is taking selected bits out of another proceeding and try to parachute them into this record. The other parties don't have an opportunity to respond.

17757. Now, my question to you, sir, was whether or not, from the standpoint of risk alleviation, that is, the mitigation of unabsorbed demand charges, FT-RAM has been a great success.

--- (A short pause/Courte pause)

17758. **MR. POHLOD:** I think, Mr. Smith, that I will stick with my original response and state that I believe it has been a success for some shippers.

17759. **MR. SMITH:** Thank you.

17760. **MR. POHLOD:** And it has not necessarily been a success for all shippers. Only 17 percent of RAM-eligible contracts have made use of RAM.

17761. **MR. SMITH:** Mr. Pohlod, in cross-examination by counsel for Centra, last week, I believe the panel accepted that Centra and the MAS participants, that being Union, GMI and Enbridge, represented in excess of 70 percent of your firm contract volumes and revenues.

17762. Is that an approximate figure? Do you recall that?

17763. **MR. POHLOD:** I think that's fair.

17764. **MR. SMITH:** And would you accept that they represent approximately the same percentage of your long-haul firm revenues?

17765. **MR. POHLOD:** I'm sorry; I don't have those numbers with me.

17766. **MR. SMITH:** Is that something that you can take, subject to check?

17767. **MR. POHLOD:** I can.

17768. **MR. SMITH:** Did they sound in the ballpark?

17769. **MR. POHLOD:** I would need to check that.

17770. **MR. SMITH:** Okay. Then we'll proceed on that basis.

17771. Now, in terms of the success, I would ask you to turn up Exhibit B32, please. And what I would refer to is -- just let me know when you have it. It's Tenaska TCPL 1.21. It's your response to Tenaska 1.21. All right?

17772. And I'd ask you to turn to page 5 of 8, that's PDF 85. I'll wait for the document to come up on the screen. There we are. If you could bring that up a bit.

17773. Now, sir, this is unutilized long-haul FT dollars and volumes, and you had a period which was April 2009 through, it looks like, March or April of 2011. Is that fair? I'm looking at Figure 3.

17774. Are you having some difficulty with that, Mr. Pohlod?

--- (A short pause/Courte pause)

17775. **MR. SMITH:** A lot of long pauses.

17776. **MR. POHLOD:** Yes.

17777. **MR. SMITH:** Okay. And it shows a pretty good fit, doesn't it, in terms of utilizing through RAM the unutilized long-haul demand charges, at least starting in February of 2010 through to -- I guess that's April of 2011, it looks like those costs were largely defrayed. Would that be fair?

17778. **MR. BOWMAN:** This shows that there was a correlation between the dollar credits and the UDCs, but we don't know the actual transaction that happened in the market, the third party transaction.

17779. **MR. SMITH:** Fair enough. And you don't track the secondary market as a general matter, do you?

17780. **MR. BOWMAN:** That's correct.

17781. **MR. SMITH:** Now, if we look at the period prior to February 2010, so we have almost a year from April '09 to February 2010. Even with RAM there hadn't been a total mitigation of unabsorbed demand charges through that period, even with RAM; correct?

17782. **MR. BOWMAN:** Well, again, the RAM credits are in dollars and the UDCs are in TJs per day. So I'm not 100 percent certain on the correlation, whether exactly what that is. This just shows that there is a relationship between the two lines.

17783. **MR. SMITH:** But the RAM credits are in dollars are they not?

17784. **MR. BOWMAN:** The RAM credits are in dollars and the UDCs are in TJs.

17785. **MR. SMITH:** Okay. Now, in your evidence, I believe you have stated that in 2010, approximately $440 million of gross IT service revenue was offset by RAM credits; correct?

17786. **MR. BOWMAN:** Yeah, I believe those are the rough numbers. I'm not sure of exact numbers, but it's in the range.

17787. **MR. SMITH:** I can give you the specific reference if you want, but ---

17788. **MR. BOWMAN:** Yeah, I'm good.

17789. **MR. SMITH:** Okay. And in 2011, the number was closer to 420 million; does that sound right?

17790. **MR. BOWMAN:** Do you want to tell me exactly where the numbers are?

17791. **MR. SMITH:** The -- I'm referring to -- actually Tenaska stated the 420 number in Exhibit C61-5, which was their evidence at page 47, PDF 50. The quote that they had made from the TransCanada application was Figure 8.4, at page 25, PDF 26. Does that help you?

17792. And they were looking at the figure there, Figure 8.4. I apologize to the Court Clerk; I didn't think I was going to have to pull up these references.

17793. The Tenaska reference, I'm sorry, was page 47 ---

17794. **MR. BOWMAN:** Yeah, that's good. I have the graph.

17795. **MR. SMITH:** You have the graph?

17796. **MR. BOWMAN:** Yeah, and ---

17797. **MR. SMITH:** Does that look about right?

17798. **MR. BOWMAN:** In the RAM credits in the 400 million range, yeah.

17799. **MR. SMITH:** It would be above -- the way I read that graph was that the RAM credits would have been in excess of 400 million.

17800. **MR. BOWMAN:** Yeah, that's good.

17801. **MR. SMITH:** Okay.

17802. **MR. BOWMAN:** And that's just -- again, that's for 2011, that's forecast data as well. This was graph was done as of June 30th, 2011, so that's a forecast year. So I don't know what the final year is -- final number is from this graph.

17803. **MR. SMITH:** Fair enough. But I think we're looking at the orders of magnitude; 440 million in 2010, in excess of 400 million in 2011. Is that correct?

17804. **MR. BOWMAN:** I'm good with 400 million, yes.

17805. **MR. SMITH:** Now, we talked about this just a moment ago. The figures that the counsel for Centra had put to you, that 70 percent of your firm volumes in revenues are represented by shippers who strongly oppose your proposed elimination of FT-RAM.

17806. My question is, Mr. Pohlod, what of your long-haul shippers, let's say those who are -- or will be shipping on your system as of November 1, 2012, what of your long-haul shippers are opposing RAM and supporting your elimination of the FT-RAM feature?

17807. **MR. POHLOD:** I'm sorry, could you repeat that?

17808. **MR. SMITH:** Yes. Who of your shippers, your long-haul shippers, and I'm -- let's pick a point in time, 1 November 2012, so for the next gas year. Who is opposing FT-RAM and supporting your proposal to eliminate the risk alleviation mechanism?

17809. **MR. POHLOD:** Mr. Smith, I don't think I can identify any that are. We have never disputed that FT-RAM does provide value to our FT shippers or to some of our FT shippers.

17810. **MR. SMITH:** Okay.

17811. **MR. POHLOD:** It does not surprise us at all that there is a desire by some of them to maintain FT-RAM. The real issue is whether or not it is contributing to the objective that was set out for it initially, which is encouraging FT contracts, and we believe that it is not contributing to that at this point in time.

17812. **MR. SMITH:** Right.

17813. **MR. POHLOD:** And the other issue is the impact or the effect that it's having on TransCanada's ability to generate any IT revenue and the impact that that is having on TransCanada's toll.

17814. **MR. SMITH:** Mr. ---

17815. **MR. POHLOD:** The reason we are proposing ---

17816. **MR. SMITH:** Well, I am going to interrupt.

17817. **MR. POHLOD:** --- is not related ---

17818. **MR. SMITH:** Mr. Pohlod, I -- with respect, I asked you a simple question, and the simple question was which of your long-haul shippers, starting November 1, 2012, oppose RAM and support your proposal to eliminate it?

17819. You gave me your answer and now you're going in to, with respect, a speech and I don't -- I put it to you that that's really not appropriate.

17820. **MR. CAMERON:** I don't know if Mr. Pohlod is finished, but he gave an answer and he thought an explanation to that answer was appropriate, and I believe he should be permitted to finish the explanation.

17821. **THE CHAIRMAN:** Mr. Smith, any comment on the objection?

17822. **MR. SMITH:** Nothing to add, sir.

17823. **MR. POHLOD:** I did start with ---

17824. **THE CHAIRMAN:** Excuse me, Mr. Pohlod, I think we have an unresolved matter before you may continue your answer, which Mr. Smith doesn't want you to continue with. We need to deal with the objection of your counsel that you should be allowed to do so. So we have this unresolved matter; then I'll consult my colleagues on our preferred course of action.

--- (A short pause/Courte pause)

17825. **THE CHAIRMAN:** Thank you to both Mr. Smith and Cameron for raising a question of principle, we believe, in this case.

17826. Mr. Smith, we feel that -- we believe that the witness of course must provide answers to your question. Sometimes, it's a yes or a no, you're entitled to get a yes or a no or, in this case, an answer which you felt was responsive.

17827. It's also our practice to allow the witness to sometimes elaborate on what they provided either in a yes or no answer or something like in this circumstance, provided it doesn't become excessive.

17828. So in this case, we don't feel yet that we have achieved the threshold of being excessive, so we'd prefer to have the witness complete his answer.

17829. **MR. SMITH:** Please complete your answer, sir, whatever you didn't manage to provide.

17830. **MR. POHLOD:** Thank you, Mr. Smith.

17831. I'll keep my speech short. And it's as simple as the reason we are proposing the elimination of RAM is not related to ---

17832. **MR. SMITH:** Could you speak -- could you speak up?

17833. **MR. POHLOD:** The reason we, as TransCanada, are proposing the elimination of RAM is not related to whether shippers are opposing it or supporting it. It is related to the fact that it is not achieving its objective of encouraging FT contracting and it is having a significant impact on Mainline tolls as a result of its impact on the Mainline's ability to generate revenue from the sale of interruptible transportation.

17834. **MR. SMITH:** But from the perspective of a shipper, it is succeeding in allowing long-haul shippers to alleviate the risk of unabsorbed demand charges. Isn't that true?

17835. **MR. POHLOD:** It clearly is providing value in different ways.

17836. **MR. SMITH:** Now, you would eliminate RAM and in substitution for it you believe there would be increased incremental discretionary revenues through the sale of IT and STFT; correct?

17837. **MR. POHLOD:** Yes.

17838. **MR. SMITH:** And you'd given a range of potential values, but the one you use for the purposes of your toll calculations is $50 million; correct?

17839. **MR. POHLOD:** That's correct.

17840. **MR. SMITH:** And from the standpoint of a long-haul shipper, that 50 million would be spread over all shippers, that is, credited to the cost-of-service -- would be spread over all shippers, long-haul and short-haul both; right? It wouldn't flow back just to long-haul shippers.

17841. **MR. POHLOD:** Yes.

17842. **MR. SMITH:** And so if we looked at it this way, that the long-haul shippers -- the figure we had used was approximately 70 percent of your firm service contract volumes and revenues, they would receive 70 percent of that 50 million, or 35 million.

17843. Does that sound right?

--- (A short pause/Courte pause)

17844. **MS. HIRAK:** With respect to discretionary revenue, the way the credit works is -- so under our proposal, the discretionary revenue is credited against the gross revenue requirement and it's functionalized on a gross revenue requirement basis, which means that approximately 17 percent of the revenue goes back to the energy component of the toll and about 83 percent of the revenue goes back to the energy distance component of the toll.

17845. So, on that basis, longer-haul shippers who have a greater distance on the system get more of the revenue than short-haul shippers do.

17846. **MR. SMITH:** Can you give us an order of magnitude?

17847. **MS. HIRAK:** Well, if you take 83 percent of the $50 million ---

17848. **MR. SMITH:** So $40 million ---

17849. **MS. HIRAK:** Sure. Roughly.

17850. **MR. SMITH:** --- instead of 35?

17851. **MS. HIRAK:** Sure.

17852. **MR. SMITH:** Okay. So the point is that from the standpoint -- I'll let you finish discussing with your colleague.

--- (A short pause/Courte pause)

17853. **MS. HIRAK:** We're fine. Continue.

17854. **MR. SMITH:** So from the perspective of the long-haul shipper, the lost unabsorbed risk mitigation per year which has been valued in the vicinity of -- or in excess of $400 million a year for the last couple, they would instead receive a credit to their tolls of $40 million.

17855. Is that fair?

--- (A short pause/Courte pause)

17856. **MR. REED:** Mr. Smith, your math is only half the equation, and you described it as a lost mitigation opportunity, so I want to correct that.

17857. The dollar volume of the discretionary services credit is what you've referred to, but the company's forecast is that, with the elimination of RAM and the utilization of the flexible pricing for IT, that the volume flowing under IT that was associated with RAM will come down a lot.

17858. That means that within the firm shippers contract they have the ability to mitigate demand charges in the other -- I think it is, 10 ways -- that are shown in the company's evidence and presumably more of that will happen. So we expect that diversions, alternate points, will be made greater use of by the shipper within their contract as an alternative to using RAM credits.

17859. So I don't think you can characterize the difference between the RAM dollars today and the flowback of discretionary service revenue as a lost mitigation opportunity. We assume, and the evidence indicates that the mitigation will occur in another form.

17860. **MR. SMITH:** Well, with respect, sir, the evidence indicates that the risk alleviation mechanism has yielded in excess of $400 million a year in credits over the past two years. And you're saying in its place you would suggest -- and this is what's factored into the tolls -- a forecast of 50 million of incremental discretionary revenue; right? Is that correct?

17861. **MR. REED:** Partially correct. That's correct for the volume that flows through the increment associated with IT. We assume, and the evidence indicates, that increased use of other mitigation measures is expected within the firm shippers' contract, so finding ways to alleviate the risk of demand charges without the use of RAM through the other mechanisms.

17862. And the company has made it clear they expect to see greater use of those other mechanisms, which is why -- one of the principle reasons why the IT volume flowing in the post-RAM elimination world is much, much lower, because people are making other uses of their firm capacity.

17863. **MR. SMITH:** And when you say it's in the evidence, what you're talking about are TCPL forecasts of what will happen; right?

17864. **MR. REED:** Yes. The 50 million that you referenced and the 20 million for pricing flexibility, all of those are TCPL forecasts based upon their analysis of the market.

17865. **MR. SMITH:** So if TCPL eliminates RAM and takes away this risk alleviation mechanism in the crediting and we don't end up with offsetting benefits as you forecast, who bears that risk, TransCanada?

17866. **MR. REED:** Three points. The first, the direct answer to your question is that to -- throughput risk and recontracting risk and risk on discretionary revenues right now is all borne by the shipper community under ---

17867. **MR. SMITH:** Right.

17868. **MR. REED:** --- the existing regulatory structure.

17869. The estimates the company has provided, the numbers we are using in that prior answer, 20 million, the range is actually identified as 20 to 80, so the value incorporated in the restructuring proposal tolls forecast is the very low end of that range with a lot of upside potential.

17870. Ditto for the RAM value; it's 50 to 150 as I recall. So again, what's built into the RP projected tolls is the very low end of that range with lots of upside potential.

17871. But you're absolutely right to the extent that if those things turned out to be wrong on the plus side or the minus side, the shipper community would face the consequences of that just as the shipper community will face the benefit of a dollar lower toll under the company's projections.

17872. So all of that is for the shipper account. But again, the company's focus is on the entirety of the services on the Mainline, not one subset, which happens to be FT long-haul.

17873. And I would just finalize that answer by saying, as the company has said, in the long run, it believes it faces risk with regard to the viability of the Mainline, and that ultimately is a risk borne by shareholders if the pipeline cannot survive or cannot be economically viable in the long run.

17874. **MR. SMITH:** Mr. Reed, can you accept, from the standpoint of a long-haul shipper who bears all these risks of cost reallocations when forecasts don't pan out, that giving up a risk alleviation mechanism in return for potential benefits under an uncertain set of circumstances is thin gruel?

17875. **MR. REED:** That's obviously a matter of a subjective judgment, one of a qualitative assessment. I certainly would differ with your characterization of the benefits as being thin gruel or simply a matter of projection.

17876. If you look at the entirety of the RP, there are very real cost reductions and cost changes that lead to the dollar reduction in toll. A small part of that is the 20 to 80 on pricing and the 50 to 150 on RAM. Those are meaningful contributions.

17877. But if you look at the entirety of the RP, the ASE, the depreciation change, the elimination of zones, many of those are not speculative; many of those are not a matter of forecast. They're a matter of certainty, a matter of math.

17878. So while I would agree with you that the projected reduction in tolls includes an element of forecast, much of it is a product of simple and certain math. So I don't consider that to be thin gruel at all.

17879. **MR. SMITH:** Well, but in terms of the thin gruel, let's focus on the incremental discretionary revenue forecast. Would you agree that the 50 million that you factored into tolls would equate to approximately a 5 cent a gigajoule decrease in the Empress to CDA toll under TCPL's basic restructuring assumptions? Approximately.

17880. **MR. REED:** I think that's correct, although again it bears repeating that the 50 you've mentioned is just one element of the projected increase in discretionary revenue, it doesn't take into account the 20 to 80 from pricing flexibility.

17881. **MR. SMITH:** Okay, so if we added the 20, so staying with the low end estimates, which is the 50 you used in the toll forecast and for the purposes of the discretionary pricing you used 20 for toll forecasting purposes?

17882. **MR. REED:** For the purposes of the forecast, the low end of the range was assumed. That's correct.

17883. **MR. SMITH:** So the number then instead of 5 cents might be 6 or 7; is that fair, ballpark?

17884. **MR. REED:** I think it's closer to 7, yes.

17885. **MR. SMITH:** All right. And we've been advised that there's a 30 percent toll increase coming due to a revised TransCanada throughput forecast, right?

17886. **MR. REED:** That was the information put on the record by Mr. Johannson earlier, subject to finalization, I guess, this Friday.

17887. **MR. SMITH:** And the 2011 eastern zone firm transportation toll is approximately 224 a gigajoule. Is that fair? I see some people nodding.

17888. **MR. REED:** Today, you're saying?

17889. **MR. SMITH:** I said your 2011 eastern zone FT toll is approximately 224?

17890. **MR. REED:** Yes.

17891. **MR. SMITH:** And so a 30 percent increase on that would be approximately 67 cents, if you accept my math?

17892. **MR. REED:** Your math is wrong because the 30 percent was not measured off of the 2011 tolls.

17893. **MR. SMITH:** And so just in a ballpark, what would be the correct number? You say my math is wrong, what number would you use, sir?

17894. **MR. REED:** The 30 percent figure that Mr. Johannson quoted was off of the projected RP tolls of $1.20 or whatever. I'm forgetting the exact number, I'm sorry, but it was off of the projected RP tolls, not off of the 2011 tolls.

17895. **MR. SMITH:** Okay. Well, what would that be then, ballpark?

--- (A short pause/Courte pause)

17896. **MR. SMITH:** It's the eastern zone firm toll that I'm talking about. Do you want to put it on the record?

17897. **MS. HIRAK:** Well, so our -- under restriction proposal, we don't have an eastern zone.

17898. **MR. SMITH:** Okay.

17899. **MS. HIRAK:** And the 30 percent we're talking about is relative to the restructuring proposal. So for 2013, and I'll just use the SMB to Enbridge CDA toll as an example.

17900. **MR. SMITH:** Oh, that's SMB? Okay.

17901. **MS. HIRAK:** Would you prefer Empress? I can give you that.

17902. **MR. SMITH:** Yeah, Empress, I prefer.

17903. **MS. HIRAK:** Okay. So the original file toll from Empress to Enbridge CDA was $1.27 in our October filing, so add 30 percent to that.

17904. **MR. SMITH:** Thirty-six (36) cents.

17905. **MS. HIRAK:** Add an additional 36 cents, approximately.

17906. **MR. SMITH:** And the benefit of the STS and IT pricing and the increment in discretionary services associated with elimination of RAM, we had agreed was in the 6 to 7 cent range.

17907. So we've had one forecast change, which has got an impact on all shippers, long-haul included, which would be approximately six times the benefit that you would identify with the elimination of RAM.

17908. Is that fair?

17909. **MS. HIRAK:** If I can clarify. So the $20 million for IT and STFT pricing and the 50 million, again, that was based on tolls from the October schedule. To the extent that tolls increase, the additional revenue that we would receive from either the elimination of RAM or the IT STFT pricing would increase in the same proportion with the toll increase.

17910. So you're not looking at $70 million benefit anymore, it will be -- more than that.

17911. **MR. SMITH:** Now, I guess I'd just like to understand something. I don't want to pursue it too far, but you say that the 30 percent increase in tolls was only on the RP toll. I find that difficult to understand because we're dealing with yes, your restructuring proposal, but we also have a status quo if the Board were to reject the application.

17912. How is it that the 30 percent increase in tolls wouldn't apply to the status quo toll as well?

17913. **MS. HIRAK:** So there will be an increase in the status quo as well. I don't know yet for sure if it's equal to 30 percent or something slightly above that. We're still running the numbers and again ---

17914. **MR. SMITH:** All right.

17915. **MS. HIRAK:** --- by the end of the week, we will be providing that comparison of restructuring and status quo based on the new update.

17916. **MR. SMITH:** Okay. And you would accept though that if we were working off the status quo toll, that status quo toll was in the vicinity of $2.24 from Empress to the Enbridge CDA? Again, ballpark, I'm not asking you to be precise.

17917. **MS. HIRAK:** From our October -- from our October filing, the status quo 2013 toll for the eastern zone was 228.

17918. **MR. SMITH:** Okay. So 30 percent on that would be 67 plus cents increase?

17919. **MS. HIRAK:** Approximately, yes.

17920. **MR. SMITH:** Okay. Now, ---

17921. **THE CHAIRMAN:** Mr. Smith, before you pursue anymore ---

17922. **MR. SMITH:** Oh, I'm sorry.

17923. **THE CHAIRMAN:** --- would now or soon be a good time for our break?

17924. **MR. SMITH:** No, this is fine, sir. I'd lost track of the time.

17925. **THE CHAIRMAN:** Any time is good? No, no, that's fine. That's why I'm here.

17926. So if it's not too inconvenient for you, we'll take our 20-minute break now and we'll reconvene at 10:40.

17927. **MR. SMITH:** Thank you, sir.

17928. **THE CHAIRMAN:** Thank you.

--- Upon recessing at 10:18 a.m./L'audience est suspendue à 10h18
--- Upon resuming at 10:40 a.m./L'audience est reprise à 10h40

17929. **THE CHAIRMAN:** Mr. Smith, please.

KARL JOHANNSON: Resumed
STEFAN POHLOD: Resumed
DONALD BELL: Resumed
NORM BOWMAN: Resumed
KEITH NELSON: Resumed
KRISTENA HIRAK: Resumed
JOHN J. REED: Resumed

--- EXAMINATION BY/INTERROGATOIRE PAR MR. SMITH: (Continued/Suite)

17930. **MR. SMITH:** Thank you, Mr. Chairman.

17931. Ms. Hirak -- and I hope I've pronounced that correctly. The ---

17932. **MS. HIRAK:** You did.

17933. **MR. SMITH:** When you have a name like Smith, it's kind of easy, but...

17934. So before the break, you had offered some comments about the effects of the increase in discretionary pricing associated with the RP. Do you recall that?

17935. **MS. HIRAK:** Yes.

17936. **MR. SMITH:** Now, is the likelihood of realizing the full extent of those increases affected by the one Bcf per day drop in gas supply at Empress forecast over the test period? In other words, there's less gas there to be drawn to the east, so to speak.

17937. **MS. HIRAK:** I just want to make sure I understand your question. So are you asking would the -- the $70 million amount be impacted by the reduction in throughput that we are forecasting?

17938. **MR. SMITH:** Well, you had suggested that there could be additional revenues associated with the changes to discretionary pricing which is part of the RP. My simple point to you is, you're now forecasting as well a significant amount of reduced gas supply over the forecast period.

17939. Do you think that might have an effect on the likelihood of realizing the full extent of that uptake in discretionary revenue?

17940. If you don't know, that's fine.

17941. **MS. HIRAK:** Well, what I'll comment is you're right, to the extent that discretionary revenue is a function of not only the flow that we expect to flow under discretionary revenue, but also what the resulting toll is as well. So it is possible that a reduction in throughput could impact that number, but as well, so will the toll increase.

17942. **MR. SMITH:** Okay. And I did want to go to the toll increase.

17943. So what we understand is the tolls now will be 30 percent higher and that your proposed discretionary services pricing works off the base toll; it doesn't go below it. So will that affect, potentially, the level of discretionary revenue which you now forecast?

17944. **MS. HIRAK:** We expect -- and again, we'll have more detail for you when we file our information on Friday. But we do expect that there will be a volume change to the amount of discretionary flow, as well as a change in the toll which calculates the revenue related to discretionary service.

17945. **MR. SMITH:** I'll leave it at that. Thank you.

17946. Now, I just wonder if you might turn up Exhibit C2-6-3. That is the CAPP evidence, the Drazen evidence, and I'm referring to Table 1, page 12. Just let me know when you have that there. And it's on the screen, but I don't know, Ms. Hirak, if you're the right one to ask about this or not.

17947. But my simple point is when you take a look at the forecast versus actual discretionary miscellaneous revenue, would you agree that there's a pretty wide fluctuation or variance in the actual versus forecast results? They've been off by big numbers, and in fairness, both ways.

17948. **MS. HIRAK:** I would agree that some of them are bigger numbers than others, and I also agree that they go in both directions.

17949. **MR. SMITH:** Right. And that -- when we look at forecast benefits from the standpoint, again, of a long-haul shipper with an existing risk alleviation mechanism in place that the certainty of the projected benefits which the RP is said to offer, that those really do have some uncertainty surrounding them.

17950. Is that fair?

--- (A short pause/Courte pause)

17951. **MS. HIRAK:** With respect to our restructuring proposal and the -- the request to implement a short term adjustment account, the variances on an annual basis will be amortized over a five-year period. So the impact of those will be smoothed out over a period of time and will help to stabilize the toll level.

17952. **MR. SMITH:** Well, Ms. Hirak, I'm not sure that's really what I asked. The -- it wasn't so much the volatility of the toll as it was the absolute level of the toll.

17953. I was simply saying -- or putting to you that the uncertainty given the -- sorry, the uncertainty of the forecast discretionary revenue levels under your RP, when you look at the history of the forecast versus actual discretionary miscellaneous revenues, there's a wide variation in the outcomes.

17954. It's pretty tough to be precise about the benefits that would occur in the test period. Is that fair?

17955. **MS. HIRAK:** What I will agree with is that it is more difficult to forecast discretionary service than it is under a firm contract level, simply because there's no -- there's no obligation that the discretionary service will show up compared to a firm contract ---

17956. **MR. SMITH:** Okay.

17957. **MS. HIRAK:** --- level.

17958. **MR. SMITH:** That's fair, thank you.

17959. Now, this may be for you, Mr. Pohlod. But the NEB, in their IR Number 7, Exhibit B36, had asked for reruns of your tolling numbers. And I'm not going to get into it in detail, but -- I saw a smile there. Reruns of your tolling forecasts with different aspects of your restructuring proposal excluded. Does that sound familiar?

17960. **MR. POHLOD:** It does.

17961. **MR. SMITH:** And the benefit that was projected for -- under the column "Services", which included the elimination of RAM as well as the new pricing for IT and STFT, from NIT to the Enbridge CDA was something in the area of 9 cents a gigajoule. Is that fair? Or take it subject to check.

17962. **MS. HIRAK:** I'll take it subject to check.

17963. **MR. SMITH:** And I guess, Mr. Pohlod, you have 70 percent of your long-haul shippers and your firm shippers saying to you, "Don't eliminate RAM". The risk alleviation mechanism really has allowed them to defray unabsorbed demand charges in a significant way in past years.

17964. Why would you not proceed with the other elements of the restructuring as the Board may permit and revisit RAM, if it's necessary to do so, later?

17965. **MR. POHLOD:** Because we really are of the view that it is necessary to revisit or to visit it now.

17966. We are talking about the same shippers -- and everybody has to appreciate this -- that have substantially reduced the volumes of FT that they have contracted on the Mainline and they have substantially reduced those volumes of FT contracted as a result of -- largely, I think -- the availability of cheaper alternatives as a result of the toll on the TransCanada Mainline as well, or at least partially as a result of that.

17967. The elimination of RAM, we believe, is required at this time as one of the measures in the restructuring proposal to enable us to reduce the tolls substantially, which will make holding FT contracts more attractive.

17968. **MR. SMITH:** Sir, you said "partially". And would it perhaps not be prudent if 70 percent of your existing firm service customers are saying this is an important risk alleviation mechanism, particularly given the kinds of costs that are being reallocated here and they really want it.

17969. Wouldn't it make sense to proceed with the balance of the restructuring; see the extent to which there's, you know, an uptick in volumes and, you know, what the effects are on the system before discontinuing what is viewed by them -- and they're your target audience, the long-haul contract holders -- as an important means by which to mitigate unabsorbed demand charges?

--- (A short pause/Courte pause)

17970. **MR. POHLOD:** The local distribution companies that you mentioned, which make up the 70 percent or so of our firm shippers, have made substantial reductions in the levels of FT contracts that they hold. The RAM mechanism was implemented as a mechanism to encourage FT contracting on the Mainline.

17971. Clearly, from our perspective, it has not accomplished that. This is the time where we have to take every measure possible that we can identify to reasonably decrease the tolls on the Mainline because that is what is essential, from our perspective, to maintain FT contract levels.

17972. **MR. SMITH:** You want long-haul shippers on your system, incremental and existing; right?

17973. **MR. POHLOD:** Yes, we do. And we are taking actions through our restructuring proposal to achieve a dollar reduction in our tolls, roughly, for long-haul transportation. And that is what we believe we need to do at this time.

17974. **MR. SMITH:** And sir, if I could stop you there -- and I -- but just to allow the conversation to continue.

17975. If we allowed -- you know -- a restructuring to take place where there was a significant reduction in firm service tolls, then we would at least be able to see what -- to what extent RAM was really a reason why parties were not signing up like marketers and others for long-haul firm service. Wouldn't that be true?

17976. **MR. POHLOD:** And I believe that the elimination of RAM is an integral component of reducing those tolls.

17977. **MR. SMITH:** Okay. Your target audience are long-haul shippers; fair, in this context?

17978. **MR. POHLOD:** FT-RAM is an attribute of long-haul FT and also short-haul FT to the extent that it is linked ---

17979. **MR. SMITH:** Linked.

17980. **MR. POHLOD:** --- with FT. Our target audience for our restructuring proposal is all shippers across the system.

17981. **MR. SMITH:** Right. But what you were talking about with RAM was its appeal to long-haul shippers; correct?

17982. **MR. POHLOD:** We were talking about the fact that it does provide value for some of our long-haul shippers, and we acknowledge that.

17983. **MR. SMITH:** Okay. And ---

17984. **MR. POHLOD:** But reducing the toll is, from our perspective, the highest priority. And we're talking about a program that was specifically implemented for an objective which it is not achieving.

17985. **MR. SMITH:** Well, with respect, sir, and we will argue this at the end of the day, but risk allocation -- or sorry, alleviation mechanism was an objective thought very important by long-haul shippers. Isn't that true?

17986. **MR. POHLOD:** I took the liberty, Mr. Smith, of looking up the letter in the Tolls Task Force Resolution that you asked us to put on the record and that we will file ---

17987. **MR. SMITH:** Right.

17988. **MR. POHLOD:** --- as part of that undertaking.

17989. That resolution very clearly states that RAM is a tool to mitigate unabsorbed demand charges and provides greater flexibility in order to give shippers increased confidence in contracting for long-haul FT service on the TransCanada Mainline.

17990. It specifically states the motivation behind RAM is to promote the renewal of incremental contracting for long-haul FT service.

17991. **MR. SMITH:** Right. And we went through those same concepts a little earlier, sir.

17992. But I put it to you by degrading the value of long-haul firm service, by removing the risk alleviation feature, you make it less attractive to a firm -- to a long-haul shipper, other things equal. Is that fair?

17993. **MR. POHLOD:** It is part of a package that achieves a dollar reduction in long-haul tolls, and we believe that is what we need to address at this point in time in order to maintain FT contracts on the system.

17994. It no longer makes sense for us to maintain a mechanism that is having a significant impact on our ability to generate discretionary revenue, even though it provides an opportunity for shareholder value for some of our customers. And it's providing that value for some of those same customers that have substantially reduced long-haul FT on the TransCanada system and have gone so far as to actively promote bypasses of the system on their own.

17995. **MR. REED:** Mr. Smith, your question almost contains its answer within the question. I'll make it clear.

17996. If I thought the elimination of RAM meant that all other things would still be equal and there would be no effect or benefit from it, then I certainly wouldn't support the elimination of RAM. The whole point is that all other things won't be equal. It's part of a package, as Mr. Pohlod said, to reduce the overall toll by more than a dollar.

17997. You've spent a lot of time asking questions about the benefit and the value that certain long-haul shippers see from RAM, but we haven't really addressed the cost that it imposes on the system. Certainly there's value for getting something for free. But what it -- what it causes to happen on the system is that more than $400 million of IT revenue is arguably lost to the system. That revenue credit is lost to all firm shippers and it causes the overall tolls to be higher.

17998. So while we can agree that there is a benefit, while we can agree that some shippers value it, it has to be examined in the overall context of the cost versus the value of that. And it's TransCanada's judgment, with which I agree, that the cost is substantially higher than the value it produces.

17999. **MR. SMITH:** Long-haul shippers, sir -- you keep saying it's free. Long-haul shippers pay for a service with certain attributes, one of which happens to be the risk alleviation mechanism. The status quo toll is in the $2.70 range. We've just had a 30 percent increase, and you say long-haul shippers are getting this service for free?

18000. **MR. REED:** Yes, because there is risk alleviation built into all of the 10 other means of mitigating UDCs. What we have with RAM is the ability to go above and beyond your MDQ, the ability to basically bank dollars for other purposes at other times on other paths and, again, out of quantity.

18001. There's no additional cost allocation to firm shippers associated with the fact that they're taking volumes now above their MDQ. There is no higher cost allocation to them associated with the guaranteed ability or virtually guaranteed ability to utilize 100 percent of the dollars associated with the demand charges regardless of what path they put it on.

18002. So yes, there is no incremental cost to the shipper associated with RAM, which is why I say it's free.

18003. **MR. SMITH:** Mr. Reed, none of this 70 percent of the firm service shippers, Centra, Enbridge, Union, and Gaz Métro are arguing for the elimination of any of the risk mitigation tools, including the risk alleviation mechanism, correct? They need them all? That's what they say?

18004. **MR. REED:** I believe that all four support keeping all of those mechanisms in place.

18005. **MR. SMITH:** Thank you.

18006. Those are my questions, Mr. Chairman, panel, thank you.

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wish to make.

18444. Mr. Nelson has a transcript clarification, as I understand it, at paragraph 18341.

18445. Mr. Nelson, could you do that please?

18446. **MR. NELSON:** Yesterday, at paragraph 18341, Board Counsel, Ms. Audino, was enquiring as to whether all of the tariff provisions would be the same for a modified at-risk MFP relative to what has been proposed.

18447. Mr. Johannson responded at 18342, that we would expect to use the same contract.

18448. While this is correct, we believe this response is incomplete as there would also be a need for tariff amendments relative to those filed in the C-6 -- independent C-6 of the application.

18449. The modifications that would be required to address changes in terms of price, term of contract and the open season protocol is described by Mr. Johannson -- would be required as subscribed by Mr. Johannson.

18450. Although TransCanada does not have the specific tariff changes that would be required, the changes would occur in the MFP toll schedule, the transportation access procedure, as well as the FT toll schedule.

18451. I hope this information is helpful.

18452. **THE CHAIRMAN:** Thank you, Mr. Nelson.

18453. **MR. CAMERON:** Thank you. And I believe Mr. Pohlod has a correction to make in around paragraph 17753.

18454. **MR. POHLOD:** Yes, thank you.

18455. The clarification I want to provide is that information on the revenue earned by Union that does not flow back to its ratepayers with respect to its use of FT-RAM is on the record in this proceeding.

18456. And after reviewing Volume 16 of the Transcript, I feel I need to provide this clarification to the response that I gave to Mr. Smith during his examination of the proposed elimination of RAM with respect to paragraphs 17753 and 17755.

18457. In paragraph 17753, I referenced a response to an information request that Union provided in its rate case in front of the Ontario Energy Board that indicated that Union derived revenues associated with RAM in the order of $67.3 million.

18458. Mr. Smith then asked me in paragraph 17754 where that information appeared on the record. And in the paragraph after that I responded that that particular IR response does not appear in the record of this proceeding.

18459. And I need to clarify this because the information in fact on the $67.3 million does appear in the record of this proceeding. Specifically, it's provided in Union's response to TransCanada Union 1.4A in Table 2 of that response and it's part of Exhibit C64-8-2, at PDF page 17 of 41, and if I could ask the Court Reporter to please turn that up.

18460. **THE REGULATORY OFFICER:** Can I ask you to repeat the number again, please?

18461. **MR. POHLOD:** Certainly. It's C64-8-2, at PDF page 17 of 41.

--- (A short pause/Courte pause)

18462. **MR. POHLOD:** Right there. The second row of this table that's titled "Net Exchange Revenue & RAM" shows Union's approximation of exchange revenue related to the RAM program between the years 2007 and 2012.

18463. This row suggests that Union derived net revenues attributable to RAM of 0.4 million in 2007; 5 million in 2008; 14 million in 2009; 11.7 million in 2010; 22 million in 2011; and they forecasted exchange revenue of 14.2 million 2012 associated with RAM benefits.

18464. The total over this period, from 2007 to 2012, adds up to the $67.3 million in Union earnings derived from RAM that I cited yesterday in paragraph 17753.

18465. And I appreciate the opportunity to clarify the record with regard to this $67.3 million.

18466. **MR. CAMERON:** Thank you, Mr. Chairman. With that, the panel is again available for examination by the Board.

18467. **THE CHAIRMAN:** Thank you, Mr. Cameron.

18468. Are there any other preliminary matters this morning we should deal with?

18469. It would appear so, Mr. Smith?

18470. **MR. SMITH:** Mr. Chairman, if I might just follow-up on a clarification that was offered by Mr. Pohlod.

18471. Mr. Pohlod, you concluded by saying that those were net earnings to Union Gas over the five-year period. Could you just read what it says at the top of the table there? Table 2, is that not "Net Exchange Revenue & RAM" in millions?

18472. **MR. POHLOD:** That is the title of the table ---

18473. **MR. SMITH:** Thank you.

18474. **MR. POHLOD:** --- and the second line, which I was referring to, is titled "Net Revenue Attributable to RAM Benefit".

18475. **MR. SMITH:** Right, that revenue received by Union, not net earnings. It doesn't say "net earnings"

18476. Thank you, sir.

18477. **THE CHAIRMAN:** Thank you, Mr. Smith.

18478. So if there is no other preliminary matter we can go back to Ms. Mercier and her questions.

18479. Ms. Mercier, please?

--- EXAMINATION BY/INTERROGATOIRE BY MEMBER MERCIER: (Continued/Suite)

18480. **MEMBER MERCIER:** Thank you, Mr. Chair.

INCREMENTAL TRANSPORTATION CONTRACTING ANALYSIS

Introduction

Pursuant to Union's EB-2005-0520 Settlement Agreement (pg 13, Subsection 3.1, paragraph 2; and, Appendix B – Incremental Transportation Contracting Analysis), the purpose of this evidence is to provide the analysis used by Union to support its decision to enter into firm transportation capacity on the four following contracts:

1. Vector Pipeline
2. Panhandle Eastern Pipeline - Michigan Consolidated Gas Company
3. Michigan Consolidated Gas Company – Great Lakes Gas Transmission-TransCanada PipeLines
4. TransCanada PipeLines.

VECTOR PIPELINE TRANSPORTATION CONTRACT

Capacity

Union currently holds 85,460 GJ/d of firm transportation capacity on Vector Pipeline ("Vector") from Chicago to Dawn for a term ending on October 31, 2015 at a fixed demand rate of $0.25 US/mmbtu.

Capacity of 10,000 mmbtu/d (10,551 GJ/d) was purchased in the secondary market and was entered into for a one-year term initiating on November 1, 2011 through to October 31, 2012 at a 100% load factor rate of $0.2416 US/mmbtu.

This new capacity will serve sales service customers in Union's Southern Operations Area. This transportation path is allocated to customers migrating from sales service to direct purchase using the vertical slice methodology.

The assignment of US pipeline transportation capacity between shippers is governed by FERC in accordance with standardized "capacity release" bidding rules. FERC's capacity release process required Union and Shipper releasing the capacity, in this case, DTE Energy, to place a notice on Vector's website that described the term, volume and rate that Union had bid for the capacity. At the end of a one business day pre-arranged, biddable posting, Union was awarded the capacity under the terms of the original bid.

Rationale for Transportation Capacity

Union's 2011/2012 Gas Supply Plan supports the new Vector capacity in order for Union to meet forecasted demand within the Southern sales service customer base.

The benefits of this capacity are:

1. The landed cost of gas flowing to Union along this route is competitive with supply flowing on alternative upstream pipelines;

2. The one-year term supports Union's objective of structuring a portfolio with a diversity of contract terms and supply basins;
3. Access to the Chicago market hub which receives competing gas supplies from the Western Canada Supply Basin, the U.S. Midwest, Gulf and the expanding Rockies basin which supports Union's objective of diversity of supply basins;
4. It maintains and supports the acquisition of secure supply from a liquid market hub with many gas suppliers accessing multiple gas basins;
5. It has a low unabsorbed demand charge exposure relative to alternative upstream pipeline routes due to the low demand charge on this route;
6. It provides a fixed-rate toll which provides toll certainty on a portion of Union's supply.

Contract Parameters

- Transportation provider: Vector Pipeline Limited Partnership
  - Service: FT-1 (Firm Transportation Service)
  - Term: November 1, 2011 through October 31, 2012
  - Volume: 10,000 mmbtu/day
  - Rate: $0.2416 US/mmbtu at 100% load factor (exclusive of fuel)
  - Receipt Point: Joliet (Alliance Pipelines)
  - Delivery Point: Dawn (Union Gas Limited)

Incremental Contracting Analysis Form

Schedule 1 shows a comparison of landed costs for the Vector contract relative to the alternatives reviewed by Union in the format agreed upon in the EB-2005-0520 Settlement Agreement.

PANHANDLE EASTERN PIPELINE-MICHIGAN CONSOLIDATED GAS COMPANY TRANSPORTATION CONTRACT

Capacity

Union currently holds 25,000 mmbtu/d of firm transportation capacity on Panhandle Eastern Pipe Line ("PEPL") from the Panhandle Field Zone ("FZ") to Ojibway for a term ending October 31, 2017 at a 100% load factor rate of $0.4693 US/mmbtu.

Union delivers to Dawn 20,000 mmbtu/d (21,101 GJ/d) of firm supply via the transportation path originating on PEPL FZ in Oklahoma travelling to Michigan Consolidated Gas Company ("MichCon") interconnect, then on MichCon to the St. Clair interconnect at which point it then moves on to St. Clair Pipelines to Dawn. The one-year contract term on the upstream pipelines is from November 1, 2011 to October 31, 2012. The combined 100% load factor rate for the transportation path is $0.3175 US/mmbtu. The transportation contracts were directly negotiated with upstream pipeline suppliers. This new capacity will serve sales service customers in Union's Southern Operations Area. This transportation path is not allocated to customers migrating to direct purchase using the vertical slice methodology because the MichCon portion of the PEPL-MichCon path does not have a capacity release program. MichCon is regulated as a Hinshaw[1] pipeline (as opposed to an interstate regulated pipeline) and is not required to have such a program. The systems required to execute Union's vertical slice methodology are not available.

Rationale for Transportation Capacity

Union's 2011/2012 Gas Supply Plan supports the new PEPL FZ-MichCon capacity in order for Union to meet forecasted demand within the Southern sales service customer base.

The benefits of this capacity are:

1. The landed cost of gas flowing to Union along this route is competitive with supply flowing on alternative upstream pipelines;

[1] "Intrastate natural gas pipelines are defined as pipelines that operate entirely within a single state and are not subject to the Commission's jurisdiction under the Natural Gas Act. Hinshaw pipelines, by definition, also operate within a single state, but can receive gas from outside their state without becoming subject to the Commission's NGA jurisdiction. Historically, the Commission did not make intrastate and Hinshaw pipelines meet the same rigorous transactional reporting guidelines as interstate pipelines. However, the Commission's new rule was created to provide a more detailed and uniform account of intrastate and Hinshaw pipelines." *Source: Washington Energy Report, FERC Announces New Reporting Rules for Intrastate and Hinshaw Pipelines, Troutman Sanders LLP, May 2010*

http://www.troutmansandersenergyreport.com/2010/05/ferc-announces-new-reporting-rules-for-intrastate-and-hinshaw-pipelines/

2. The one-year term supports Union's objective of structuring a portfolio with a diversity of contract terms and supply basins;
3. It maintains and supports the acquisition of secure supply from the Panhandle Field Zone gas supply basin, maintaining Union's supply diversity;
4. It has a low unabsorbed demand charge exposure relative to alternative upstream pipeline routes due to the low demand charge on this route;
5. Both PEPL and MichCon are able to provide a fixed-rate toll for the contract term providing toll certainty on this portion of Union's supply;
6. Bringing supply into Ontario via the St. Clair interconnect is anticipated to allow for additional operational flexibility in the Sarnia Industrial market.

Contract Parameters

- Transportation provider: Panhandle Eastern Pipe Line Company, LP
  - Service: FT (Firm Transportation Service)
  - Term: November 1, 2011 through October 31, 2012
  - Volume: 20,326 mmbtu/day
  - Rate: $0.28 US/mmbtu at 100% load factor (exclusive of fuel)
  - Primary Receipt Point: Markwest Western Oklahoma Gas (13241)
  - Secondary Receipt Points: Scotland Interconnect (09248), ANR Defiance (ANRDF), Crossroads (CRSRD), REX Pipeline (09254)
  - Primary Delivery Point: Michigan Consolidated Gas (MCON)
  - Secondary Delivery Point: Ojibway (UNION)

- Transportation provider: Michigan Consolidated Gas Company
    - Service: Exchange Service
    - Term: November 1, 2011 through October 31, 2012
    - Volume: 20,000 mmbtu/day
    - Rate: $0.0375 US/mmbtu at 100% load factor (exclusive of fuel)
    - Primary Receipt Point: PEPL/MCON (9028)
    - Primary Delivery Point: Union St. Clair

INCREMENTAL CONTRACTING ANALYSIS FORM

Schedule 1 shows a comparison of landed costs for the PEPL/MichCon transportation path contracts relative to the alternatives reviewed by Union in the format agreed upon in the EB-2005-0520 Settlement Agreement.

MICHIGAN CONSOLIDATED GAS COMPANY-GREAT LAKES GAS TRANSMISSION-TRANSCANADA PIPELINES LIMITED TRANSPORTATION CONTRACTS

Capacity

Union continues to hold 2,700 Gj/d of firm transportation capacity on TransCanada PipeLines ("TCPL") from Empress to Sault St. Marie Delivery Area ("SSMDA") for a term ending on October 31, 2012. The 100% load factor rate at the time of the analysis was $1.2589 CDN/GJ (2010 final toll schedule).

Capacity of 6,143 GJ/d to the SSMDA was purchased via the transportation path originating on Michigan Consolidated Gas Company ("MichCon") travelling to the Great Lakes Gas Transmission ("GLGT") interconnect at Belle River Mills, then on GLGT to the Sault Ste. Marie TCPL interconnect at which point it moves on to TCPL to Union's SSMDA. The contract term on upstream pipelines is from November 1, 2011 to October 31, 2014. The transportation contracts were directly negotiated with upstream pipeline suppliers.

This new capacity will serve sales service customers in Union's Northern Operations Area. The combined 100% load factor rate for the new transportation path is $0.1574 US/mmbtu.

Rationale for Transportation Capacity

Union's 2011/2012 Gas Supply Plan supports the new MichCon-GLGT capacity in order for Union to meet forecasted demand within the Northern sales service customer base. The benefits of this capacity are:

1. The landed cost of gas flowing to Union along this route is competitive with supply flowing on alternative upstream pipelines;
2. The three-year term supports Union's objective of structuring a portfolio with a diversity of contract terms and supply basins;
3. It introduces to northern customers secure supply from a new gas basin, increasing Union's supply diversity;

4. The transportation path provides transportation portfolio diversity by including two new pipeline suppliers in the North, MichCon and GLGT;
5. Both MichCon and GLGT are able to provide a fixed-rate toll for the contract term providing increased toll certainty on this supply.

Contract Parameters

- Transportation provider: Michigan Consolidated Gas Company
  - Service: Firm Gas Transportation Service
  - Term: November 1, 2011 through October 31, 2014
  - Volume: November-March 5,829 mmbtu/day (6,150 GJ/day)
    April-October 3,003 mmbtu/day (3,168 GJ/day)
  - Rate: $0.035 US/mmbtu at 100% load factor (exclusive of fuel)
  - Primary Receipt Points: MichCon Generic Points
  - Delivery Point: GLGT-Belle River
- Transportation provider: Great Lakes Gas Transmission
  - Service: FT (Firm Transportation Service)
  - Term: November 1, 2011 through October 31, 2014
  - Volume: 5,829 mmbtu/day (6,150 GJ/day)
  - Rate: $0.08 US/mmbtu at 100% load factor (exclusive of fuel)
  - Receipt Point: Belle River Mills
  - Secondary Receipt Points: St. Clair and Farwell

- Delivery Point: Sault Ste. Marie TCPL
- Secondary Delivery Point: Emerson
- Transportation provider: TransCanada PipeLines Limited
    - Service: FT (Firm Transportation Service)
    - Term: November 1, 2011 through October 31, 2014
    - Volume: 6,143 GJ/day
    - Rate: $0.0412 CDN/ GJ at 100% load factor (exclusive of fuel)
    - Receipt Point: SS Marie
    - Delivery Point: Union SSMDA

Incremental Contracting Analysis Form

Schedule 2 shows a comparison of landed costs for the MichCon/GLGT/TCPL transportation path contracts relative to the alternatives reviewed by Union in the format agreed upon in the EB-2005-0520 Settlement Agreement.

TRANSCANADA PIPELINES LIMITED TRANSPORTATION CONTRACTS

Capacity

Effective November 1, 2011, Union entered into two contracts with TCPL, totalling 80,000 GJ/d from Parkway to Union CDA. The first contract is for a quantity of 16,000 GJ/d of firm transportation ("FT") for a one-year term from November 1, 2011 to

October 31, 2012 at the 100% load factor tariff rate of $0.0686/GJ. The second contract is for a quantity of 64,000 GJ/d of firm transportation – non renewable ("FTNR") for a one-year term initiating from November 1, 2011 to October 31, 2012 at the 100% load factor rate. This capacity is used to transport molecules that have already landed on Union's system.

Rationale for Transportation Capacity

The capacity of 80,000 GJ/d between Parkway and Union CDA is required to meet peak day demands in Union North . On a peak day, gas originating at Empress and destined for Union CDA is diverted to meet northern requirements. The Union CDA peak day requirement is then met with gas originating from Dawn and transported to Parkway. To transport this gas from Parkway to Union CDA, firm transportation is required on TCPL from Union Parkway to Union CDA.

Historically, Union was able to manage gas movement from Parkway to Union CDA under existing arrangements with TCPL. TCPL contacted Union in January 2011 and identified that Union would no longer be able to utilize these existing arrangements and that Union would be required to separately contract to move gas between Parkway and Union CDA.

Through open season, TCPL made available 16,000 GJ/d of firm transportation with renewal rights. Union was awarded all available firm transportation with renewal rights.

Union met its remaining firm transportation requirements with non-renewable firm transportation of 64,000 GJ/d.

The benefits of this capacity are:

1. The cost of gas flowing along this route is less expensive than serving the north with TCPL long-haul;
2. The one-year term supports Union's objective of structuring a portfolio with a diversity of contract terms and supply basins; and,
3. The firm transport purchase is consistent with the gas supply principal of ensuring secure and reliable gas supply to Union's service territory at a reasonable cost.

Contract Parameters

- Transportation provider: TransCanada Pipelines Limited
    - Service: (FT) Firm Gas Transportation Service
    - Term: November 1, 2011 through October 31, 2012
    - Volume: 16,000 GJ/day
    - Rate: $0.0686 Cdn/GJ at 100% load factor (exclusive of fuel)
    - Primary Receipt Point: Union Parkway Belt
    - Delivery Point: Union CDA
- Transportation provider: TransCanada Pipelines Limited
    - Service: (FT-NR) Firm Gas Transportation Service – Non Renewable

- Term: November 1, 2011 through October 31, 2012
- Volume: 64,000 GJ/day
- Rate: $0.0686 Cdn/GJ at 100% load factor (exclusive of fuel)
- Primary Receipt Point: Union Parkway Belt
- Delivery Point: Union CDA

Incremental Contracting Analysis Form

The Union Parkway Belt to Union CDA transportation path moves existing supply that has already landed on the Union system to a delivery area. In addition, the only firm transportation available underpinning this path is the TCPL Union Parkway Belt to Union CDA. Thus, a landed cost comparison is not included.

Proposed Changes to The TCPL Tolls and Fuel –Northern and Eastern Operations Area Deferral Account(No. 179-100) Accounting Order

Union is proposing to modify the accounting order for the TCPL Tolls and Fuel – Northern and Eastern Operations Area Deferral Account ("Account 179-100") to replace all references to "TCPL" with the more generic "Transportation". The current approved accounting order for Account 179-100 and the accounting order incorporating Union's proposed changes are provided at Schedules 3 and 4.

Rationale for the Proposed Changes

Account 179-100 records the difference between the actual per unit tolls and associated fuel costs and the Board approved per unit tolls and associated fuel costs included in rates attributable to northern sales service and bundled direct purchase customers. The North Purchased Gas Variance Account ("Account 179-105") in combination with Account 179-100 capture cost variances related to commodity and upstream transportation for Union north customers.

Account 179-100 was last reviewed in the RP-2003-0063 proceeding (Union's 2004 Rate Case). At that time, Union proposed that Account 179-100 should be maintained and that because the northern supply portfolio continued to be underpinned by 100% TCPL transportation, actual TCPL costs would be deferred against the approved TCPL tolls and fuel ratios for each delivery area. Union's proposal was accepted and approved by the Board.

Union North is no longer exclusively served through TCPL upstream transportation contracts. As indicated above, Union's northern supply portfolio now includes transportation capacity on Michcon and GLGT. As a result of these changes and Union's continued efforts to diversify the northern supply portfolio, Union is proposing to modify Account 179-100, replacing the reference to TCPL with the more generic "Transportation", to allow Union to capture toll changes on all upstream capacity serving

Union North. This proposal is consistent with the purpose of Account 179-100 which, in combination with Account 179-105, is intended to capture gas-supply related cost variances and pass them through to northern customer. The updated accounting order with black lined changes is included in Schedule 4.

UNION GAS LIMITED
2011-2012 Transportation Contracting Analysis

Route	Point of Supply	Basis Differential $US/mmBtu	Supply Cost $US/mmBtu	Unitized Demand Charge $US/mmBtu	Commodity Charge $US/mmBtu	Fuel Charge $US/mmBtu	100% LF Transportation Inclusive of Fuel $US/mmBtu	Landed Cost $US/mmBtu	**Landed Cost $Cdn/Gj**	Point of Delivery
(A)	(B)	(C)	(D) = Nymex + C	(E)	(F)	(G)	(I) = E + F + G	(J) = D + I	(K)	(L)
Dawn	Dawn	0.299	5.3521	0.0000	0.0000	0.0000	0.0000	5.35	**5.87**	Dawn
Vector (2011)	Chicago	0.054	5.1067	0.2397	0.0019	0.0618	0.3034	5.41	**5.93**	Dawn
Vector (2008)	Chicago	0.054	5.1067	0.2500	0.0019	0.0618	0.3137	5.42	**5.94**	Dawn
Trunkline/Panhandle	Trunkline Field Zone	(0.031)	5.0215	0.1900	0.0274	0.2139	0.4313	5.45	**5.98**	Ojibway
PEPL FZ-MichCon-St Clair	Panhandle Field Zone	(0.277)	4.7760	0.3083	0.0442	0.3893	0.7418	5.52	**6.05**	Dawn
Panhandle Longhaul	Panhandle Field Zone	(0.277)	4.7760	0.4251	0.0442	0.2813	0.7506	5.53	**6.06**	Ojibway
Alliance/Vector	CREC	(0.617)	4.4358	1.6991	(0.287)	0.2577	1.6694	6.11	**6.70**	Dawn
TCPL SWDA	Empress	(0.612)	4.4408	1.9430	0.1330	0.1079	2.1840	6.62	**7.27**	Dawn

Sources for Assumptions:

Gas Supply Prices (Col D):	ICE Settlement; May 31, 2011	
Fuel Ratios (Col G):	Average ratio over the previous 12 months or Pipeline Forecast	
Transportation Tolls (Cols E & F):	Tolls in effect on Alternative Routes at the time of Union's Analysis	
Foreign Exchange (Col K)	$1 US =	$0.962 CDN
Energy Conversions (Col K)	1 dth = 1 mmBtu =	1.055056 GJ
Union's Analysis Completed:	Jun-11	

Union Gas Limited
2011-2014 Transportation Contracting Analysis

Route	Point of Supply	Basis Differential $US/mmBtu	Supply Cost $US/mmBtu	Unitized Demand Charge $US/mmBtu	Commodity Charge $US/mmBtu	Fuel Charge $US/mmBtu	100% LF Transportation Inclusive of Fuel $US/mmBtu	Landed Cost $US/mmBtu	**Landed Cost $Cdn/Gj**	Point of Delivery
(A)	(B)	(C)	(D) = Nymex + C	(E)	(F)	(G)	(I) = E + F + G	(J) = D + I	**(K)**	(L)
MichCon-GLGT-TCPL to SSMDA	Michigan	0.27	5.44	0.1572	0.0002	0.0921	0.2495	$5.69	**$5.86**	SSMDA
TCPL Empress to SSMDA	Empress	(0.63)	4.54	1.2440	0.0531	0.1013	1.3984	$5.94	**$6.12**	SSMDA

Assumptions used in Devleoping Long-term Transportation Contracting Analysis:

Annual Gas Supply & Fuel Ratio Forecasts	**Point of Supply Col (B) above**	**2011 $US/mmBtu**	**2012 $US/mmBtu**	**2013 $US/mmBtu**	**Average Annual Gas Supply Cost $US/mmBtu Col (D) above**	**Fuel Ratio Forecasts Col (G) above**
Henry Hub (NYMEX) $US/mmBtu		4.70	5.05	5.75	5.17	
MichCon to SSMDA	Michigan	4.96	5.30	6.06	5.44	1.69%
TCPL Empress to SSMDA	Empress	4.06	4.42	5.15	4.54	2.23%

Sources for Assumptions:

Gas Supply Prices (Col D):	ICF International; October 2010	
Fuel Ratios (Col G):	Average ratio over the previous 12 months or Pipeline Forecast	
Transportation Tolls (Cols E & F):	Tolls in effect on Alternative Routes at the time of Union's Analysis	
Foreign Exchange (Col K)	$1 US =	$1.024 CDN
Energy Conversions (Col K)	1 dth = 1 mmBtu =	1.055056 GJs
Union's Analysis Completed:	Jan-11	

UNION GAS LIMITED

Accounting Entries for
TCPL Tolls and Fuel – Northern and Eastern Operations Area
Deferral Account No. 179-100

This account is applicable to the Northern and Eastern Operations of Union Gas Limited. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No.179-100 Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100, the difference in the costs between the actual per unit TCPL tolls and associated fuel and the forecast per unit TCPL tolls and associated fuel costs included in the rates as approved by the Board.

Debit	-	Account No. 623 Cost of Gas
Credit	-	Account No.179-100 Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100, the benefit from the temporary assignment of unutilized capacity under Union's TCPL transportation contracts to the Northern and Eastern Operations Area. The benefit will be equal to the recovery of pipeline demand charges and other charges resulting from the temporary assignment of unutilized capacity that have been included in gas sales rates.

Debit	-	Account No. 179-100 Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100 charges that result from the Limited Balancing Agreement with TCPL.

Debit	-	Account No. 500 Sales Revenue
Credit	-	Account No. 179-100 Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100 revenue from T-Service customers for load balancing service resulting from the Limited Balancing Agreement with TCPL.

Debit	-	Account No. 179-100 Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-100 interest expense on the balance in Deferral Account No. 179-100. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Transportation Tolls and Fuel – Northern and Eastern Operations Area
Deferral Account No. 179-100

This account is applicable to the Northern and Eastern Operations of Union Gas Limited. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-100
Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern Operations Area

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100, the difference in the costs between the actual per unit transportation tolls and associated fuel and the forecast per unit transportation tolls and associated fuel costs included in the rates as approved by the Board.

Debit - Account No. 623
Cost of Gas

Credit - Account No.179-100
Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100, the benefit from the temporary assignment of unutilized capacity under Union's transportation contracts to the Northern and Eastern Operations Area. The benefit will be equal to the recovery of pipeline demand charges and other charges resulting from the temporary assignment of unutilized capacity that have been included in gas sales rates.

Debit - Account No. 179-100
Other Deferred Charges - Tolls and Fuel – Northern and Eastern Operations Area

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100 charges that result from the Limited Balancing Agreement.

Debit - Account No. 500
Sales Revenue

Credit - Account No. 179-100
Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100 revenue from T-Service customers for load balancing service resulting from the Limited Balancing Agreement with TCPL.

Debit - Account No. 179-100
Other Deferred Charges – Transportation Tolls and Fuel – Northern and Eastern
Operations Area

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-100 interest expense on the balance in Deferral Account No. 179-100. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 2, Appendix A, Schedule 11
Exhibit A, Tab 4, Schedule 1

Tab 4, Schedule 1 provides the transportation contracting analysis that Union provides as a result of the Settlement Agreement in EB-2005-0520. However, the analysis does not include TCPL - Empress to Parkway. Appended to these interrogatories is a replication of 2011-2012 Transportation Contracting Analysis contained in Schedule 1.

a) On the table appended, please fill in the row for the Route of TCPL Union Parkway that that has been added and shaded for the columns of (C) through (K) provided for the other routes.

b) In addition, for 2011-2012, please provide the values for additional columns (M) through (P) added and shaded. The definition of the columns are as follows:

i) (M) Planned Percentage of Supply Portfolio - Percent of Union South's total supply portfolio, delivered by pipeline contracts held by Union, for the year that was planned to be delivered by that Route.

ii) (N) Planned UDC as a Percentage of Route Total - Percent of the contracted pipeline capacity that was planned to remain empty in the gas supply plan.

iii) (O) Actual UDC as a Percentage of Route Total - Percentage of actual UDC for that Route that year.

iv) (P) Actual Percentage Used for Optimization - Percentage of pipeline capacity that was optimized to create Short Term Transportation and Exchange Revenue for that year.

v) (Q) Amount of Short Term Transportation and Exchange Revenue - Revenue generated from the Optimized Pipe contracts.

vi) (R) Amount of S-T Transportation and Exchange Revenue in Rates - Dollar value forecasted and embedded in rates.

c) For each of the years starting in 2007-2008 through to 2010-2011, please complete the expanded table as described in b). i) the sources for assumptions can be edited to the dates and exchange used in the development of the previous Transportation Contracting Analysis.

Response:

a) Please see Attachment 1.

b) Please see Attachment 1 for responses to part b) i) and ii). Actuals for 2011 are provided for part b) iii) – vi) in Attachment 2.

c) Expanded tables have not been prepared for 2007-2008 to 2010-2011 as this information is not relevant to this application.

Schedule 1
Response to B7.7 Attachment 1

Route	Point of Supply	Basis Differential $US/mmBtu	Supply Cost $US/mmBtu	Unitized Demand Charge $US/mmBtu	Commodity Charge $US/mmBtu	Fuel Charge $US/mmBtu	100% LF Transportation Inclusive of Fuel $US/mmBtu	Landed Cost $US/mmBtu	Landed Cost $Cdn/Gj	Point of Delivery	*Planned Percentage of Supply Portfolio*	*Planned UDC as a Percentage of Route Total*
(A)	(B)	(C)	(D) = Nymex + C	(E)	(F)	(G)	(I) = E + F + G	(J) = D + I	(K)	(L)	*(M)*	*(N)*
Dawn	Dawn	0.299	5.3521	0.0000	0.0000	0.0000	0.0000	5.35	**5.87**	Dawn	*5.4%*	*0%*
Vector (2011)	Chicago	0.054	5.1067	0.2397	0.0019	0.0618	0.3034	5.41	**5.93**	Dawn	*3.7%*	*0%*
Vector (2008)	Chicago	0.054	5.1067	0.2500	0.0019	0.0618	0.3137	5.42	**5.94**	Dawn	*23.9%*	*0%*
Trunkline/Panhandle	Trunkline Field Zone	(0.031)	5.0215	0.1900	0.0274	0.2139	0.4313	5.45	**5.98**	Ojibway	*7.3%*	*0%*
PEPL FZ-MichCon-St Clair	Panhandle Field Zone	(0.277)	4.7760	0.3083	0.0442	0.3893	0.7418	5.52	**6.05**	Dawn	*7.3%*	*0%*
Panhandle Longhaul	Panhandle Field Zone	(0.277)	4.7760	0.4251	0.0442	0.2813	0.7506	5.53	**6.06**	Ojibway	*9.2%*	*0%*
Alliance/Vector	CREC	(0.617)	4.4358	1.6991	(0.287)	0.2577	1.6694	6.11	**6.70**	Dawn	*28.2%*	*0%*
TCPL SWDA	Empress	(0.612)	4.4408	1.9430	0.1330	0.1079	2.1840	6.62	**7.27**	Dawn	*0.0%*	*0%*
TCPL Union CDA	*Empress*	*(0.612)*	*4.4408*	*2.3022*	*0.1577*	*0.1292*	*2.5891*	*7.03*	***7.71***	*Parkway*	*15.0%*	*0%*
TOTAL											*100.0%*	

Sources for Assumptions:

Gas Supply Prices (Col D):	ICE Settlement; May 31, 2011
Fuel Ratios (Col G):	Average ratio over the previous 12 months or Pipeline Forecast *(as existed at time of original analysis - June 2011)*
Transportation Tolls (Cols E & F):	Tolls in effect on Alternative Routes at the time of Union's *Original* Analysis
Foreign Exchange (Col K)	$1 US = $0.962 CDN
Energy Conversions (Col K)	1 dth = 1 mmBtu = 1.055056 GJ
Union's Analysis Completed:	Jun-11 *(TCPL Union CDA Path added May 2012)*

Response to B7.7 Attachment 2

Route	Point of Supply	Point of Delivery	Actual UDC as a Percentage of Route Total (%)	Actual Percentage Used for Optimization (%)	Amount of Short-Term Transportation and Exchange Revenue ($000s Cdn)	Amount of S&T Transportation and Exchange Revenue in Rates ($Cdn)
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Dawn	Dawn	Dawn	N/A	N/A	N/A	NOTE 1
Vector	Chicago	Dawn	0%	4%	29	
Trunkline/Panhandle	Trunkline Field Zone	Ojibway	8%	51%	20	
PEPL FZ-MichCon-St Clair	Panhandle Field Zone	Dawn	0%	0%	-	
Panhandle Longhaul	Panhandle Field Zone	Ojibway	13%	0%	14	
Alliance/Vector	CREC	Dawn	0%	13%	208	
TCPL SWDA (1)	Empress	Dawn	N/A	N/A	N/A	
TCPL Union CDA	Empress	Parkway	0%	95%	11,277 (2)	

Sources for Assumptions:

Energy Conversions (Col K) 1 dth = 1 mmBtu = 1.055056 GJ

Union's Analysis Completed: May 2012

Note 1 Embedded in rates is a level of transportation and exchange margin of $6.6 million. This figure cannot be broken out between transportation and exchanges or by transportation path.

Footnotes
(1) not a contract in Union's portfolio
(2) approximation

Reference:

Application, Section 3.6.1, page 25 and Figure 3-13 (NOL Flow vs. NOL Capacity).

Preamble:

TCPL discusses NOL flows.

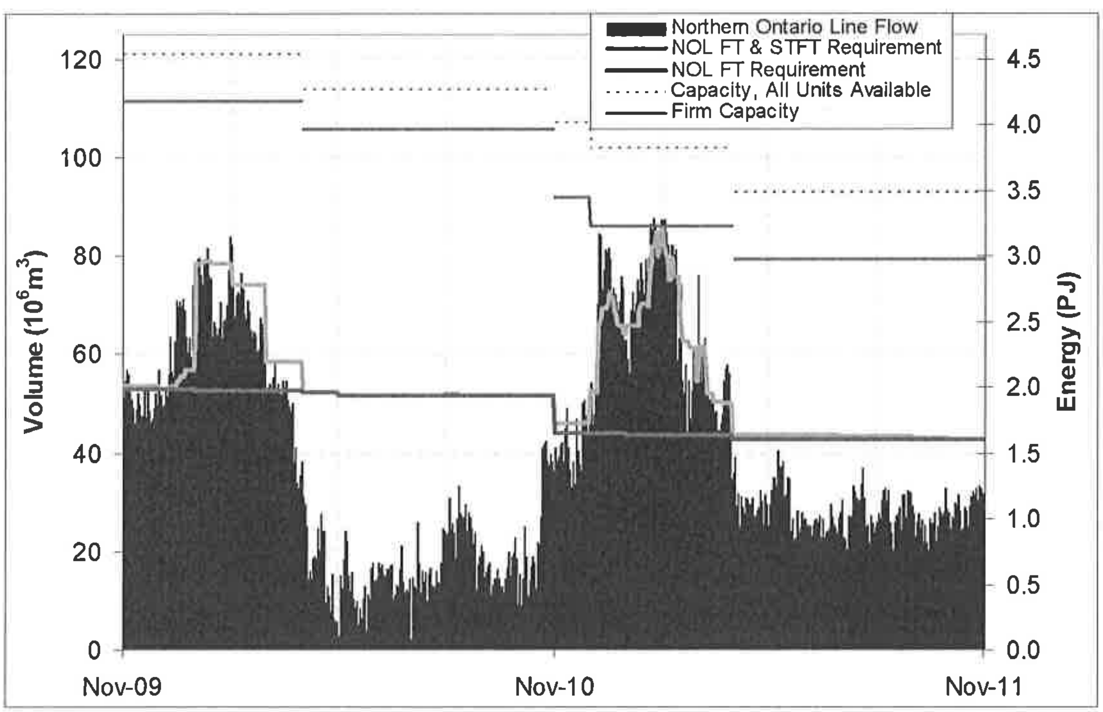
Request:

a. Please redraw the graph in Figure 3-13 to show FT volumes separately from STFT volumes for both the contracted volumes and the nominated volumes.

b. For the period shown in the graph, please indicate by season, the average term for STFT contracts.

Response:

a.



b. As shown on the graph above, there is negligible STFT outside of the winter season. For the winter of the 2009/10 Gas Year, the average term of the STFT contracts was 53 days. For the winter of the 2010/11 Gas Year, the average term of the STFT contracts was 19 days.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Unabsorbed Demand Cost Account No. 179-108

Reference: Exhibit A, Tab 1, pages 2 to 4

Please provide the following information with respect to the calculation of the Unabsorbed Demand Cost ("UDC") Variance Account credit balance of $4.615M:

a) Is the UDC amount recovered in rates the product of a particular volume of demand per day and a cost per unit of demand per day? If so, then please provide the cost per unit of demand per day associated with the UDC volume of 4.4 PJs in the Northern and Eastern Operations area and 0.2 PJs in the South Operations area that produces costs collected in rates of $6.853M and $0.128M respectively for a total of $6.981M shown in Table 1 of Exhibit A, Tab 1 at page 3.

b) Please explain how 13.207 PJs of actual UDC in the Northern and Eastern Operations area and 1.391 PJs in the Southern Operations area produces UDC costs incurred of $2.160M and $0.227M respectively for each operations area, for a total of $2.387M when the lower volumes of demand being collected in rates produce substantially higher cost recovery amounts in each operations area.

Response:

a) Please see the response at Exhibit B1.1.

   The amount also includes an adjustment to correct the UDC deferral account. For the period April 1, 2007 to Dec 31, 2009, the UDC deferral calculation did not account for the changes in TCPL tolls that were included in Union's approved rates during the same period. In the deferral model, Union understated the amount of UDC recovered in approved rates by $1.931 million. As noted above, an adjustment has been made to the 2010 UDC deferral calculation to credit ratepayers an additional $1.931 million.

   Please see the Attachment that shows the calculation of the UDC amount recovered in rates in 2010.

b) Unfilled capacity was sold on the secondary market to minimize UDC. Revenues generated from the transportation releases were credited to the UDC deferral account mitigating the UDC that was forecasted in rates.

UNION GAS LIMITED
Calculation of 2010 UDC Collected in Rates

Line No.	Particulars	Actual UDC Unit Rate ($/10³m³) (a)	Actual Throughput Volumes (10³m³) (b)	UDC Collected in Rates ($000's) (c) = (a x b)	Original Deferral Calculation of North UDC Collected in rates: 2007 Board Approved UDC Unit Rate ($/10³m³) (d)	Actual Throughput Volumes (10³m³) (e) = (b)	UDC using 2007 Board Approved Rates ($000's) (f) = (d x e)	Variance in UDC from Prior Periods ($000's) (g) = (c - f)	Total 2010 UDC ($000's) (h)
	Jan 1, 2010 - Dec 31, 2010								
1	R01	4.4574	837,602	3,734					
2	R10	3.4066	316,303	1,078					
3	R20	0.9081	122,491	111					
4	Total North			4,922					
5	M1/M2	0.0515	2,457,963	127					
6	M4	0.0515	14,885	1					
7	M10	0.0515	35	0					
8	Total South			128					
	Apr 1, 2009 - Dec 31, 2009								
9	R01	3.1453	471,664	1,484	2.5325	471,664	1,194	289	
10	R10	2.4038	199,792	480	1.9355	199,792	387	94	
11	R20	0.6408	90,583	58	0.5159	90,583	47	11	
12	Total North			2,022			1,628	394	
	Jul 1, 2008 - Mar 31, 2009								
13	R01	3.6775	806,995	2,968	2.5325	806,995	2,044	924	
14	R10	2.8105	301,566	848	1.9355	301,566	584	264	
15	R20	0.7492	109,221	82	0.5159	109,221	56	25	
16	Total North			3,897			2,684	1,213	
	Apr 1, 2008 - Jun 30, 2008								
17	R01	2.9086	136,819	398	2.5325	136,819	346	51	
18	R10	2.2229	62,605	139	1.9355	62,605	121	18	
19	R20	0.5925	39,833	24	0.5159	39,833	21	3	
20	Total North			561			488	73	
	Jul 1, 2007 - Mar 30, 2008								
21	R01	2.7564	771,668	2,127	2.5325	771,668	1,954	173	
22	R10	2.1066	288,736	608	1.9355	288,736	559	49	
23	R20	0.5616	124,805	70	0.5159	124,805	64	6	
24	Total North			2,805			2,577	228	
	Apr 1, 2007 - Jun 30, 2007								
25	R01	2.6564	132,988	353	2.5325	132,988	337	16	
26	R10	2.0302	64,009	130	1.9355	64,009	124	6	
27	R20	0.5412	37,556	20	0.5159	37,556	19	1	
28	Total North			504			480	23	
29	Subtotal - UDC Recovery Adjustment							1,931	
30	Total North 2010 UDC Collected in Rates (Column c, line 4 plus Column g lines 12+16+20+24+28)								6,853
31	Total South 2010 UDC Collected in Rates (Column c, line 8)								128
32	Total 2010 UDC Collected in Rates (line 29 + line 30)								6,981

in relation to the settlement of those rates, the NGEIR decision was rendered? Was it before or after?

MR. TETREAULT: I can't recall myself, Peter. It's before my time in my current capacity.

MR. THOMPSON: That's fine. We will find that out. So what I would like to do is just touch on a few of these interrogatory responses and get some clarification of what's taken place here.

If you could start with CME 1, so this is Exhibit B2.1. In subparagraph (a), you are talking about an adjustment to correct miscalculations in the UDC deferral account; have I got that straight?

MR. TETREAULT: That's correct.

MR. THOMPSON: And it talks about the period April 1, 2007 to December 31, 2009. So can I take it that the error dated back to April 1, 2007?

MR. TETREAULT: Yes.

MR. THOMPSON: All right. And the approach that you took was to correct the error from the date it was first made?

MR. TETREAULT: That's correct.

MR. THOMPSON: So it was made in -- at this point in time, for -- am I right -- for fiscal 2007, fiscal 2008 and fiscal 2009? The 1.931 million is a cumulative correction for that time frame?

MR. TETREAULT: That's correct.

MR. THOMPSON: So that, then, takes me to your B3.53 and some of your responses to Mr. Quinn's written questions

DR QUINN & ASSOCIATES LTD.

VIA E-MAIL & COURIER TO THE BOARD

June 14, 2012

Ontario Energy Board
P.O. Box 2319
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Toronto ON M4P 1E4

Attn: Kirsten Walli, Board Secretary

RE: EB-2012-0087 UNION GAS 2011 ESM AND DEFERRAL DISPOSITIONS

The following are the submissions of the Federation of Rental-housing Providers of Ontario in the above proceeding. The Board's Procedural Order No. 1 dated April 19, 2012 in this proceeding ordered that intervenors notify the Board on or before June 15, 2012 if they intend to file intervenor evidence. At this juncture, we respectfully request an additional opportunity for discovery in this proceeding to inform emerging issues. Our respectful request would be for a Technical Conference to be established prior to hearing of these matters.

While some of the dispositions applied for by Union are mechanistic and require little explanation or validation, in our view, there are some significant issues surrounding the use of transportation contract attributes to yield shareholder margins that warrant further examination. The awareness of this issue has grown with ratepayers during our inquiry into cost and revenue allocations in EB-2011-0210. Our submissions in that proceeding will be focused on the 2013 rebasing construct. However, the classification of revenues achieved from transportation cost mitigation in 2011 being channeled to shareholder margins is disconcerting.

Based on information filed in the EB-2011-0210 proceeding, the purpose of TCPL's FT Risk Alleviation Mechanism (RAM) that provides credits to Union for FT Capacity it does not use is to provide a "tool to mitigate unabsorbed demand charges (UDC)". In other words, the FT-RAM feature of Union's TCPL contracts is to enable Union to mitigate the upstream transportation costs it classifies and pays as "gas costs".

The extent to which Union is not filling the pipe that is secured through payment of demand charges thus creating UDC to obtain benefits from FT-RAM credits and then streaming those benefits to its shareholder rather than using them to reduce these demand charges in its gas costs accounts needs to be clarified. As a matter of principle, any gas cost related benefits should be used to reduce gas costs so that Union does not profit from attributes related to its TCPL transportation contracts that it classifies as gas costs.

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As an example, in response to FRPO IR7.7 Attachment 2, the response provides that 95% of the pathway of Empress to Parkway (Union CDA) was used for optimization to achieve a profit of \$11.3 million. From information filed by Union Gas in the TCPL Tolls Hearing (RH-003-2011) on May 16, 2012, Union South held contracts of 71,327 GJ/day from Empress to Union CDA. The annualized cost for this transportation would be over \$50 million dollars that would be recovered from Union transportation customers in their rates with no apparent recovery of the benefits of optimization of this transport to these customers. In addition, discovery in the EB-2011-0210 yield significant concerns regarding the level of transportation contracting in Union's North territory.

Having regard to the foregoing, the balances in Union's gas related deferral accounts including the UDC account need to be carefully examined. Therefore, to ensure that the Board has sufficient understanding of these issues, we would respectfully propose that a Technical Conference be provided as an additional opportunity to clarify the record for determination of these issues.

Respectfully Submitted on Behalf of FRPO,

Dwayne Q

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

c. Interested Parties EB-2012-0087
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June 15, 2012

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-2012-0087
Union Gas Limited – FRPO Submissions

We are counsel to Union Gas Limited in the above-noted proceeding. We are writing in response to FRPO's letter of yesterday's date.

Pursuant to Procedural Order No. 1 parties were to advise by yesterday whether they intend to file evidence. FRPO's letter does not address this issue. Rather, the letter requests a technical conference to address "issues surrounding the use of transportation contracts". Suffice it to say that Union does not agree with the content of FRPO's letter, or the implication that there is anything novel in Union's application. A technical conference is to clarify the existing record. Here, despite referring to portions of the record, FRPO does not say how or why that record requires clarification.

In the result, there is no basis for a technical conference. Indeed, given the tight regulatory timeframes Union is already operating under – 2013 rates case is scheduled to start on July 10 – Union will be prejudiced if a technical conference is ordered at this late stage.

Yours truly,

Crawford Smith

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CS/tm

cc: All EB-2012-0087 Intervenors
Michael Millar/Kristi Sebalj, Board Staff

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Borden Ladner Gervais

By electronic filing

June 15, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
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Toronto, ON M4P 1E4

Dear Ms Walli,

Union Gas Limited ("Union") **2011 Earnings Sharing and Disposition of Deferral Accounts and Other Balances**	
Board File No.:	**EB-2012-0087**
Our File No.:	**339583-000137**

We are writing on behalf of Canadian Manufacturers & Exporters ("CME") to support Mr. Quinn's request for a Technical Conference in this proceeding. This letter is further to Mr. DeRose's letter to the Board of June 11, 2012, pertaining to Union's July 1, 2012 QRAM Application in which we reserved our rights with respect to the matters described below.

Mr. Quinn correctly states that we need further evidence from Union to clarify the extent to which FT-RAM credit amounts, that appear in the bills Union receives from TransCanada PipeLines Limited ("TCPL") for upstream transportation services, are being recorded in gas cost-related deferral accounts. These FT-RAM credits stem from the portion of Union's existing FT contracts with TCPL that it does not use in any particular month.

Union classifies its upstream transportation costs as Gas Costs. The deferral account regime that currently exists is supposedly designed to ensure that increases or decreases in items of cost classified as Gas Costs flow through to ratepayers. Notwithstanding the existing deferral account regime, we understand that the FT-RAM credit amounts that Union receives from TCPL are not being flowed through ratepayers, but, instead, are being streamed to Union's shareholder.

Moreover, from information provided by Union in EB-2011-0210, Exhibit JT1.6, it appears that amounts that Union receives from temporarily assigning to a third party its upstream transportation capacity paid for by ratepayers as Gas Costs, in parallel with Union's use of a cheaper way to affectively move its upstream gas supplies to Dawn, are not finding their way into the Gas Costs related deferral accounts. These amounts are also being streamed to Union's shareholder.

We regard these outcomes as incompatible with the existing deferral account regime related to Gas Costs.

Union has the evidence that we seek to introduce with respect to these matters so that the appropriate deferral account balances to be cleared to ratepayers can be determined.

In these circumstances, we agree with Mr. Quinn that, as a precursor to the hearing, the most efficient way to obtain the evidence with respect to these matters is to schedule a Technical Conference to allow parties to obtain the necessary information from Union.

Yours very truly,

Peter C. P. Thompson, Q.C.

PCT\slc

c. Chris Ripley (Union)
Crawford Smith (Torys)
Intervenors EB-2012-0087
Paul Clipsham (CME)

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June 18, 2012

Ms. Kirsten Walli
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Dear Ms. Walli:

Re: EB-2012-0087
Union Gas Limited – CME Submissions

We are counsel to Union Gas Limited in the above-noted matter. We are writing in response to counsel for CME's letter dated June 18, 2012 and further to our letter of the same date.

Like FRPO, CME requests a technical conference in this matter. It does not point to any aspect of Union's evidence in the case which requires clarification, other than a broad assertion that further evidence is required in respect of upstream transportation activities that take advantage of TCPL's FT-RAM program. In addition to the reasons set out in our earlier letter, it is Union's position that a technical conference would serve no useful purpose. Why? Because the Board has already addressed this issue.

Contrary to CME's letter, upstream optimization is a recognized, and accepted feature of Union's incentive regulation mechanism. In EB-2008-0220, the Board considered the issue in relation to TCPL's Dawn Overrun Service (DOS-MN); whether revenues associated with that service should flow to ratepayers or be treated as transactional revenues not subject to deferral but shared with ratepayers pursuant to the existing earnings sharing mechanism. In that case, CME argued that,

> In Ex. B2.2, Union indicates that it has contracted for what CME understands to be some cheaper upstream transportation made available by TCPL. The interrogatory response states "Union is not treating any benefit associated with the use of the DOS-MN as a Y Factor." CME questions why reductions in upstream transportation costs are not being flowed through to the benefit of union's ratepayers.[1]

[1] EB-2008-0220, Argument of CME, p. 10

The Board disagreed. It held at pages 8-9:

> Upstream Transportation Changes
>
> Union noted that pursuant to the Settlement Agreement [EB-2007-0606 in which S&T deferral accounts were eliminated] ratepayers were credited with a fixed amount reflecting a forecast performance of its transactional services business. Union also noted that the increased capacity that is associated with the Dawn Overrun Service may have benefits for ratepayers pursuant to the earnings sharing mechanism that continues in place. In other words, ratepayers have been already credited with an amount intended to reflect the transactional services activity of the company. Any additional revenues which may be occasioned by the new TransCanada service will not accrue under this heading, but may lead to earnings sharing distribution.
>
> The Board finds Union's explanation with respect to this concern, which was raised by IGUA [CME] in its submissions, to be convincing. In the Board's view this is a fair approach that is consistent with the general architecture of the IRM plan and the Settlement Agreement. (Emphasis Added.)

In Union's 2008 earnings sharing proceeding (EB-2009-0101) Union further explained its upstream optimization activities including its use of TCPL's FT-RAM program, as follows (Ex. B1, T1, Sch.4):

> Over the last number of years, end use customers have been decontracting firm long haul transportation capacity in favour of recontracting shorter term short haul transportation and commodity purchases at Dawn. This reflects in part a desire by end use customers for shorter term contracts and a lower long term transport contract commitment and related financial exposure.
>
> The increased demand for shorter term short haul services has provided Union with the opportunity to sell increased transportation and exchange services into the market. These services are for terms as short as one day. As described in Exhibit A, Page 7 of 29, lines 10 to 15, to both respond to and support this increased market demand and provide the customer support for these transactions, Union increased its Chatham-based sales staff by two positions in 2008, refocused the contract and customer support staff and initiated process and IT systems changes. The overall objective was to capitalize on these opportunities and optimize and market Union's assets and related services.
>
> Union also focused on further optimizing its upstream supply portfolio. Union was able to extract value from new services introduced by upstream transportation providers in excess of what was achieved historically. An example of these new services includes TCPL's Firm Transport Risk Alleviation Mechanism (FT-

<u>RAM), Storage Transportation Service Risk Alleviation Mechanism (STS-RAM), and Dawn Overrun Service - Must Nominate (DOS-MN).</u> These new services provided increased opportunities for transportation and exchange transactions in the market. These opportunities were also influenced by favourable market conditions experienced in 2008.

By Decision and Rate Order dated June 18, 2009 the Board approved an earnings sharing amount available for distribution to ratepayers of $34.461 million (credit). Consistent with Ex. B1, T1, Sch.4, above, this amount reflected revenues associated with TCPL's FT-RAM program. Union's existing application mirrors this treatment.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Crawford Smith

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cc: All EB-2012-0087 Intervenors
Michael Millar, Board Staff

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By electronic filing

June 20, 2012

Kirsten Walli
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Dear Ms Walli,

Union Gas Limited ("Union")	
2011 Earnings Sharing and Disposition of Deferral Accounts and Other Balances	
Board File No.:	**EB-2012-0087**
Our File No.:	**339583-000137**

We are writing to respond to counsel for Union's letter to the Board dated June 18, 2012, (the "Union letter") asserting that the issue of Union's diversion of FT-RAM amounts to its shareholder, rather than applying them to reduce the TCPL FT demand charges paid for by ratepayers, is an issue that the Board "has already addressed". We strongly disagree with that assertion. The issue has not been addressed and it should not be considered without a complete record of all relevant facts. For reasons that follow, we urge the Board to reject the attempt by Union to obtain a Board pre-determination of the matter in issue in its favour on the basis of the arguments contained in the Union letter.

Ratepayer representatives have only recently gained an understanding of the factual matters related to the issue. Union's responses to Interrogatories posed by TransCanada PipeLines Limited ("TCPL") and others in the EB-2011-0210 proceeding reveal that FT-RAM credits are not "value" that Union "extracted" from "new services", as asserted in the evidence in the EB-2009-0101 proceeding referenced at pages 2 and 3 of the Union letter. Rather, we have learned that the net FT-RAM revenues that Union is currently streaming to its shareholder stem directly from the TCPL demand charges that ratepayers pay with respect to the FT capacity Union holds on TCPL.

None of this is described in the evidence quoted in the Union letter. The evidence to which Union refers omits any reference to details related to the source and nature of the FT-RAM credits. These details, of which we are now aware, clearly demonstrate that the FT-RAM credit amounts were provided by TCPL to enable FT shippers to mitigate their Unabsorbed Demand Charges ("UDC"). Means of mitigating FT demand charges have been a matter of high priority for shippers on the TCPL Mainline in recent years. This is because the year-over-year tolls have been increasing significantly as a result of the combined effect of increasing Mainline under-utilization and the fact that FT shippers pay all of the fixed costs of the Mainline, regardless of its under-utilization.

Having regard to the source of the FT-RAM credits and their intended purpose, we submit that the amounts should properly be credited to ratepayers through the gas supply related deferral accounts which were never eliminated as a result of the provisions of the EB-2007-0606 Settlement Agreement to which the Board refers in the Decision referenced at pages 1 and 2 of the Union letter. Put another way, the general architecture of the IRM Plan, including its gas supply deferral accounts, and the provisions of the EB-2007-0606 Settlement Agreement require that all mitigation amounts related to items of expense paid for by ratepayers as "gas supply costs" be credited to ratepayers. The principle that applies is that regulated gas utilities in Ontario cannot profit from items of expense classified as "gas supply costs".

The elimination of certain S&T deferral accounts pursuant to the provisions of the EB-2007-0606 Settlement Agreement has no relevance to the issue we seek to have the Board examine. The issue pertaining to the compatibility of Union's actions with the existing gas supply related deferral account regime and the principle that Union cannot profit from items of expense classified as gas costs has never been explicitly considered or addressed by the Board. The issue is of considerable importance because the information at line 5 in Exhibit J.C-4-7-9 Attachment 1 in the EB-2011-0210 proceeding indicates that, to the end of 2010, Union had acted to stream to its shareholders some $31.1M of amounts paid by ratepayers as "gas costs". For 2011, the additional gas costs amount streamed to the shareholder is $22.0M and for 2012, the forecast amount is $14.2M. Using this information, we estimate that the total amount in issue, to the end of 2011, is about $53.1M. We believe that this $53.1M amount is a component of the total over-earnings Union realized in the 5-year period 2007 to 2011 inclusive of about $264.724M, as shown at line 24 of columns (b) to (f) inclusive in Exhibit J.O-4-14-1 Attachment 1 in the EB-2011-0210 proceeding.

We submit that, in situations such as this, where Union takes unilateral action to enrich its shareholder at the expense of its ratepayers, the principle that the Board should apply is that, without explicit prior Board approval, the outcome of such actions is invalid and particularly so when the amounts being streamed to the shareholder are amounts ratepayers have paid to Union as "gas costs". In the EB-2011-0038 proceeding, Union accepted, as a matter of principle, that improper gas supply deferral account balances, in prior years, should be rectified by making the necessary adjustment to the current year's gas supply deferral account balances. That principle applies to the situation we wish the Board to examine.

Neither the question raised in CME's Argument in the EB-2008-0220 proceeding about the Dawn Overrun Service – Must Nominate ("DOS-MN"), nor Union's response to that question in Reply Argument, nor the excerpt in the Board's Decision in that case, nor the excerpt from part of Union's evidence in the EB-2009-0101 proceeding, all of which are cited in the Union letter, can reasonably be construed to support a conclusion that the Board has already addressed Union's actions in streaming to its customers some $67.3M of money paid by ratepayers as gas costs. FT-RAM credits, sourced from FT demand charges paid by Union's ratepayers, were not a factor reflected in the net revenues generated by Union's use of the DOS-MN. The argument in the Union letter is specious.

The Union letter refers to the fact that ratepayers realized an earnings sharing credit in 2008 of $34.461M. and states that this amount "reflects" revenues associated with TCPL's FT-RAM program. The portion of the $34.461M earnings sharing credit attributable to the FT-RAM program is one of the matters that a complete record will clarify. Based on Exhibit J.C-4-7-9 Attachment 1 in the EB-2011-0210 proceeding, we believe that a small portion (about $5M) of Union's 2008 over-earnings of $82.264M was attributable to FT-RAM credit amounts and that 50% of this $5M amount is reflected in the earnings sharing credit of $34.461M.

The point to be emphasized is that the existence of the earnings sharing mechanism in the IRM Plan is not relevant to whether the FT-RAM amounts should properly be applied to reduce Union's upstream transportation costs charged to ratepayers as an item of gas supply costs. If the Board considers this issue in the context of a complete record and eventually agrees that the FT-RAM amounts should have been applied to mitigate these costs, then the Board will need to adjust the amounts to be credited to the appropriate gas supply deferral accounts to eliminate the portion of ratepayers' share of earnings in prior years attributable to FT-RAM credit amounts.

For all of these reasons, we submit that the Board should have a complete record before considering the important question of whether Union is improperly streaming FT-RAM amounts to its shareholder rather than crediting them to ratepayers through the gas supply related deferral accounts.

We reiterate that, in our view, a Technical Conference is the most efficient way of completing the record. If a Technical Conference is not to be held, then intervenors should be allowed to submit further interrogatories to Union. In the alternative, they should be allowed to file, in this proceeding, the interrogatory responses provided by Union in the EB-2011-0210 proceeding that are relevant to the matter in issue so that Union witnesses can be examined, at the hearing, with respect to this information.

Yours very truly,

Peter C. P. Thompson, Q.C.

PCT\slc
c. Chris Ripley (Union)
Crawford Smith (Torys)
Intervenors EB-2012-0087
Paul Clipsham (CME)

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Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2012-0087

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

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders amending or varying the rate or rates charged to customers as of October 1, 2012.

PROCEDURAL ORDER NO. 2
June 27, 2012

Union Gas Limited ("Union") filed an application dated April 13, 2012 with the Ontario Energy Board (the "Board") under section 36 of the Act for an order of the Board amending or varying the rate or rates charged to customers as of October 1, 2012 in connection with the sharing of 2011 earnings under the incentive rate mechanism approved by the Board as well as final disposition of 2011 year-end deferral account and other balances. The application also requests approval for the disposition of the variance between the Demand Side Management ("DSM") budget included in 2012 rates and the revised budget approved by the Board in EB-2011-0327. The Board has assigned file number EB-2012-0087 to the Application.

The Board issued a Notice of Application and Procedural Order No.1 on April 19, 2012 in which it adopted the intervenors in the EB-2011-0025 and EB-2011 proceedings as intervenors in this proceeding. The Board also set out a timetable for the filing of interrogatories, responding to interrogatories, and for informing the Board regarding plans to file intervenor evidence.

Union filed its interrogatory responses on June 8, 2012. Union filed responses to Board staff interrogatory No. 9 (b) and BOMA interrogatory No. 2 (c) under confidential cover. Union requested that the Board treat these documents as confidential per the Board's *Practice Direction on Confidential Filings*. The Board is of the view that these two documents are properly considered confidential in accordance with the *Practice Direction on Confidential Filings*. Intervenors who would like to review these documents may do so after filing a Declaration and

Undertaking on Confidentiality. Union shall provide the confidential responses to any intervenor that has signed a Declaration and Undertaking on Confidentiality.

By letter dated June 14, 2012, the Federation of Rental-housing Providers of Ontario ("FRPO"), an intervenor in the proceeding, requested that the Board hold a Technical Conference so that intervenors have the opportunity to explore emerging issues such as the use of transportation contract attributes to yield shareholder margins. The Canadian Manufacturers and Exporters ("CME"), also an intervenor in the proceeding, filed a letter on June 15, 2012 supporting FRPO's request.

In response to FRPO's letter, Union filed a letter on June 15, 2012 stating that there is no basis for a Technical Conference and moreover, given the tight regulatory schedules that Union is operating under, Union will be prejudiced if a Technical Conference is ordered by the Board. In response to CME's letter, Union filed a letter dated June 18, 2012 stating that a Technical Conference would serve no useful purpose as the Board has previously addressed the issue raised by FRPO and CME in their respective letters.

The Board is of the view that FRPO and CME have raised issues related to the accounting for upstream transportation services that are relevant to this proceeding and that require additional discovery. The Board has determined that a Technical Conference is the appropriate forum for these issues to be further examined. The Board will therefore establish a Technical Conference in this proceeding. The Board directs FRPO and CME and any other interested intervenors to file a coordinated submission scoping the issue or issues to be addressed at the Technical Conference. Union and any parties that wish to respond will have an opportunity to file a responding submission. The Board will determine the final issues to be addressed at the Technical Conference.

The Board will make provision for procedural matters in this Procedural Order. Please be aware that further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. FRPO, CME and any other interested intervenors shall, **on or before August 3, 2012**, file with the Board and copy all other parties a single submission outlining the issue or issues that should be addressed at the Technical Conference.

2. Union or any other party may, **on or before August 10, 2012**, file with the Board and copy all other parties a response to the submission filed by FRPO, CME and other parties.

3. A Technical Conference involving Board staff, Intervenors and the Union will be convened on **August 21, 2012**. The Technical Conference will be held at 2300 Yonge Street, Toronto in the Board's hearing room on the 25th floor.

4. A Settlement Conference will be convened at 9:30 a.m. on **August 28, 2012** with the objective of reaching a settlement among the parties on all outstanding issues in this proceeding. The Settlement Conference will be held in the Board's hearing room at 2300 Yonge Street, 25th Floor, Toronto, and may continue until **August 29, 2012** if needed.

5. Any Settlement Proposal arising from the Settlement Conference shall be filed with the Board no later than 4:45 p.m. on **August 31, 2012**.

All filings to the Board must quote file number **EB-2012-0087**, be made through the Board's web portal at www.errr.ontarioenergyboard.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available you may email your document to the BoardSec@ontarioenergyboard.ca. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies. If you have submitted through the Board's web portal an e-mail is not required.

All parties must also provide the Case Manager, Lawrie Gluck, Lawrie.Gluck@ontarioenergyboard.ca, with an electronic copy of all comments and correspondence related to this case.

ISSUED at Toronto, June 27, 2012

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary