uniongas
A Spectra Energy Company

October 31, 2013

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

Dear Ms. Walli:

Re: EB-2013-0365 – Union Gas Limited – 2014 Rates Evidence

Union Gas ("Union") filed an Application on October 22, 2013 with the Ontario Energy Board (the "Board") for an order of the Board approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2014.

In its cover letter, Union stated that its supporting evidence would be filed at a later date. Please find Union's evidence attached.

If the proposed rate changes are approved by the Board the total bill increase for a typical Southern Operations residential customer consuming 2,200 m^3 per year would amount to $1 - $2 per year. For a typical Northern or Eastern Operations customer consuming 2,200 m^3 per year, the total bill decrease would amount to $16 - $20 per year.

Union seeks the Board's issuance of the final Rate Order by November 30, 2013 to ensure the implementation of 2014 rates by January 1, 2014. In the event that the Board does not issue a rate order by November 30, 2013 for implementation by Union on January 1, 2014, Union seeks an Order of the Board declaring Union's rates as filed interim as of January 1, 2014. Union proposes to deal with any retrospective impact of the Board's Decision through a rate rider for general service rate classes and a one-time adjustment for all other rate classes, which will recover any changes in rates ultimately approved by the Board's order with effect from January 1, 2014.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2013-0202 Intervenors
Crawford Smith, Torys

P. O. Box 2001, 50 Keil Drive North, Chatham, ON, N7M 5M1 www.uniongas.com
Union Gas Limited

PREFILED EVIDENCE

The purpose of this evidence is to describe proposed changes to Union's regulated transportation, storage and distribution rates effective January 1, 2014 determined in accordance with the Board-approved EB-2013-0202 Application, Settlement Agreement and supporting evidence (collectively "the Agreement"). The Board approved the Agreement on October 7, 2013.

The Board-approved Agreement sets out a multi-year incentive ratemaking mechanism ("IRM") for calendar years 2014 to 2018. The framework includes a price cap index ("PCI"), where rates are a function of: an inflation factor ("I"), a productivity factor ("X"), certain non-routine adjustments (Z factors), certain predetermined pass-throughs (Y factors), and an adjustment for normalized average consumption ("NAC") to reflect changes in consumption in the General Service rate classes. The 2014 rate setting process described below follows the same approach used to set 2012 rates in EB-2011-0025**.**

This evidence is organized under the following headings:

1. Base Rate Adjustments
2. 2014 Inflation Factor and Productivity Factor
3. Z Factor Adjustments
4. Y Factor Adjustments
5. Normalized Average Consumption Adjustment

6. Customer Bill Impacts
7. Rate Schedule Changes
8. New Deferral Accounts
9. Deferral Account Closure Requests
10. 2013 Cost of Service Directives
11. Implementation

A description of the supporting schedules referred to below is provided in the Overview of Working Papers document.

A summary of Union’s 2014 proposed revenue changes is provided in Table 1.

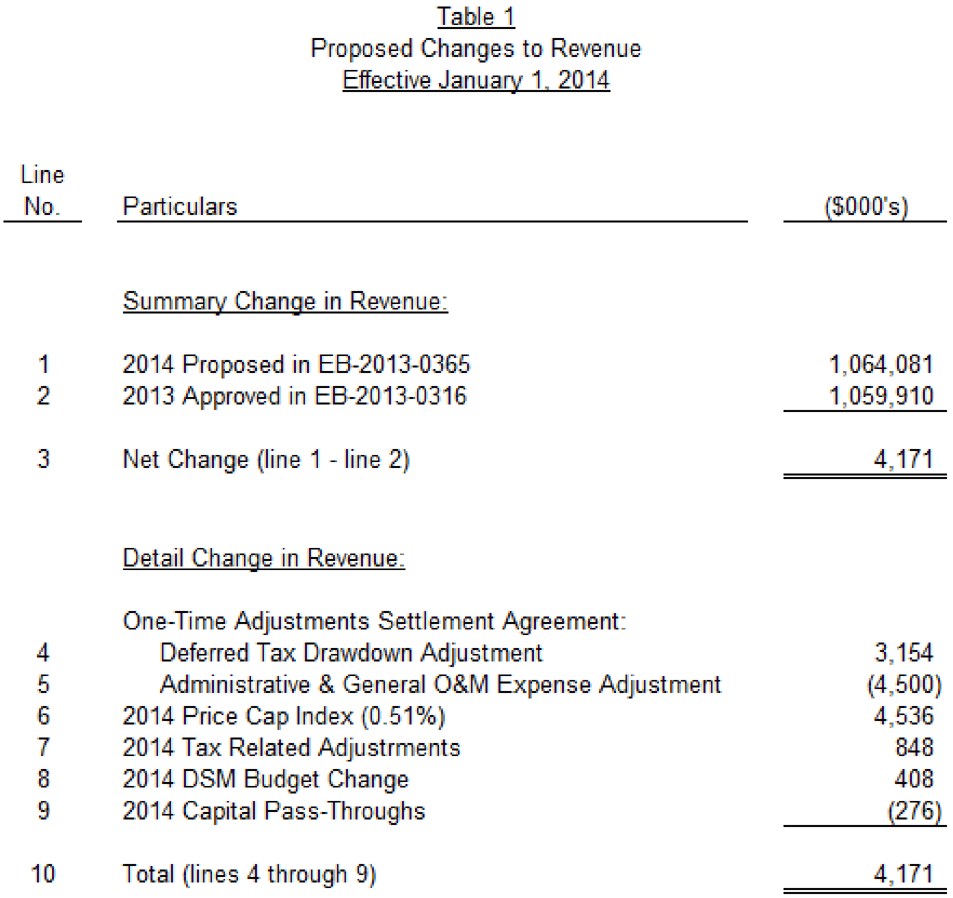


Table 1
Proposed Changes to Revenue
Effective January 1, 2014

Line No.	Particulars	($000's)
	Summary Change in Revenue:	
1	2014 Proposed in EB-2013-0365	1,064,081
2	2013 Approved in EB-2013-0316	1,059,910
3	Net Change (line 1 - line 2)	4,171
	Detail Change in Revenue:	
	One-Time Adjustments Settlement Agreement:	
4	Deferred Tax Drawdown Adjustment	3,154
5	Administrative & General O&M Expense Adjustment	(4,500)
6	2014 Price Cap Index (0.51%)	4,536
7	2014 Tax Related Adjustrments	848
8	2014 DSM Budget Change	408
9	2014 Capital Pass-Throughs	(276)
10	Total (lines 4 through 9)	4,171

1. BASE RATE ADJUSTMENTS

Consistent with the Board-approved Agreement, Union’s 2013 rates (EB-2011-0210), subject to two adjustments, will be the basis on which rates will be set each year over the 2014-2018 IRM term. The 2014 rates will be adjusted by $3.154 million to levelize the deferred tax drawdown over the IRM term and an upfront productivity commitment of $4.5 million. The allocation of the base rate adjustments can be found at Working Papers, Schedule 9.

2. 2014 INFLATION FACTOR AND PRODUCTIVITY FACTOR

The inflation factor used in Union's PCI mechanism is the actual year-over-year percentage change in the annualized average of four quarters (using Q2 to Q2) of Statistics Canada's Gross Domestic Product Implicit Price Index Final Domestic Demand ("GDP IPI FDD"). The inflation factor is adjusted annually on this basis with no restatement for adjustments by Statistics Canada. For 2014 rates, the inflation factor is 1.27%. It is based on the actual change in the GDP IPI FDD from 2012 Q2 to 2013 Q2. The calculation is provided at Working Papers, Schedule 1.

The approved annual productivity ("X") factor for the IRM term is expressed as a percentage of inflation. Specifically, for each year of the IRM term productivity is 60% of GDP IPI FDD, inclusive of a stretch factor. This results in an annual rate escalation factor, before the impact of Y and Z factors and earnings sharing, of 40% of GDP IPI FDD. For 2014 rates, the X factor is 0.76% and the PCI is 0.51%.

3. Z FACTOR ADJUSTMENTS

Treatment of Tax Savings

Consistent with the Board-approved Agreement, Union will maintain an equal and symmetrical sharing of tax changes over the IRM term, sharing of the impact of tax changes 50:50 as applied to the tax level reflected in rates.

Income Tax Rate Changes

Union's income tax rate increased from 25.50% (2013 Board-approved forecast tax rate) to 26.50% (actual income tax rate). For 2014, the calculation of the tax rate variance between Board-approved and the forecast income tax rate is $1.695 million. The ratepayer portion of the income tax rate increase is $0.848 million (50% of $1.695 million). Accordingly, the impact on 2014 rates related to tax is a debit of $0.848 million. The calculation of the annual tax rate change impacts and the 2014 rate adjustment can be found at Working Papers, Schedule 17, page 1. The allocation to rate classes is provided at Working Papers, Schedule 17, page 2.

4. Y FACTOR ADJUSTMENTS

The Board-approved Agreement also provided for a number of Y factors which are not adjusted as part of the price cap formula and are passed through to customers in rates. The Y factors are:

- Cost of gas and upstream transportation costs as defined in EB-2011-0210;
- DSM budget changes as determined in EB-2011-0327 and any subsequent Board proceeding;
- Lost Revenue Adjustment Mechanism ("LRAM") for the contract rate classes;
- Unaccounted for gas volume variances; and,
- Major capital additions

4.1 Cost of Gas and Upstream Transportation Costs

Union's current upstream gas costs are as filed in Union's October 1, 2013 QRAM (EB-2013-0316). Changes in upstream gas costs will continue to be determined using the Board-approved QRAM methodology. Working Papers, Schedule 15 provides the allocation of upstream transportation costs by rate class.

4.2 DSM Budget Changes

Consistent with the Board-approved Agreement filed in Union's 2012-2014 DSM Proceeding (EB-2011-0327), Union proposes to include a DSM budget of $32.049 million in 2014 rates. This represents an increase of $0.408 million based on an inflation factor of 1.29% multiplied by the DSM budget of $31.641 million included in 2013 rates. Union has allocated the 2014 DSM program costs to rates based on the planned expenditures by rate class in 2014 with the exception of the program costs attributable to Low-income DSM programming. Low-income DSM program costs are recovered from all rate classes in proportion to the amount of rate base each rate class is allocated in Union's Board-approved cost study. The allocation to rate classes can be found at Working Papers, Schedule 11.

4.3 LRAM for the Contract Rate Classes

As described in further detail in Section 5 below, the LRAM adjustment previously made to General Service rate classes will now be included in the NAC adjustment. For contract rate classes, Union will continue to adjust volumes and calculate rates to capture the LRAM volume impacts. Working Papers, Schedule 18 provides the LRAM volume adjustments by rate class.

4.4 Unaccounted for Gas Volume Variances

Consistent with the Board-approved Agreement, unaccounted for gas ("UFG") cost changes resulting from a difference between the UFG volume included in rates and the actual UFG volume will be recorded in a new UFG volume deferral account. The amount to be recorded in the UFG volume deferral account will be calculated using the most recent Board-approved WACOG. The amount of the UFG volume deferral account to be cleared to customers will be subject to a symmetrical dead-band of $5 million, with amounts within such dead-band being to Union's account only. The Board-approved a total cost $14.7 million for UFG in 2013 base rates (EB-2011-0210) calculated by multiplying the Board-approved total UFG volume of 70,253 10^3m^3 by a WACOG of $210.506/ 10^3m^3 (the cost of gas used in Union's January 1, 2013 QRAM).

4.5 Major Capital Additions

Consistent with the Board-approved Agreement, parties agreed that Union's 2014-2018 IRM term would include Y factor treatment for major capital projects, subject to the projects meeting certain eligibility criteria. Union will include a capital pass-through mechanism to adjust rates during the IRM term to reflect the associated impacts of significant capital investments made throughout the IRM term deemed "not-business-as-usual".

Parkway West Project

The Parkway West Project is currently the subject of a full regulatory review in the Leave-to-Construct application (EB-2012-0433). The Parkway West Project provides for the construction of new facilities on a new site immediately west of Highway 407, directly across from the existing Parkway Station. At this site, Union is proposing a loss of critical unit ("LCU") compressor for the discharge volumes that flow through Parkway, the provision of an additional pipeline connection to Enbridge, and the provision of upgrades to existing Union transmission pipelines and other required infrastructure. The Parkway West Project meets the eligibility criteria for Y factor treatment for major capital projects as described in the Board-approved Agreement. Therefore, Union has included the 2014 costs associated with the Parkway West Project in 2014 rates.

The Parkway West project meets the criteria as a major facility expansion project:

i. The net delivery revenue requirement impacts for the Parkway West Project is greater than $5 million. The net revenue requirement calculation is provided at Tab 1, Appendix G.

ii. The capital cost of the Parkway West Project exceeds $50 million ($219.4 million as filed in EB-2012-0433 on August 23, 2013).

iii. The project is outside the base rates on which the 2014-2018 IRM framework was set.

iv. The Parkway West Project is essential to the movement of natural gas in Ontario. The Project addresses the increased demands at Parkway resulting from the changing dynamics in the flow of natural gas in North America. It allows for the continuation of reliable service to Union's customers.

v. The Parkway West Project was identified to stakeholders and the Board in Union's Parkway West leave to construct application (EB-2012-0433).

vi. The Parkway West Project is currently the subject of a full regulatory review in the Leave-to Construct application (EB-2012-0433).

vii. Union will allocate the Parkway West net revenue requirement using the 2013 Board-approved cost methodology. Please see Working Papers, Schedule 10, for the 2014 rate adjustments by rate class associated with the Parkway West Project. Rate recovery would, assuming the current forecast of 2014 as the in-service year, commence with rates effective January 1, 2014.

viii. In the Parkway West evidence, Union requested a deferral account to track the difference between the actual revenue requirement related to the costs for the Parkway West Project and the revenue requirement included in rates as approved by the Board for Parkway West.

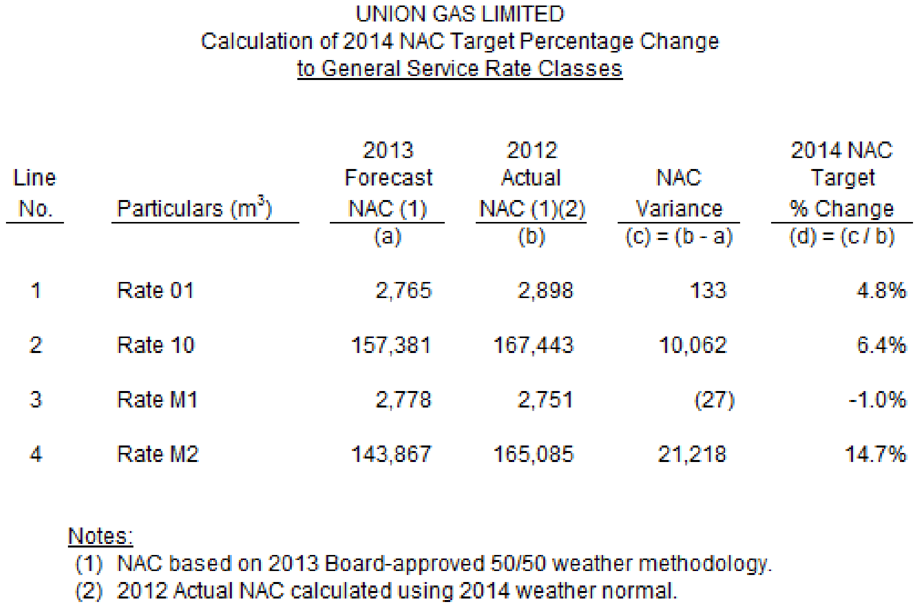
Union expects the Board to issue a decision in the EB-2012-0433 proceeding in the first quarter of 2014. Should the Board not approve the Parkway West Project Leave-to-Construct application, Union will recover/refund the costs associated with the project included in 2014 rates as part of its annual deferral account disposition proceeding in 2015.

5. NORMALIZED AVERAGE CONSUMPTION ADJUSTMENT

Consistent with the Board-approved Agreement, Union will adjust General Service rates annually during the 2014-2018 IRM for the changes in NAC. NAC incorporates all volume changes, including changes due to average use and DSM activities (LRAM) for General Service rate classes.

For 2014, Union will adjust rates for the 2012 actual NAC, using the Board-approved weather normal methodology blend of 50:50 (30-year average and 20-year declining trend). For 2014, the NAC adjustment will be the variance between 2012 Actual NAC and 2013 Forecast NAC, as seen in Table 2 below.

Table 2



UNION GAS LIMITED
Calculation of 2014 NAC Target Percentage Change
to General Service Rate Classes

Line No.	Particulars (m^3)	2013 Forecast NAC (1) (a)	2012 Actual NAC (1)(2) (b)	NAC Variance (c) = (b - a)	2014 NAC Target % Change (d) = (c / b)
1	Rate 01	2,765	2,898	133	4.8%
2	Rate 10	157,381	167,443	10,062	6.4%
3	Rate M1	2,778	2,751	(27)	-1.0%
4	Rate M2	143,867	165,085	21,218	14.7%

Notes:
(1) NAC based on 2013 Board-approved 50/50 weather methodology.
(2) 2012 Actual NAC calculated using 2014 weather normal.

6. CUSTOMER BILL IMPACTS

For most residential customers in the Southern Operations area the annual rate increase amounts to $1.55 per year for a customer consuming 2,200 m^3 annually. For most residential customers in the Northern Operations area the annual rate decrease is between $16.54 and $19.76 per year for a customer consuming 2,200 m^3 annually. Working Papers, Schedule 6 provides average 2012 unit price changes for all in-franchise rate classes. Working Papers, Schedule 7 provides customer bill impacts for General Service rate classes M1, M2, Rate 01 and Rate 10.

7. RATE SCHEDULE CHANGES

Approved EB-2011-0210 Changes

In its EB-2011-0210 Decision, the Board approved Union's proposals to change the eligibility criteria for the mid-market bundled contract rate classes (Rate M4 or Rate M5A) and the large market bundled contract rate class (Rate M7) in Union South. In addition, the Board also accepted Union's rate design proposal to introduce an Interruptible Service option in Rate M4. Black-lined rate schedules detailing the changes appear at Tab 1, Appendix H. Approved rate schedule changes effective January 1, 2014 are summarized below.

The daily contract demand for Union South Rate M4 and Rate M5A, currently ranging from 4,800 m^3 to 140,870 m^3, is revised to a range of 2,400 m^3 to 60,000 m^3 inclusive. The annual volume commitment for Rate M4 customers must equal 146 days use of firm daily contract demand (i.e. a 40% load factor). The minimum annual volume requirement for Rate M5A rate class eligibility is reduced from 700,000 m^3 currently to 350,000 m^3. The combined firm, interruptible and seasonal daily contract demand for Rate M7 is reduced from 140,870 m^3 to 60,000 m^3 which aligns the Rate M7 eligibility with the revised maximum daily contracted demand for mid-market Rate M4 and Rate M5A. The Board also approved the elimination of the minimum annual volume requirement as a condition of qualifying for Rate M7.

On January 1, 2014 (the transition date), customers with contract demands greater than 60,000 m^3 currently in the Rate M4 and Rate M5A rate classes will automatically be converted to the M7 rate class.

For the transition period, the M7 monthly interruptible delivery charge to be applied to all interruptible volumes will be the sum of the applicable M5A charges (delivery charge and interruptible monthly customer charge) in effect at that time of the transition date. For the transition period only, the Monthly Charge component for the M5A transitioning customer will be converted into a unitized volumetric charge as per the following calculation:

Unitized Monthly Charge (cents/ m^3) = (M5A Monthly Charge X 12 months) / Customer's 2013 Volume Consumption Forecast.

Firm service M4 customers will be re-priced using the existing firm contract parameters priced at the Rate M7 firm rates. For the transition period, all other applicable charges incurred will be pursuant to the M7 rate schedule.

In addition to the changes in eligibility criteria, the Board approved the introduction of an optional interruptible ("non-firm") service to firm Rate M4 ensuring that all bundled contract retail rate classes in Union South have an interruptible service option. The eligibility criteria and rate structure for the optional interruptible service within firm Rate M4 matches the approved 2014 interruptible Rate M5A parameters and rate structure.

Proposed 2014 Change: Site Specific Measuring Equipment

Union proposes to change the wording in the 'Applicability' section of the Rate M7, Rate T1 and Rate T2 rate schedules relating to energy measuring equipment. Energy measurement equipment measures the heat content of the natural gas passing through a meter that measures volume. Currently the rate schedule states it is applicable to a customer, "who has site specific measuring equipment installed at each Point of Consumption that will be used in determining energy balances". Union proposes to change this wording to, "who has site specific energy measuring equipment that will be used in determining energy balances." to allow for measurement at the point of consumption or through upstream sampling. This will allow Union to install energy measuring equipment that measures multiple customers reducing costs for customers.

Proposed Changes to General Terms and Conditions ("GT&C")

Union proposes to update the reference to the HUB Contract in certain Articles of its GT&C within its M12, M13, M16 and C1 transportation rate schedules. In addition, Union proposes to remove redundant sections of the M12 and C1 GT&C. It is proposed that all changes be implemented effective January 1, 2014.

These proposals are explained in further detail in the following sections:

1. Update HUB Contract Reference
2. Remove Redundant Sections

New M12 GT&C (Schedule "A 2010"), M13 GT&C (Schedule "A 2013"), M16 GT&C (Schedule "A 2013") and C1 GT&C (Schedule "A 2010") are attached at Tab 1, Appendix B. Black-lined comparisons of the new GT&C to the last Board-approved GT&C are attached at Tab 1, Appendix I.

1. Update HUB Contract Reference (M12, M13, M16 & C1 GT&C)

Union proposes to update the reference to the Interruptible Service HUB Contract in Article I Definitions and Article XXI Preconditions to Service. The new wording is consistent with the name of the HUB Contract.

2. Remove Redundant Sections (M12 & C1 GT&C)

Shippers who contract for gas transportation service for export outside of Canada as part of a continuous outbound freight movement (within the meaning of Part VII of Schedule VI to the Excise Tax Act) in respect of the gas have the option to request Union to zero rate taxes (charge 0% GST or 0% HST) on any gas transportation charges. Previously, Shippers requesting this option would identify the applicability of Article XIX.3 of Schedule “A 2010” (Point of Consumption Warranty) and/or (2) Article XIX.4 of Schedule “A 2010” (Non-Resident and Non-GST Registrant) within the M12 and C1 Contracts.

Consistent with the practice of other Canadian pipelines, Union is obtaining a declaration from Shippers who request zero rating of taxes. The declaration more clearly defines the circumstances that allow for zero rating of taxes as well as the shipper’s rights and obligations with this option. Union is proposing to remove Article XIX.3 and Article XIX.4 from both the M12 and C1 GT&C, which are now redundant with the introduction of the declaration.

8. NEW DEFERRAL ACCOUNTS

Consistent with the Board-approved Agreement, Union is creating three new deferral accounts: Normalized Average Consumption Deferral Account, Tax Deferral Account and Unaccounted for Gas Volume Deferral Account. Below is a description of each deferral account. The draft Accounting Orders can be found at Tab 1, Appendix F.

Normalized Average Consumption Deferral Account (No. 179-133)

The Normalized Average Consumption deferral account will capture the variance between the forecast NAC in rates and what is observed on an actual basis for the same year. This deferral account will be disposed of annually through the non-commodity deferral accounts and earnings sharing proceeding.

Tax Deferral Account (No. 179-134)

The Tax deferral account will capture the variance between taxes using the actual rates and calculation method/rules and the approved rates and calculation method/rules in Union's rates. Union will treat tax changes in the same manner as that used during the 2008-2012 IRM, where the impact of tax changes is shared 50:50. This deferral account will be disposed of annually through the non-commodity deferral accounts and earnings sharing proceeding.

Unaccounted for Gas (UFG) Volume Deferral Account (No. 179-135)

The UFG volume deferral account will capture the difference between the UFG volume included in rates and the actual UFG volume. The amount to be recorded in the UFG volume deferral account will be calculated using the most recent Board-approved weighted average cost of gas ("WACOG"). The amount of the UFG volume deferral account to be cleared to customers will be subject to a symmetrical dead-band of $5 million, with amounts within such dead-band being to Union's account only. This deferral account will be disposed of annually through the non-commodity deferral accounts and earnings sharing proceeding.

9. DEFERRAL ACCOUNT CLOSURE REQUESTS

Union is not requesting to close any deferral accounts.

10. 2013 COST OF SERVICE DIRECTIVES

In the 2013 Cost of Service proceeding (EB-2011-0210), the Board ordered Union to complete several directives including:

1. File an updated report from EB-2011-0038 (Black & Veatch report);
2. File an analysis of the allocation of costs for distribution maintenance – meter and regulator repairs;
3. File evidence to support the allocation of Union North and Union South distribution maintenance—equipment on customer premises;
4. Communicate M4, M5A, and M7 changes to customers;
5. Undertake a review of the allocation of Kirkwall metering costs;
6. Prepare Separate Audited Financial Statements for the portion of the business that is subject to rate regulation;
7. Report on the outcome of the Parkway Obligation Working Group; and
8. Undertake a cost allocation study which includes the volume breakpoint reduction proposal.

The evidence below responds to each of the directives.

10.1 FILE AN UPDATED REPORT FROM EB-2011-0038 (BLACK & VEATCH REPORT)

Please see Tab 2 for Union's response to this directive.

10.2 DISTRIBUTION MAINTENANCE – METER AND REGULATOR REPAIRS

In its EB-2011-0210 Decision, the Board directed Union to file a comprehensive cost allocation study to support Union's annual volume breakpoint reduction and rate block harmonization proposals for the Rate 01/Rate 10 and Rate M1/Rate M2 general service rate classes. In conjunction with this directive, the Board also directed Union to include an analysis of the allocation of distribution maintenance meter and regulator repairs costs for the Rate 01 and Rate M1 customers that would transition to Rate 10 and Rate M2 in 2014.

As described in Tab 5, Union is not proposing to implement the 5,000 m^3 annual volume breakpoint or the harmonization of the blocking structures for general service rate classes as part of its 2014-2018 Incentive Regulation term. Should Union propose a change to lower the general service volume breakpoint in a future rates proceeding, Union would include an analysis of the allocation of distribution maintenance meter and regulator repair costs for the Rate 01 and Rate M1 customers that would transition to Rate 10 and Rate M2 at that time.

10.3 DISTRIBUTION MAINTENANCE – EQUIPMENT ON CUSTOMER PREMISES

In its EB-2011-0210 Decision, the Board directed Union to file sufficient evidence to support its proposed change to the allocation of distribution maintenance costs for equipment on customer premises. Specifically, the Board directed Union to include "a definition for this maintenance category and a delineation of what has changed since EB-2005-0520 that would result in a change to the allocation methodology".

Union has not completed a 2014 cost study given the Board's approval of Union's 2014-2018 IRM. Union will respond to the Board's directive to file sufficient evidence to support its proposed change to the allocation of distribution maintenance costs for equipment on customer premises as part of its 2019 rebasing proceeding.

10.4 COMMUNICATE M4, M5A AND M7 RATE CLASS ELIGIBILITY CHANGES

Please see Tab 3 for Union's response to this directive.

10.5 KIRKWALL METERING COST ALLOCATION REVIEW

In its EB-2011-0210 Decision, the Board directed Union to review the allocation of Kirkwall metering costs. Specifically, the Board noted that the "use of the Kirkwall Station has changed substantially over the years and there is a clear need to review the allocation of Kirkwall Station costs". In accordance with the Board's directive, Union has reviewed the usage of the Kirkwall Station and the allocation of Kirkwall metering costs. Based on that review, Union is not proposing any changes to the allocation of Kirkwall metering costs.

As described by the Board in its EB-2011-0210 Decision, the use of the Kirkwall Station has changed. In 2012, Union made modifications to its existing Kirkwall metering facilities to allow for bi-directional flow at Kirkwall. These modifications were made in response to changing North American gas supply dynamics and customer requests for new firm transportation services. The modifications to the Kirkwall metering facilities enable gas arriving at Kirkwall to be transported to either Dawn or Parkway on Union's Dawn-Parkway transmission system. The new firm transportation services developed by Union were the C1 Kirkwall to Dawn, M12-X between Dawn, Kirkwall and Parkway and M12/C1 Kirkwall to Parkway transportation services. These services were approved by the Board in EB-2010-0296 and EB-2011-0257, respectively.

Union's 2013 Board-approved cost allocation methodology to allocate Dawn-Parkway Easterly transmission costs, including Kirkwall metering costs, to in-franchise and ex-franchise rate classes is based on a "commodity-kilometres" (distance-weighted demands) allocation. This cost allocation methodology recognizes that the Dawn-Parkway transmission system is designed to meet easterly peak (design) day requirements and that rate classes use the Dawn-Parkway system to varying degrees depending on their design day demands and the distance those design day demands are required to be transported along the Dawn-Parkway transmission system.

This cost allocation methodology is appropriate for the costs associated with the Kirkwall Station as it treats these facilities in a manner consistent with other Dawn-Parkway assets and recognizes that these facilities are required to meet easterly peak day demands on the Dawn-Parkway transmission system. While the Kirkwall Station modifications enable gas arriving at Kirkwall to be transported westerly to Dawn, the facilities are required on design day to meet easterly peak day demands.

The Board has previously recognized that while the Dawn-Parkway transmission system allows for bi-directional flow, the transmission system is designed to meet easterly design day demands. Specifically, in its EBRO 493/494 Decision, the Board-approved the commodity kilometres cost allocation methodology and noted that although the Dawn-Parkway transmission system is "multifunctional and operates as a bidirectional integrated pipeline at other times does not change the fact that on design day both in-franchise and ex-franchise gas is flowing easterly". In accordance with the Board-approved cost allocation methodology, Union's 2013 cost allocation study allocates approximately 84% of the costs associated with the Kirkwall Station to the M12 rate class and the remaining costs to in-franchise rate classes based on their distance-weighted design day demands.

As described above, based on Union's review of the use of the Kirkwall Station, Union is not proposing any changes to the allocation of Kirkwall metering costs. Although the Kirkwall Station allows for bidirectional flow, the Kirkwall metering facilities are required to meet easterly demands on the Dawn-Parkway transmission system on design day. Accordingly, the 2013 Board-approved cost allocation methodology to allocate Kirkwall metering costs to in-franchise and ex-franchise rate classes based on a "commodity kilometres" basis (distance-weighted design day demands) is appropriate.

10.6 AUDITED FINANCIAL STATEMENTS

In its EB-2011-0210 Decision, the Board directed Union to prepare and file separate audited financial statements for that portion of its business that is subject to rate regulation. Union filed evidence in EB-2013-0109 to provide an updated estimate of the cost required to prepare these financial statements and respond to the directive. Union's estimate is $1.3 million, with the amount to be charged to Deferral Account 179-129, Preparation of Audited Financial Statements, during 2013, and disposed of in 2014. In EB-2013-0109 (Union's 2012 Deferrals and Earnings Sharing Proceeding), the Board on its own motion, "determined that it would initiate a motion to review the Board's direction in its EB-2011-0210 Decision and Order requiring Union to annually prepare and file separate audited financial statements for that portion of its business that is subject to rate regulation" (Notice of Motion and Procedural Order 3, EB-2013-0109).

10.7 PARKWAY OBLIGATION WORKING GROUP

Please see Tab 4 for Union's response to this directive.

10.8 VOLUME BREAKPOINT ANALYSIS

Please see Tab 5 for Union's response to this directive.

11. IMPLEMENTATION

Union proposes to implement new rates effective January 1, 2014 as described in the Rate Setting Process of the EB-2007-0606 Settlement Agreement at Section 12.1.1. Union therefore requests a decision by November 30, 2013. This timing allows 2014 rates to be implemented prospectively and aligns with the January 2014 QRAM process.

In the event that the Board does not issue a rate order by November 30, 2013 for implementation by Union on January 1, 2014, Union seeks an Order of the Board declaring Union's rates as filed interim as of January 1, 2014. Union proposes to deal with any retrospective impact of the Board's Decision through a rate rider for general service rate classes and a one-time adjustment for all other rate classes, which will recover any changes in rates ultimately approved by the Board's order with effect from January 1, 2014.

EB-2013-0365
Rate Order for 2014 Rates
Index of Appendices

UNION GAS LIMITED
Union North
Summary of Changes to Sales Rates
Rate 01A - Small Volume General Firm Service

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)		Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)	
1	Monthly Charge - All Zones	$21.00			$21.00	
	Monthly Delivery Charge - All Zones					
2	First 100 m^3	9.6435		(0.5484)	9.0951	
3	Next 200 m^3	9.1190		(0.3886)	8.7304	
4	Next 200 m^3	8.7463		(0.3728)	8.3735	
5	Next 500 m^3	8.4043		(0.3582)	8.0461	
6	Over 1,000 m^3	8.1218		(0.3461)	7.7757	
7	Delivery - Price Adjustment (All Volumes)	0.5088	(1)	(0.5088)	-	
	Gas Transportation Service					
8	Fort Frances	4.3403		(0.2002)	4.1401	
9	Western Zone	4.2882		(0.1978)	4.0903	
10	Northern Zone	5.5650		(0.2567)	5.3082	
11	Eastern Zone	6.3288		(0.2920)	6.0368	
12	Transportation - Price Adjustment (All Zones)	(0.8913)	(2)	0.0608	(0.8305)	(3)
	Storage Service					
13	Fort Frances	2.1507		(0.0870)	2.0637	
14	Western Zone	2.3910		(0.0967)	2.2943	
15	Northern Zone	3.2252		(0.1305)	3.0947	
16	Eastern Zone	3.5799		(0.1448)	3.4351	
17	Storage - Price Adjustment (All Zones)	0.2109	(4)	(0.2109)	-	
	Commodity Cost of Gas and Fuel					
18	Fort Frances	12.2686		(0.0011)	12.2675	
19	Western Zone	12.3335		(0.0011)	12.3324	
20	Northern Zone	12.4183		(0.0011)	12.4172	
21	Eastern Zone	12.4916		(0.0011)	12.4905	
22	Commodity and Fuel - Price Adjustment (All Zones)	0.5144	(5)	0.0286	0.5430	(6)

Notes:
(1) Includes a temporary charge of 0.5088 cents/m^3 for the period February 1, 2013 to December 31, 2013.
(2) Includes Prospective Recovery of 0.2354, (0.4735), (0.0101) and (0.5823) cents/m^3, a temporary credit of (0.0608) cents/m^3 for the period February 1, 2013 to December 31, 2013.
(3) Includes Prospective Recovery of 0.2354, (0.4735), (0.0101) and (0.5823) cents/m$^{3.}$
(4) Includes a temporary charge of 0.2109 cents/m^3 for the period February 1, 2013 to December 31, 2013.
(5) Includes Prospective Recovery of 0.1307, (0.4572), 0.4957 and 0.3738 cents/m^3, and a temporary credit of (0.0286) cents/m^3 for the period February 1, 2013 to December 31, 2013.
(6) Includes Prospective Recovery of 0.1307, (0.4572), 0.4957 and 0.3738 cents/m^3.

UNION GAS LIMITED
Union North
Summary of Changes to Sales Rates
Rate 10 - Large Volume General Firm Service

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
1	Monthly Charge - All Zones	$70.00		$70.00
	Monthly Delivery Charge - All Zones			
2	First 1,000 m^3	7.6318	(0.4490)	7.1828
3	Next 9,000 m^3	6.2182	(0.3658)	5.8524
4	Next 20,000 m^3	5.4120	(0.3107)	5.1013
5	Next 70,000 m^3	4.8959	(0.2811)	4.6148
6	Over 100,000 m^3	2.9407	(0.1688)	2.7719
7	Delivery - Price Adjustment (All Volumes)	0.2623 (1)	(0.2623)	-
	Gas Transportation Service			
8	Fort Frances	3.8695	(0.2331)	3.6364
9	Western Zone	3.8173	(0.2299)	3.5874
10	Northern Zone	5.0941	(0.3068)	4.7873
11	Eastern Zone	5.8579	(0.3528)	5.5051
12	Transportation - Price Adjustment (All Zones)	(0.9092) (2)	0.0786	(0.8306) (3)
	Storage Service			
13	Fort Frances	1.2015	(0.0658)	1.1357
14	Western Zone	1.4418	(0.0790)	1.3628
15	Northern Zone	2.2760	(0.1246)	2.1514
16	Eastern Zone	2.6307	(0.1441)	2.4866
17	Storage - Price Adjustment (All Zones)	0.1201 (4)	(0.1201)	-
	Commodity Cost of Gas and Fuel			
18	Fort Frances	12.2686	(0.0011)	12.2675
19	Western Zone	12.3335	(0.0011)	12.3324
20	Northern Zone	12.4183	(0.0011)	12.4172
21	Eastern Zone	12.4916	(0.0011)	12.4905
22	Commodity and Fuel - Price Adjustment (All Zones)	0.5205 (5)	0.0225	0.5430 (6)

Notes:

(1) Includes a temporary charge of 0.2623 cents/m^3 for the period February 1, 2013 to December 31, 2013.

(2) Includes Prospective Recovery of 0.2353, (0.4735), (0.0101) and (0.5823) cents/m^3, a temporary credit of (0.0786) cents/m^3 for the period February 1, 2013 to December 31, 2013.

(3) Includes Prospective Recovery of 0.2353, (0.4735), (0.0101) and (0.5823) cents/m$^{3.}$

(4) Includes a temporary charge of 0.1201 cents/m^3 for the period February 1, 2013 to December 31, 2013.

(5) Includes Prospective Recovery of 0.1307, (0.4572), 0.4957 and 0.3738 cents/m^3, and a temporary credit of (0.0225) cents/m^3 for the period February 1, 2013 to December 31, 2013.

(6) Includes Prospective Recovery of 0.1307, (0.4572), 0.4957 and 0.3738 cents/m^3.

UNION GAS LIMITED
Union North
Summary of Changes to Sales Rates
Rate 20 - Medium Volume Firm Service

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
1	Monthly Charge	$1,000.00	($11.63)	$988.37
	Delivery Demand Charge			
2	First 70,000 m^3	27.8179	0.0775	27.8954
3	All over 70,000 m^3	16.3583	0.0456	16.4039
	Delivery Commodity Charge			
4	First 852,000 m^3	0.5246	0.0062	0.5308
5	All over 852,000 m^3	0.3803	0.0044	0.3847
	Monthly Gas Supply Demand Charge			
6	Fort Frances	21.9979		21.9979
7	Western Zone	24.8397	0.0006	24.8403
8	Northern Zone	62.6121	0.0016	62.6137
9	Eastern Zone	82.3684	0.0022	82.3705
10	Gas Supply Demand - Price Adjustment (All Zones)	-		-
	Commodity Transportation 1			
11	Fort Frances	3.0513		3.0513
12	Western Zone	3.1266		3.1266
13	Northern Zone	3.9709		3.9709
14	Eastern Zone	4.4184		4.4184
15	Transportation 1 - Price Adjustment (All Zones)	(0.8304) (1)		(0.8304) (1)
	Commodity Transportation 2			
16	Fort Frances	-		-
17	Western Zone	-		-
18	Northern Zone	-		-
19	Eastern Zone	-		-
	Commodity Cost of Gas and Fuel			
20	Fort Frances	12.2116	(0.0011)	12.2105
21	Western Zone	12.2762	(0.0011)	12.2751
22	Northern Zone	12.3605	(0.0011)	12.3594
23	Eastern Zone	12.4335	(0.0011)	12.4324
24	Commodity and Fuel - Price Adjustment (All Zones)	0.5430 (2)		0.5430 (2)
	Bundled Storage Service ($/GJ)			
25	Monthly Demand Charge	9.643	0.049	9.692
26	Commodity Charge	0.156	0.001	0.157
27	Storage Demand - Price Adjustment	-		-

Notes:

(1) Includes Prospective Recovery of 0.2356, (0.4736), (0.0101) and (0.5823) cents/m^3.

(2) Includes Prospective Recovery of 0.1307, (0.4572), 0.4957 and 0.3738 cents/m^3.

UNION GAS LIMITED
Union North
Summary of Changes to Sales Rates
Rate 100 - Large Volume High Load Factor Firm Service

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
1	Monthly Charge	$1,500.00	($21.07)	$1,478.93
	Delivery Demand Charge			
2	All Zones	15.3415	0.0401	15.3816
	Delivery Commodity Charge			
3	All Zones	0.2136	0.0026	0.2162
	Monthly Gas Supply Demand Charge			
4	Fort Frances	59.0298		59.0298
5	Western Zone	62.3453		62.3453
6	Northern Zone	106.4130		106.4130
7	Eastern Zone	129.4620		129.4620
	Commodity Transportation 1			
8	Fort Frances	5.4887		5.4887
9	Western Zone	5.5452		5.5452
10	Northern Zone	6.1784		6.1784
11	Eastern Zone	6.5140		6.5140
	Commodity Transportation 2			
12	Fort Frances	-		-
13	Western Zone	-		-
14	Northern Zone	-		-
15	Eastern Zone	-		-
	Commodity Cost of Gas and Fuel			
16	Fort Frances	12.2116	(0.0011)	12.2105
17	Western Zone	12.2762	(0.0011)	12.2751
18	Northern Zone	12.3605	(0.0011)	12.3594
19	Eastern Zone	12.4335	(0.0011)	12.4324
20	Commodity and Fuel - Price Adjustment (All Zones)	0.5430 (1)		0.5430 (1)
	Bundled Storage Service ($/GJ)			
21	Monthly Demand Charge	9.643	0.049	9.692
22	Commodity Charge	0.156	0.001	0.157
23	Storage Demand - Price Adjustment	-		-

Notes:

(1) Includes Prospective Recovery of 0.1307, (0.4572), 0.4957 and 0.3738 cents/m^3.

UNION GAS LIMITED
Union North
Summary of Changes to Sales Rates

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	Rate 25 - Large Volume Interruptible Service			
1	Monthly Charge	$375.00	($13.54)	$361.46
	Delivery Charge - All Zones *			
2	Maximum	5.0206	(0.3252)	4.6954
	Gas Supply Charges - All Zones			
3	Minimum	14.3135		14.3135
4	Maximum	140.5622		140.5622

* see Appendix C.

UNION GAS LIMITED
Union South
Summary of Changes to Sales Rates

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate	Rate Change	EB-2013-0365 Approved January 1, 2014 Rate
		(a)	(b)	(c)
	Utility Sales			
1	Commodity and Fuel	12.4908	(0.0011)	12.4897
2	Commodity and Fuel - Price Adjustment	(0.1983) (1)	0.0853	(0.1130) (2)
3	Transportation	3.9402		3.9402
4	Total Gas Supply Commodity Charge	16.2327	0.0842	16.3169
	M4 Firm Commercial/Industrial			
5	Minimum annual gas supply commodity charge	4.4503	(0.0011)	4.4493
	M5A Interruptible Commercial/Industrial			
6	Minimum annual gas supply commodity charge	4.4503	(0.0011)	4.4493
	Storage and Transportation Supplemental Services - Rate T1, Rate T2 & Rate T3	$/GJ		$/GJ
	Monthly demand charges: ($/GJ)			
7	Firm gas supply service	46.857		46.857
8	Firm backstop gas	1.778	0.003	1.781
	Commodity charges:			
9	Gas supply	3.230		3.230
10	Backstop gas	4.722	0.002	4.724
11	Reasonable Efforts Backstop Gas	5.489	0.020	5.509
12	Supplemental Inventory	Note (3)		Note (3)
13	Supplemental Gas Sales Service (cents/m^3)	19.3781	0.0107	19.3888
14	Failure to Deliver	2.531	0.0210	2.552
15	Discretionary Gas Supply Service (DGSS)	Note (4)		Note (4)

Notes:

(1) Includes Prospective Recovery of (0.8538), (0.3368), 0.8211 and 0.2565 cents/m^3, a temporary credit of (0.0853) cents/m^3 for the period February 1, 2013 to December 31, 2013.

(2) Includes Prospective Recovery of (0.8538), (0.3368), 0.8211 and 0.2565 cents/m^3.

(3) The charge for banked gas purchases shall be the higher of the daily spot gas cost at Dawn in the month of or the month following the month in which gas is sold under this rate and shall not be less than Union's approved weighted average cost of gas.

(4) Reflects the "back to back" price plus gas supply administration charge.

UNION GAS LIMITED
Union South
Summary of Changes to Sales Rates

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	Rate M1 - Small Volume General Service Rate			
1	Monthly Charge	$21.00		$21.00
2	First 100 m^3	3.7286	0.0651	3.7937
3	Next 150 m^3	3.5221	0.0590	3.5811
4	All over 250 m^3	3.0336	0.0508	3.0844
5	Delivery - Price Adjustment (All Volumes)	0.0430 (1)	(0.0429)	0.0001 (2)
6	Storage Service	0.7368	0.0125	0.7493
7	Storage - Price Adjustment	(0.0513) (3)	0.0513	-
	Rate M2 - Large Volume General Service Rate			
8	Monthly Charge	$70.00		$70.00
9	First 1,000 m^3	4.0899	(0.5060)	3.5839
10	Next 6,000 m^3	4.0136	(0.4966)	3.5170
11	Next 13,000 m^3	3.7862	(0.4651)	3.3211
12	All over 20,000 m^3	3.5133	(0.4316)	3.0817
13	Delivery - Price Adjustment (All Volumes)	0.0827 (4)	(0.0826)	0.0001 (5)
14	Storage Service	0.7550	(0.0924)	0.6626
15	Storage - Price Adjustment	0.0080 (6)	(0.0080)	-

Notes:

(1) Includes Prospective Recovery of 0.0001, 0.000, 0.0000, (0.0000) and a temporary charge of 0.0429 cents/m^3 for the period February 1, 2013 to December 31, 2013.

(2) Includes Prospective Recovery of 0.0001, 0.000, 0.0000, (0.0000).

(3) Includes a temporary credit of (0.0513) cents/m^3 for the period February 1, 2013 to December 31, 2013.

(4) Includes Prospective Recovery of 0.0001, 0.0000, 0.0000, (0.0000) and a temporary charge of 0.0826 cents/m^3 for the period February 1, 2013 to December 31, 2013.

(5) Includes Prospective Recovery of 0.0001, 0.0000, 0.0000, (0.0000).

(6) Includes a temporary charge of 0.0080 cents/m^3 for the period February 1, 2013 to December 31, 2013.

UNION GAS LIMITED
Union South
Summary of Changes to Sales Rates

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	Rate M4 - Firm comm/ind contract rate			
	Monthly demand charge:			
1	First 8,450 m^3	46.6239	0.2246	46.8485
2	Next 19,700 m^3	20.9050	0.1007	21.0057
3	All over 28,150 m^3	17.5631	0.0846	17.6477
	Monthly delivery commodity charge:			
4	First block	0.9238	0.0352	0.9590
5	All remaining use	0.3860	0.0147	0.4007
6	Delivery - Price Adjustment (All Volumes)	0.0001 (1)		0.0001 (1)
7	Minimum annual firm delivery commodity charge	1.1170	0.0342	1.1512
	Interruptible contracts *			
8	Monthly Charge	-	$684.51	$684.51
	Daily delivery commodity charge:			
9	2,400 m^3 to 17,000 m^3	-	2.5547	2.5547
10	17,000 m^3 to 30,000 m^3	-	2.4248	2.4248
11	30,000 m^3 to 50,000 m^3	-	2.3565	2.3565
12	50,000 m^3 to 60,000 m^3	-	2.3086	2.3086
13	Delivery - Price Adjustment (All Volumes)	-		-
14	Minimum annual interruptible delivery commodity charge	-	2.7469	2.7469
	Rate M5A - interruptible comm/ind contract			
	Firm contracts *			
15	Monthly demand charge	28.6252	(0.2084)	28.4168
16	Monthly delivery commodity charge	1.9007	0.0173	1.9180
17	Delivery - Price Adjustment (All Volumes)	0.0001 (1)		0.0001 (1)
	Interruptible contracts *			
18	Monthly Charge	$690.00	($5.49)	$684.51
	Daily delivery commodity charge:			
19	2,400 m^3 to 17,000 m^3	2.5094	0.0453	2.5547
20	17,000 m^3 to 30,000 m^3	2.3795	0.0453	2.4248
21	30,000 m^3 to 50,000 m^3	2.3112	0.0453	2.3565
22	50,000 m^3 to 60,000 m^3	2.2633	0.0453	2.3086
23	Delivery - Price Adjustment (All Volumes)	0.0001 (1)		0.0001 (1)
24	Minimum annual interruptible delivery commodity charge	2.7027	0.0442	2.7469

Notes:
(1) Includes Prospective Recovery of 0.0001, 0.0000, 0.0000 and (0.0000) cents/m^3.

* Price changes to individual interruptible and seasonal contract rates are provided in Appendix C.

UNION GAS LIMITED
Union South
Summary of Changes to Sales Rates

Line No.	Particulars (cents/m^3)	EB-2013-0316 Approved October 1, 2013 Rate (a)		Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)	
	Rate M7 - Special large volume contract					
	Firm					
1	Monthly demand charge	25.3924		0.1665	25.5589	
2	Monthly delivery commodity charge	0.2814		0.0072	0.2886	
3	Delivery - Price Adjustment	0.0001	(1)		0.0001	(1)
	Interruptible *					
	Monthly delivery commodity charge:					
4	Maximum	3.9063		0.0952	4.0015	
5	Delivery - Price Adjustment	0.0001	(1)		0.0001	(1)
	Seasonal *					
6	Monthly delivery commodity charge:					
7	Maximum	3.6622		0.0952	3.7574	
8	Delivery - Price Adjustment	0.0001	(1)		0.0001	(1)
	Rate M9 - Large wholesale service					
9	Monthly demand charge	15.1688		0.1160	15.2848	
10	Monthly delivery commodity charge	0.1580		0.0011	0.1591	
11	Delivery - Price Adjustment	0.0001	(1)		0.0001	(1)
	Rate M10 - Small wholesale service					
12	Monthly delivery commodity charge	5.1133		(0.2176)	4.8957	

Notes:
(1) Includes Prospective Recovery of 0.0001, 0.0000, 0.0000 and (0.0000) cents/m^3.

* Price changes to individual interruptible and seasonal contract rates are provided in Appendix C.

UNION GAS LIMITED
Union South
Summary of Changes to Contract Carriage Rates

Line No.	Particulars	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	Contract Carriage Service			
	Rate T1 - Storage and Transportation			
	Storage ($ / GJ)			
	Monthly demand charges:			
1	Firm space	0.011		0.011
	Firm Injection/Withdrawal Right			
2	Union provides deliverability inventory	1.563	0.017	1.581
3	Customer provides deliverability inventory	1.197	0.013	1.210
4	Firm incremental injection	1.197	0.013	1.210
5	Interruptible withdrawal	1.197	0.013	1.210
	Commodity charges:			
6	Withdrawal	0.026		0.026
7	Customer provides compressor fuel	0.008		0.008
8	Injection	0.026		0.026
9	Customer provides compressor fuel	0.008		0.008
10	Storage fuel ratio - customer provides fuel	0.395%	0.002%	0.397%
	Transportation (cents / m^3)			
11	Monthly demand charge first 28,150 m^3	31.9554	0.2086	32.1640
12	Monthly demand charge next 112,720 m^3	22.0775	0.1442	22.2217
	Firm commodity charges:			
13	Union provides compressor fuel - All volumes	0.1165	0.0012	0.1177
14	Customer provides compressor fuel - All volumes	0.0712	0.0009	0.0721
15				
	Interruptible commodity charges: *			
16	Maximum - Union provides compressor fuel	3.9063	0.0952	4.0015
17	Maximum - customer provides compressor fuel	3.8610	0.0950	3.9559
18	Transportation fuel ratio - customer provides fuel	0.250%	0.001%	0.251%
	Authorized overrun services			
	Storage ($ / GJ)			
	Commodity charges			
19	Injection / Withdrawals	0.100		0.100
20	Customer provides compressor fuel	0.059	0.001	0.060
21	Transportation commodity charge (cents/m^3)	1.1671	0.0081	1.1752
22	Customer provides compressor fuel	1.1218	0.0077	1.1295
23	Monthly Charge	$1,936.13	($2.68)	$1,933.45

* Price changes to individual interruptible contract rates are provided in Appendix C.

UNION GAS LIMITED
Union South
Summary of Changes to Contract Carriage Rates

Line No.	Particulars	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	Contract Carriage Service			
	Rate T2 - Storage and Transportation			
	Storage ($ / GJ)			
	Monthly demand charges:			
1	Firm space	0.011		0.011
	Firm Injection/Withdrawal Right			
2	Union provides deliverability inventory	1.563	0.017	1.581
3	Customer provides deliverability inventory	1.197	0.013	1.210
4	Firm incremental injection	1.197	0.013	1.210
5	Interruptible withdrawal	1.197	0.013	1.210
	Commodity charges:			
6	Withdrawal	0.026		0.026
7	Customer provides compressor fuel	0.008		0.008
8	Injection	0.026		0.026
9	Customer provides compressor fuel	0.008		0.008
10	Storage fuel ratio - customer provides fuel	0.395%	0.002%	0.397%
	Transportation (cents / m^3)			
11	Monthly demand charge first 140,870 m^3	20.1911	0.1589	20.3500
12	Monthly demand charge all over 140,870 m^3	10.6802	0.0841	10.7643
	Firm commodity charges:			
13	Union provides compressor fuel - All volumes	0.0526	0.0003	0.0529
14	Customer provides compressor fuel - All volumes	0.0078		0.0079
	Interruptible commodity charges: *			
15	Maximum - Union provides compressor fuel	3.9063	0.0952	4.0015
16	Maximum - customer provides compressor fuel	3.8615	0.0950	3.9565
17	Transportation fuel ratio - customer provides fuel	0.247%	0.001%	0.248%
	Authorized overrun services			
	Storage ($ / GJ)			
	Commodity charges			
18	Injection / Withdrawals	0.100		0.100
19	Customer provides compressor fuel	0.059	0.001	0.060
20	Transportation commodity charge (cents/m^3)	0.7164	0.0055	0.7220
21	Customer provides compressor fuel	0.6716	0.0053	0.6769
22	Monthly Charge	$6,000.00	$19.58	$6,019.58

* Price changes to individual interruptible contract rates are provided in Appendix C.

UNION GAS LIMITED
Union South
Summary of Changes to Contract Carriage Rates

Line No.	Particulars	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	Rate T3 - Storage and Transportation			
	Storage ($ / GJ)			
	Monthly demand charges:			
1	Firm space	0.011		0.011
	Firm Injection/Withdrawal Right			
2	Union provides deliverability inventory	1.563	0.017	1.581
3	Customer provides deliverability inventory	1.197	0.013	1.210
4	Firm incremental injection	1.197	0.013	1.210
5	Interruptible withdrawal	1.197	0.013	1.210
	Commodity charges:			
6	Withdrawal	0.026		0.026
7	Customer provides compressor fuel	0.008		0.008
8	Injection	0.026		0.026
9	Customer provides compressor fuel	0.008		0.008
10	Storage fuel ratio- Cust. provides fuel	0.395%	0.002%	0.397%
	Transportation (cents / m^3)			
11	Monthly demand charge	9.3582	0.1066	9.4648
	Firm commodity charges			
12	Union supplies compressor fuel	0.0624	0.0003	0.0627
13	Customer provides compressor fuel	0.0107		0.0107
14	Transportation fuel ratio- Cust. provides fuel	0.285%	0.001%	0.286%
	Authorized overrun services			
	Storage ($ / GJ)			
	Commodity charges:			
15	Injection / Withdrawals	0.100		0.100
16	Customer provides compressor fuel	0.059	0.001	0.060
17	Transportation commodity charge (cents/m^3)	0.3701	0.0038	0.3739
18	Customer provides compressor fuel (cents/m^3)	0.3184	0.0035	0.3219
	Monthly Charge			
19	City of Kitchener	$20,371.35	($3.90)	$20,367.45
20	Natural Resource Gas	$3,127.21	($0.60)	$3,126.61
21	Six Nations	$1,042.40	($0.20)	$1,042.20

UNION GAS LIMITED
Union South
Summary of Changes to Unbundled Rates

Line No.	Particulars	EB-2013-0316 Approved October 1, 2013 Rate	Rate Change	EB-2013-0365 Approved January 1, 2014 Rate
		(a)	(b)	(c)
	U2 Unbundled Service			
	Storage ($ / GJ)			
	Monthly demand charges:			
	Standard Storage Service (SSS)			
1	Combined Firm Space & Deliverability	0.024		0.024
	Standard Peaking Service (SPS)			
2	Combined Firm Space & Deliverability	0.116	0.001	0.117
3	Incremental firm injection right	1.041	0.013	1.054
4	Incremental firm withdrawal right	1.041	0.013	1.054
	Commodity charges:			
5	Injection customer provides compressor fuel	0.026		0.026
6	Withdrawal customer provides compressor fuel	0.026		0.026
7	Storage fuel ratio - Customer provides fuel	0.395%	0.002%	0.397%
	Authorized overrun services			
	Storage ($ / GJ)			
	Commodity charges:			
8	Injection customer provides compressor fuel	0.060	0.001	0.061
9	Withdrawal customer provides compressor fuel	0.060	0.001	0.061

UNION GAS LIMITED
Summary of Changes to Storage and Transportation Rates

Line No.	Particulars ($/GJ)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	M12 Transportation Service			
	Firm transportation			
	Monthly demand charges:			
1	Dawn to Kirkwall	2.011	0.032	2.043
2	Dawn to Oakville/Parkway	2.382	0.039	2.421
3	Kirkwall to Parkway	0.372	0.006	0.378
4	F24-T	0.068		0.068
	M12-X Firm Transportation			
5	Between Dawn, Kirkwall and Parkway	2.961	0.049	3.010
	Commodity charges:			
6	Easterly	Note (1)		Note (1)
7	Westerly	Note (1)		Note (1)
8	Parkway (TCPL) to Parkway (Cons)	Note (1)		Note (1)
	Limited Firm/Interruptible			
	Monthly demand charges:			
9	Maximum	5.718	0.092	5.810
	Commodity charges :			
10	Others	Note (1)		Note (1)
	Authorized Overrun			
	Transportation commodity charges:			
	Easterly:			
11	Dawn to Kirkwall - Union supplied fuel	Note (1)		Note (1)
12	Dawn to Oakville/Parkway - Union supplied fuel	Note (1)		Note (1)
13	Dawn to Kirkwall - Shipper supplied fuel	0.066 (1)	0.001	0.067 (1)
14	Dawn to Oakville/Parkway - Shipper supplied fuel	0.078 (1)	0.002	0.080 (1)
15	Kirkwall to Parkway - Union supplied fuel	Note (1)		Note (1)
16	Kirkwall to Parkway - Shipper supplied fuel	0.012		0.012
17	Westerly - Union supplied fuel	Note (1)		Note (1)
18	Westerly - Shipper supplied fuel	0.078 (1)	0.002	0.080 (1)
	M12-X Firm Transportation			
19	Between Dawn, Kirkwall and Parkway - Union supplied fuel	Note (1)		Note (1)
20	Between Dawn, Kirkwall and Parkway - Shipper supplied fuel	0.097 (1)	0.002	0.099 (1)
	M13 Transportation of Locally Produced Gas			
21	Monthly fixed charge per customer station	$926.60	$4.72	$931.32
22	Transmission commodity charge to Dawn	0.034		0.034
23	Commodity charge - Union supplies fuel	0.007		0.007
24	Commodity charge - Shipper supplies fuel	Note (2)		Note (2)
25	Authorized Overrun - Union supplies fuel	0.076		0.076
26	Authorized Overrun - Shipper supplies fuel	0.069 (2)		0.069 (2)

Notes:
(1) Monthly fuel rates and ratios per Schedule "C".
(2) Plus customer supplied fuel per rate schedule.

UNION GAS LIMITED
Summary of Changes to Storage and Transportation Rates

Line No.	Particulars ($/GJ)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	M16 Storage Transportation Service			
1	Monthly fixed charge per customer station	$1,474.12	7.510	$1,481.63
	Monthly demand charges:			
2	East of Dawn	0.741	0.012	0.753
3	West of Dawn	1.059	0.006	1.065
4	Transmission commodity charge to Dawn	0.034		0.034
	Transportation Fuel Charges to Dawn:			
5	East of Dawn - Union supplied fuel	0.007		0.007
6	West of Dawn - Union supplied fuel	0.007		0.007
7	East of Dawn - Shipper supplied fuel	Note (1)		Note (1)
8	West of Dawn - Shipper supplied fuel	Note (1)		Note (1)
	Transportation Fuel Charges to Pools:			
9	East of Dawn - Union supplied fuel	0.007		0.007
10	West of Dawn - Union supplied fuel	0.021		0.021
11	East of Dawn - Shipper supplied fuel	Note (1)		Note (1)
12	West of Dawn - Shipper supplied fuel	Note (1)		Note (1)
	Authorized Overrun			
	Transportation Fuel Charges to Dawn:			
13	East of Dawn - Union supplied fuel	0.065	0.001	0.066
14	West of Dawn - Union supplied fuel	0.076		0.076
15	East of Dawn - Shipper supplied fuel	0.058 (1)	0.001	0.059 (1)
16	West of Dawn - Shipper supplied fuel	0.069 (1)		0.069 (1)
	Transportation Fuel Charges to Pools:			
17	East of Dawn - Union supplied fuel	0.032		0.032
18	West of Dawn - Union supplied fuel	0.056		0.056
19	East of Dawn - Shipper supplied fuel	0.024 (1)	0.001	0.025 (1)
20	West of Dawn - Shipper supplied fuel	0.035 (1)		0.035 (1)
	C1 - Cross Franchise Transportation Service			
	Transportation service			
	Monthly demand charges:			
21	St. Clair / Bluewater & Dawn	1.059	0.006	1.065
22	Ojibway & Dawn	1.059	0.006	1.065
23	Parkway to Dawn	0.579	0.010	0.589
24	Parkway to Kirkwall	0.579	0.010	0.589
25	Kirkwall to Dawn	1.021	0.018	1.039
26	Dawn to Kirkwall	2.011	0.032	2.043
27	Dawn to Parkway	2.382	0.039	2.421
28	Kirkwall to Parkway	0.372	0.006	0.378
29	Dawn to Dawn-Vector	0.029		0.029
30	Dawn to Dawn-TCPL	0.134	0.001	0.135
	Short-term:			
31	Maximum	75.00		75.00
	Commodity charges:			
32	St. Clair / Bluewater & Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.012		0.012
33	St. Clair / Bluewater & Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.010		0.010
34	Ojibway & Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.014		0.014
35	Ojibway & Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.021		0.021
36	Parkway to Kirkwall / Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.007		0.007
37	Parkway to Kirkwall / Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.013		0.013
38	Kirkwall to Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.007		0.007
39	Kirkwall to Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.007		0.007
40	Dawn to Kirkwall - Union supplied fuel (Nov. 1 - Mar. 31)	0.035		0.035
41	Dawn to Kirkwall - Union supplied fuel (Apr. 1 - Oct. 31)	0.015		0.015
42	Dawn to Parkway - Union supplied fuel (Nov. 1 - Mar. 31)	0.046	0.001	0.047
43	Dawn to Parkway - Union supplied fuel (Apr. 1 - Oct.31)	0.025		0.025
44	Kirkwall to Parkway - Union supplied fuel (Nov. 1 - Mar. 31)	0.019		0.019
45	Kirkwall to Parkway - Union supplied fuel (Apr. 1 - Oct.31)	0.018		0.018

Notes:
(1) Plus customer supplied fuel per rate schedule.

UNION GAS LIMITED
Summary of Changes to Storage and Transportation Rates

Line No.	Particulars ($/GJ)	EB-2013-0316 Approved October 1, 2013 Rate (a)	Rate Change (b)	EB-2013-0365 Approved January 1, 2014 Rate (c)
	C1 - Cross Franchise Transportation Service			
	Transportation service cont'd			
1	St. Clair / Bluewater & Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
2	St. Clair / Bluewater & Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	Note (1)		Note (1)
3	Ojibway & Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
4	Ojibway & Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	Note (1)		Note (1)
5	Parkway to Kirkwall / Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
6	Parkway to Kirkwall / Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	Note (1)		Note (1)
7	Kirkwall to Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
8	Kirkwall to Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	Note (1)		Note (1)
9	Dawn to Kirkwall - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
10	Dawn to Kirkwall - Shipper supplied fuel (Apr. 1 - Oct. 31)	Note (1)		Note (1)
11	Dawn to Parkway - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
12	Dawn to Parkway - Shipper supplied fuel (Apr. 1 - Oct.31)	Note (1)		Note (1)
13	Kirkwall to Parkway - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
14	Kirkwall to Parkway - Shipper supplied fuel (Apr. 1 - Oct.31)	Note (1)		Note (1)
15	Dawn to Dawn-Vector - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
16	Dawn to Dawn-Vector - Shipper supplied fuel (Apr. 1 - Oct . 31)	Note (1)		Note (1)
17	Dawn to Dawn-TCPL - Shipper supplied fuel (Nov. 1 - Mar. 31)	Note (1)		Note (1)
18	Dawn to Dawn-TCPL - Shipper supplied fuel (Apr. 1 - Oct . 31)	Note (1)		Note (1)
	Interruptible commodity charges:			
19	Maximum	75.00		75.00
20	Dawn(Tecumseh), Dawn(Facilities or TCPL), Dawn (Vector) and Dawn (TSLE)	Note (1)		Note (1)
	Authorized Overrun			
	Firm transportation commodity charges:			
21	St. Clair / Bluewater & Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.047		0.047
22	St. Clair / Bluewater & Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.044	0.001	0.045
23	Ojibway & Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.049		0.049
24	Ojibway & Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.056		0.056
25	Parkway to Kirkwall / Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.114	0.002	0.116
26	Parkway to Kirkwall / Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.120	0.001	0.121
27	Kirkwall to Dawn - Union supplied fuel (Nov. 1 - Mar. 31)	0.041		0.041
28	Kirkwall to Dawn - Union supplied fuel (Apr. 1 - Oct. 31)	0.041		0.041
29	Dawn to Kirkwall - Union supplied fuel (Nov. 1 - Mar. 31)	0.129	0.002	0.131
30	Dawn to Kirkwall - Union supplied fuel (Apr. 1 - Oct. 31)	0.109	0.002	0.111
31	Dawn to Parkway - Union supplied fuel (Nov. 1 - Mar. 31)	0.158	(0.003)	0.155
32	Dawn to Parkway - Union supplied fuel (Apr. 1 - Oct.31)	0.133	0.001	0.134
33	Kirkwall to Parkway - Union supplied fuel (Nov. 1 - Mar. 31)	0.065	(0.005)	0.060
34	Kirkwall to Parkway - Union supplied fuel (Apr. 1 - Oct.31)	0.063	(0.004)	0.059
35	St. Clair / Bluewater & Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.035 (1)		0.035 (1)
36	St. Clair / Bluewater & Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	0.035 (1)		0.035 (1)
37	Ojibway & Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.035 (1)		0.035 (1)
38	Ojibway & Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	0.035 (1)		0.035 (1)
39	Parkway to Kirkwall / Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.019 (1)		0.019 (1)
40	Parkway to Kirkwall / Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	0.019 (1)		0.019 (1)
41	Kirkwall to Dawn - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.034 (1)		0.034 (1)
42	Kirkwall to Dawn - Shipper supplied fuel (Apr. 1 - Oct. 31)	0.034 (1)		0.034 (1)
43	Dawn to Kirkwall - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.066 (1)	0.001	0.067 (1)
44	Dawn to Kirkwall - Shipper supplied fuel (Apr. 1 - Oct. 31)	0.066 (1)	0.001	0.067 (1)
45	Dawn to Parkway - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.078 (1)	0.002	0.080 (1)
46	Dawn to Parkway - Shipper supplied fuel (Apr. 1 - Oct.31)	0.078 (1)	0.002	0.080 (1)
47	Kirkwall to Parkway - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.012 (1)		0.012 (1)
48	Kirkwall to Parkway - Shipper supplied fuel (Apr. 1 - Oct.31)	0.012 (1)		0.012 (1)
49	Dawn to Dawn-Vector - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.001 (1)		0.001 (1)
50	Dawn to Dawn-Vector - Shipper supplied fuel (Apr. 1 - Oct . 31)	0.001 (1)		0.001 (1)
51	Dawn to Dawn-TCPL - Shipper supplied fuel (Nov. 1 - Mar. 31)	0.004 (1)		0.004 (1)
52	Dawn to Dawn-TCPL - Shipper supplied fuel (Apr. 1 - Oct . 31)	0.004 (1)		0.004 (1)
	Short Term Firm transportation commodity charges:			
53	Maximum	75.00		75.00

Notes:
(1) Plus customer supplied fuel per rate schedule.

RATE 01A - SMALL VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's Fort Frances, Western, Northern or Eastern Zones who is an end user whose total gas requirements at that location are equal to or less than 50,000 m^3 per year.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TCPL's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TCPL under a firm transportation service tariff or equivalent National Energy Board Order. For this service, the Monthly and Delivery Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, and Delivery Charges, as well as the Storage and Transportation Charges of the Gas Supply Charge shall apply.

MONTHLY RATES AND CHARGES

Zone	Fort Frances	Western	Northern	Eastern
Rate Schedule No.	201	101	301	601
APPLICABLE TO ALL SERVICES				
MONTHLY CHARGE	$21.00	$21.00	$21.00	$21.00
DELIVERY CHARGE	¢ per m^3	¢ per m^3	¢ per m^3	¢ per m^3
First 100 m^3 per month @	9.0951	9.0951	9.0951	9.0951
Next 200 m^3 per month @	8.7304	8.7304	8.7304	8.7304
Next 200 m^3 per month @	8.3735	8.3735	8.3735	8.3735
Next 500 m^3 per month @	8.0461	8.0461	8.0461	8.0461
Over 1,000 m^3 per month @	7.7757	7.7757	7.7757	7.7757
Delivery-Price Adjustment (All Volumes)	-	-	-	-

ADDITIONAL CHARGES FOR SALES SERVICE

GAS SUPPLY CHARGES

Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges plus the rates multiplied by the applicable gas quantities delivered plus all applicable taxes.
If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill shall be the Monthly Charge.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

Customers providing their own gas supply in whole or in part, for transportation by Union, must enter into a Service Agreement with Union.

TERMS AND CONDITIONS OF SERVICE

1. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.

2. Customers must enter into a Service Agreement with Union prior to the commencement of service.

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

RATE 10 - LARGE VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's Fort Frances, Western, Northern or Eastern Zones who is an end-user whose total firm gas requirements at one or more Company-owned meters at one location exceed 50,000 m^3 per year.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TCPL's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TCPL under a firm transportation service tariff or equivalent National Energy Board Order. For this service, the Monthly, and Delivery Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems. Customers may reduce their assignment of transportation capacity in compliance with Union's Turnback Policy.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, and Delivery Charges, as well as the Storage and Transportation Charges of the Gas Supply Charge shall apply.

MONTHLY RATES AND CHARGES

Zone	Fort Frances	Western	Northern	Eastern
Rate Schedule No.	210	110	310	610
	APPLICABLE TO ALL SERVICES			
MONTHLY CHARGE	$70.00	$70.00	$70.00	$70.00
DELIVERY CHARGE	¢ per m^3	¢ per m^3	¢ per m^3	¢ per m^3
First 1,000 m^3 per month @	7.1828	7.1828	7.1828	7.1828
Next 9,000 m^3 per month @	5.8524	5.8524	5.8524	5.8524
Next 20,000 m^3 per month @	5.1013	5.1013	5.1013	5.1013
Next 70,000 m^3 per month @	4.6148	4.6148	4.6148	4.6148
Over 100,000 m^3 per month @	2.7719	2.7719	2.7719	2.7719
Delivery-Price Adjustment (All Volumes)	-	-	-	-

ADDITIONAL CHARGES FOR SALES SERVICE

GAS SUPPLY CHARGES

Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges plus the rates multiplied by the applicable gas quantities delivered plus all applicable taxes.
If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill shall be the Monthly Charge.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

Customers providing their own gas supply in whole or in part, for transportation by Union and customers purchasing gas from Union with maximum daily requirements in excess of 3,000 m^3 per day must enter into a Service Agreement with Union.

TERMS AND CONDITIONS OF SERVICE

1. Service shall be for a minimum term of one year.

2. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.

3. Customers must enter into a Service Agreement with Union prior to the commencement of service.

4. For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

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

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

RATE 20 - MEDIUM VOLUME FIRM SERVICE

ELIGIBILITY

Any customer in Union's Fort Frances, Western, Northern or Eastern Zones who is an end-user or who is authorized to serve an end-user of gas through one or more Company-owned meters at one location, and whose total maximum daily requirements for firm or combined firm and interruptible service is 14,000 m^3 or more.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TCPL's system to the Point of Consumption on the customer's premises of natural gas owned by the customer. The customer is responsible for obtaining the requisite regulatory approvals for the supply and transmission of such gas to Union's distribution system. For this service, the Monthly, Delivery, Transportation Account and Diversion Transaction Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems. Customers may reduce their assignment of transportation capacity in compliance with Union's Turnback Policy.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, Delivery, Gas Supply Demand and Commodity Transportation Charges shall apply.

(d) **Storage Service**

For load balancing purposes for customers using Transportation Service on this rate schedule. If at the sole discretion of Union, adequate supplies exist, bundled and unbundled storage and delivery/redelivery services will be provided.

The charge for Bundled Storage Service will consist of the charges for Transportation Service plus the charges for Bundled Storage Service.

NOTE: Union has a short-term intermittent gas supply service under Rate 30 of which customers may avail themselves, if they qualify for use of the service.

MONTHLY RATES AND CHARGES

APPLICABLE TO ALL SERVICES - ALL ZONES (1)

MONTHLY CHARGE	$988.37
DELIVERY CHARGES (cents per month per m^3)	
Monthly Demand Charge for first 70,000 m^3 of Contracted Daily Demand	27.8954
Monthly Demand Charge for all units over 70,000 m^3 of Contracted Daily Demand	16.4039
Commodity Charge for first 852,000 m^3 of gas volumes delivered	0.5308
Commodity Charge for all units over 852,000 m^3 of gas volumes delivered	0.3847

NOTE
(1) Either the utility or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates, charges and terms and conditions applicable thereto, different from the rates, charges and terms and conditions specified herein if changed rates, charges and terms and conditions are considered by either party to be necessary, desirable and in the public interest.

ADDITIONAL CHARGES FOR SALES SERVICE

Gas Supply Charge

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

Commodity Transportation

Charge 1 applies for all gas volumes delivered in the billing month up to the volume represented by the Contract Demand multiplied by the number of days in the billing month multiplied by 0.4.

Charge 2 applies for all additional gas volumes delivered in the billing month.

HEAT CONTENT ADJUSTMENT

The gas supply commodity charges hereunder will be adjusted upwards or downwards as described below if the average total heating value of the gas per cubic metre (m^3) determined in accordance with Union's Terms and Conditions in any month falls above or below 37.89 MJ per m^3, respectively.

The adjustment shall be determined by multiplying the amount otherwise payable by a fraction, where the numerator is the monthly weighted average total heating value per cubic meter and the denominator 37.89.

COMMISSIONING AND DECOMMISSIONING RATE

The contract may provide that the Monthly Demand Charges specified above shall not apply on all or part of the daily contracted demand used by the customer either during the testing, commissioning and phasing in of gas using equipment or, alternatively, in the decommissioning and phasing out of gas using equipment being displaced by other gas using equipment, for a period not to exceed one year ("the transition period"). To be eligible the new or displaced gas using equipment must be separately meterable. In such event, the contract will provide the following rates that such volume during the transitional period will be charged.

Zone	Fort Frances	Western	Northern	Eastern
Rate Schedule No.	220	120	320	620
MONTHLY CHARGE	$988.37	$988.37	$988.37	$988.37
DELIVERY CHARGES	cents per m^3	cents per m^3	cents per m^3	cents per m^3
Commodity Charge for each unit of gas volumes delivered	2.3650	2.3650	2.3650	2.3650

GAS SUPPLY CHARGES
The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

ADDITIONAL CHARGES FOR TRANSPORTATION AND STORAGE SERVICES – ALL ZONES

MONTHLY TRANSPORTATION ACCOUNT CHARGE

For customers that currently have installed or will require installing telemetering equipment	$220.55

BUNDLED (T-SERVICE) STORAGE SERVICE CHARGES

Monthly Demand Charge for each unit of Contracted Daily Storage Withdrawal Entitlement ($/GJ/Month)	$9.692
Monthly Storage Demand- Price Adjustment for each unit of Contracted Daily Storage Withdrawal Entitlement: ($/GJ/Month)	-
Commodity Charge for each unit of gas withdrawn from storage ($/GJ)	$0.157
Authorized Overrun Commodity Charge on each additional unit of gas Union authorizes for withdrawal from storage ($/GJ)	$0.476

The Authorized Overrun Commodity Charge is payable on all quantities on any Day in excess of the customer's contractual rights, for which authorization has been received. Overrun will be authorized by Union at its sole discretion.

DIVERSION TRANSACTION CHARGE

Charge to a customer Receiving Delivery of diverted gas each time such customer requests a diversion and Union provides the service:	$10.00

THE BILL

The bill will equal the sum of the charges for all services selected plus the rates multiplied by the applicable gas quantities delivered or withdrawn for each service chosen plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply. If the customer selects Union's Sales Service which includes the Gas Supply Charge, no additional charges for Transportation and Storage Services will apply.

MINIMUM BILL

The minimum bill shall be the Monthly Charge, the Transportation Account Charge and the Demand Charges, as applicable.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

All customers must enter into a Service Agreement with Union before receiving service under this rate schedule.

TERMS AND CONDITIONS OF SERVICE

1. Service shall be for a minimum term of one year.
2. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge, the Transportation Account Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the billing data of individual end-users to generate a single bill which is less than the sum of the bills of the individual end-users involved at each location.
3. Customers must enter into a Service Agreement with Union prior to the commencement of service.
4. For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.
5. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

RATE 25 - LARGE VOLUME INTERRUPTIBLE SERVICE

ELIGIBILITY

Any customer in Union's Fort Frances, Western, Northern or Eastern Zones who is an end-user or who is authorized to serve an end-user of gas through one or more Company-owned meters at one location, and whose total maximum daily interruptible requirement is 3,000 m^3 or more or the interruptible portion of a maximum daily requirement for combined firm and interruptible service is 14,000 m^3 or more and whose operations, in the judgement of Union, can readily accept interruption and restoration of gas service.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For interruptible supply of natural gas by Union and associated transportation services necessary to ensure its delivery in accordance with customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For delivery of natural gas owned by the customer on Union's distribution system from the Point of Receipt from TCPL's system to the Point of Consumption on the customer's or end-user's premises, providing that, in the judgement of Union, acting reasonably, the customer-owned gas does not displace service from Union under a Rate 20 or Rate 100 contract specific to that location. The customer is responsible for obtaining the requisite regulatory approvals for the supply and transmission of such gas to Union's distribution system. For this service, the Monthly, Delivery, Transportation Account and Diversion Transaction Charges shall apply.

NOTE: Union has a short-term intermittent gas supply service under Rate 30 which customers may avail themselves of, if they qualify for use of the service.

MONTHLY RATES AND CHARGES

APPLICABLE TO ALL SERVICES – ALL ZONES (1)

MONTHLY CHARGE	$361.46
DELIVERY CHARGES	cents per m^3
A Delivery Price for all volumes delivered to the customer to be negotiated between Union and the customer and the average price during the period in which these rates remain in effect shall not exceed:	4.6954

Notes:
(1) Either the utility or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates, charges and terms and conditions applicable thereto, different from the rates, charges and terms and conditions specified herein if changed rates, charges and terms and conditions are considered by either party to be necessary, desirable and in the public interest.

ADDITIONAL CHARGES FOR SALES SERVICE

Gas Supply Charge
As per applicable rate provided in Schedule "A".

Interruptible Service
Applicable all year at a price agreed upon between Union and the customer and the average price during the period in which these rates remain in effect.

HEAT CONTENT ADJUSTMENT

The gas supply commodity charges hereunder will be adjusted upwards or downwards as described below if the average total heating value of the gas per cubic metre (m^3) determined in accordance with Union's Terms and Conditions in any month falls above or below 37.89 MJ per m^3, respectively.

The adjustment shall be determined by multiplying the amount otherwise payable by a fraction, where the numerator is the monthly weighted average total heating value per cubic meter and the denominator 37.89.

ADDITIONAL CHARGES FOR TRANSPORTATION – ALL ZONES

MONTHLY TRANSPORTATION ACCOUNT CHARGE: For customers that currently have installed or will require installing telemetering equipment.	$220.55

THE BILL

The bill will equal the sum of the monthly charges for all services selected plus the rates multiplied by the applicable gas volumes delivered or withdrawn for each service chosen plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply. If the customer selects Union's Sales Service which includes the Gas Supply Charge, no additional charges for Transportation will apply.

MINIMUM BILL

The minimum bill shall be the Monthly Charge and the Transportation Account Charge, if applicable.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

All customers must enter into a Service Agreement with Union before receiving service under this rate schedule.

TERMS AND CONDITIONS OF SERVICE

1. Service shall be for a minimum term of one year.
2. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge, the Transportation Account Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the volumes or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.
3. Customers must enter into a Service Agreement with Union prior to the commencement of service.
4. For the purposes of qualifying for a rate class, the total volumes of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.
5. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

RATE 30 - INTERMITTENT GAS SUPPLY SERVICE AND SHORT TERM STORAGE / BALANCING SERVICE

ELIGIBILITY

Any customer in Union's Fort Frances, Western, Northern or Eastern Zones already connected to Union's gas distribution system who is an end-user or is authorized to serve an end-user.

SERVICE AVAILABLE

For intermittent, short-term gas supply which will be a substitute for energy forms other than Company owned gas sold under other rate schedules. This may include situations where customer-owned gas supplies are inadequate and short-term backstopping service is requested or during a situation of curtailment on the basis of price when the purchase price of Spot gas is outside the interruptible service price range. The gas supply service available hereunder is offered only in conjunction with service to the customer under an applicable firm or interruptible service rate schedule of Union. The service is for intermittent gas supply and short term storage / balancing service and will be billed in combination with Monthly, Delivery, and other applicable charges for such services under the applicable rate schedule. Gas supply under this rate will be provided when, at the sole discretion of Union, adequate supplies are available.

GAS SUPPLY CHARGE

The gas supply charge shall be $5.00 per 10^3m^3 plus the greater of the incremental cost of gas for Union and the customer's gas supply charge.

SHORT TERM STORAGE / BALANCING SERVICE

Short Term Storage / Balancing Service is:
i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, OR
ii) short-term firm deliverability, OR
iii) a component of an operational balancing service offered.

In negotiating the rate to be charged for service, the matters that are to be considered include:
i) the minimum amount of storage service to which a customer is willing to commit,
ii) whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
iii) utilization of facilities, and
iv) competition.

A commodity charge to be negotiated between Union and the customer not to exceed $6.000/GJ.

THE BILL

The bill for gas supply and/or short term supplemental services under this rate shall be rendered in conjunction with the billing for delivery and other services under the customer's applicable rate for such services.

SERVICE AGREEMENT

All customers must enter into a Service Agreement with Union for this service and must agree therein to curtail or interrupt use of gas under this rate schedule whenever requested to do so by Union.

TERMS AND CONDITIONS OF SERVICE

1. Failure of the customer to interrupt or curtail use of gas on this rate as requested by Union shall be subject to the Unauthorized Overrun Gas Penalty as provided in Union's Terms and Conditions. Anytime the customer has such failure, Union reserves the right to cancel service under this rate.

2. The Terms and Conditions of the applicable rate schedule for delivery of the gas sold hereunder shall also apply.

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

RATE 100 – LARGE VOLUME HIGH LOAD FACTOR FIRM SERVICE

ELIGIBILITY

Any customer in Union's Fort Frances, Western, Northern or Eastern Zones who is an end-user or who is authorized to serve an end-user of gas through one or more Company-owned meters at one location, and whose maximum daily requirement for firm service is 100,000 m^3 or more, and whose annual requirement for firm service is equal to or greater than its maximum daily requirement multiplied by 256.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TCPL's system to the Point of Consumption on the customer's premises of natural gas owned by the customer. The customer is responsible for obtaining the requisite regulatory approvals for the supply and transmission of such gas to Union's distribution system. For this service, the Monthly, Delivery, Transportation Account and Diversion Transaction Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems. Customers may reduce their assignment of transportation capacity in compliance with Union's Turnback Policy.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, Delivery, Gas Supply Demand and Commodity Transportation Charges shall apply.

(d) **Storage Service**

For load balancing purposes for customers using Transportation Service on this rate schedule. If at the sole discretion of Union, adequate supplies exist, bundled and unbundled storage and delivery/redelivery services will be provided.

The charge for Bundled Storage Service will consist of the charges for Transportation Service plus the charges for Bundled Storage Service.

NOTE: Union has a short-term intermittent gas supply service under Rate 30 which customers may avail themselves of, if they qualify for use of the service.

MONTHLY RATES AND CHARGES

APPLICABLE TO ALL SERVICES - ALL ZONES (1)

MONTHLY CHARGE	$1,478.93
DELIVERY CHARGES (cents per Month per m^3 of Daily Contract Demand)	
Monthly Demand Charge for each unit of Contracted Daily Demand	15.3816
Commodity Charge for each unit of gas volumes delivered (cents/m^3)	0.2162

NOTE:
(1) Either the utility or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates, charges and terms and conditions applicable thereto, different from the rates, charges and terms and conditions specified herein if changed rates, charges and terms and conditions are considered by either party to be necessary, desirable and in the public interest.

ADDITIONAL CHARGES FOR SALES SERVICE

Gas Supply Charges

The gas supply charge is comprised of charges for transportation and for commodity and fuel. The applicable rates are provided in Schedule “A”.

Commodity Transportation
Charge 1 applies for all gas volumes delivered in the billing month up to the volume represented by the Contract Demand multiplied by the number of days in the billing month multiplied by 0.3.

Charge 2 applies for all additional gas volumes delivered in the billing month.

HEAT CONTENT ADJUSTMENT

The gas supply commodity charges hereunder will be adjusted upwards or downwards as described below if the average total heating value of the gas per cubic metre (m^3) determined in accordance with Union’s Terms and Conditions in any month falls above or below 37.89 MJ per m^3, respectively.

The adjustment shall be determined by multiplying the amount otherwise payable by a fraction, where the numerator is the monthly weighted average total heating value per cubic meter and the denominator 37.89.

COMMISSIONING AND DECOMMISSIONING RATE

The contract may provide that the Monthly Demand Charges specified above shall not apply on all or part of the daily contracted demand used by the customer either during the testing, commissioning and phasing in of gas using equipment or, alternatively, in the decommissioning and phasing out of gas using equipment being displaced by other gas using equipment, for a period not to exceed one year ("the transitional period"). To be eligible the new or displaced gas using equipment must be separately meterable. In such event, the contract will provide the following rates that such volume during the transitional period will be charged.

Zone	Fort Frances	Western	Northern	Eastern
Rate Schedule No.	2100	1100	3100	6100
MONTHLY CHARGE	$1,478.93	$1,478.93	$1,478.93	$1,478.93
DELIVERY CHARGES	cents per m^3	cents per m^3	cents per m^3	cents per m^3
Commodity Charge for each unit of gas volumes delivered	0.9386	0.9386	0.9386	0.9386

GAS SUPPLY CHARGES

The gas supply charge is comprised of charges for transportation and for commodity and fuel. The applicable rates are provided in Schedule "A".

ADDITIONAL CHARGES FOR TRANSPORTATION AND STORAGE SERVICES – ALL ZONES

MONTHLY TRANSPORTATION ACCOUNT CHARGE

For customers that currently have installed or will require installing telemetering equipment	$220.55

BUNDLED (T-SERVICE) STORAGE SERVICE CHARGES

Monthly Demand Charge for each unit of Contracted Daily Storage Withdrawal Entitlement ($/GJ/Month)	$9.692
Monthly Storage Demand- Price Adjustment for each unit of Contracted Daily Storage Withdrawal Entitlement: ($/GJ/Month)	-
Commodity Charge for each unit of gas withdrawn from storage ($/GJ)	$0.157
Authorized Overrun Commodity Charge on each additional unit of gas Union authorizes for withdrawal from storage ($/GJ)	$0.476

The Authorized Overrun Commodity Charge is payable on all quantities on any Day in excess of the customer's contractual rights, for which authorization has been received. Overrun will be authorized by Union at its sole discretion.

DIVERSION TRANSACTION CHARGE

Charge to a customer Receiving Delivery of diverted gas each time such customer requests a diversion and Union provides the service:	$10.00

THE BILL

The bill will equal the sum of the charges for all services selected plus the rates multiplied by the applicable gas quantities delivered or withdrawn for each service chosen plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply. If the customer selects Union's Sales Service which includes the Gas Supply Charge, no additional charges for Transportation and Storage Services will apply.

MINIMUM BILL

The minimum bill shall be the Monthly Charge, the Transportation Account Charge and the Demand Charges, as applicable.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

All customers must enter into a Service Agreement with Union before receiving service under this rate schedule.

TERMS AND CONDITIONS OF SERVICE

1. Service shall be for a minimum term of one year.
2. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge, the Transportation Account Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the billing data of individual end-users to generate a single bill which is less than the sum of the bills of the individual end-users involved at each location.
3. Customers must enter into a Service Agreement with Union prior to the commencement of service.
4. For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.
5. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

RATE S1 - GENERAL FIRM SERVICE STORAGE RATES

ELIGIBILITY

Any customer or agent in Union's Fort Frances, Western, Northern or Eastern Zones who is authorized to serve an end-user of gas, paying for delivery services under Rate 01A or Rate 10.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Transportation Service**

The customer is responsible for obtaining all Gas Supply services to the end-user including the requisite regulatory approvals for the supply and transmission of such gas to Union's distribution system. For this service, the Diversion Transaction Charge shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems.

(b) **Storage Service**

For load balancing purposes for customers using Transportation Service on this rate schedule. If at the sole discretion of Union, adequate supplies exist, unbundled storage and delivery/redelivery services will be provided.

The charge for Unbundled Storage Service will consist of the charges for Transportation Service plus the charges for Unbundled Storage Service which must include charges for delivery/redelivery service to/from storage.

MONTHLY RATES AND CHARGES

UNBUNDLED STORAGE SERVICE CHARGES

Storage Space Charge	
Applied to Contracted Maximum Storage Space ($ per GJ per Month)	$0.086
Fuel Ratio	
Applied to all gas injected and withdrawn from storage (%)	0.397%
Commodity Charge	
Applied to all gas injected and withdrawn from storage ($ per GJ)	$0.027

UNBUNDLED STORAGE SERVICE AUTHORIZED OVERRUN CHARGES

Fuel Ratio	
Applied to all gas injected and withdrawn from storage (%)	0.857%
Commodity Charge	
Applied to all gas injected and withdrawn from storage ($ per GJ)	$0.054

The Authorized Overrun Commodity Charge is payable on all quantities on any Day in excess of the customer's contractual rights, for which authorization has been received. Overrun will be authorized by Union at its sole discretion.

UNBUNDLED STORAGE SERVICE UNAUTHORIZED OVERRUN CHARGES

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space or the gas storage balance for the account of the customer is less than zero or the customer has injected or withdrawn volumes from storage which exceeds their contractual rights, and which has not been authorized by Union or provided for under a short term storage/balancing service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate during the November 1 to April 15 period will be $60.00 per GJ. The Unauthorized Overrun rate during the April 16 to October 31 period will be $6.000 per GJ.

Zone	Fort Frances	Western	Northern	Eastern
Delivery Service to Storage Facilities (1)				
Demand Charge ($/GJ/month)	N/A	$23.187	$9.083	$0.908
Commodity ($/GJ)	N/A	$0.049	$0.023	$0.008
Redelivery Service from Storage Facilities				
Demand Charge ($/GJ/month)	$1.807	$1.807	$1.807	$7.876
Commodity ($/GJ)	N/A	$0.035	$0.035	$0.049

Notes:
1. Delivery Service to Storage Facilities is not available to Northern Zone customers in the Sault Ste. Marie Delivery Area (SSMDA).
2. Daily Firm Injection and Withdrawal Rights shall be pursuant to the storage contract.
3. Storage Space, Withdrawal Rights, and Injection Rights are not assignable to any other party without the prior written consent of Union and where necessary, approval from the Ontario Energy Board.

Diversion Transaction Charge

Charge to a customer receiving delivery of diverted gas each time such customer requests a diversion and Union provides the service:	$10.00

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges for all services selected plus the rates multiplied by the applicable gas quantities delivered or withdrawn for each service chosen plus all applicable taxes.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

TERMS AND CONDITIONS OF SERVICE

1. Customers must enter into a Service Agreement with Union prior to the commencement of service.

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

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

Union Gas Limited
Union North
Gas Supply Charges

(A) Availability

Available to customers in Union's Fort Frances, Western, Northern and Eastern Delivery Zones.

(B) Applicability:

To all sales customers served under Rate 01A, Rate 10, Rate 20, Rate 100 and Rate 25.

(C) Rates

Utility Sales

Rate 01A (cents / m^3)

		Fort Frances	Western	Northern	Eastern
Storage		2.0637	2.2943	3.0947	3.4351
Storage - Price Adjustment		-	-	-	-
Commodity and Fuel	(1)	12.2675	12.3324	12.4172	12.4905
Commodity and Fuel - Price Adjustment		0.5430	0.5430	0.5430	0.5430
Transportation		4.1401	4.0903	5.3082	6.0368
Transportation - Price Adjustment		(0.8305)	(0.8305)	(0.8305)	(0.8305)
Total Gas Supply Charge		18.1838	18.4295	20.5326	21.6748

Rate 10 (cents / m^3)

		Fort Frances	Western	Northern	Eastern
Storage		1.1357	1.3628	2.1514	2.4866
Storage - Price Adjustment		-	-	-	-
Commodity and Fuel	(1)	12.2675	12.3324	12.4172	12.4905
Commodity and Fuel - Price Adjustment		0.5430	0.5430	0.5430	0.5430
Transportation		3.6364	3.5874	4.7873	5.5051
Transportation - Price Adjustment		(0.8306)	(0.8306)	(0.8306)	(0.8306)
Total Gas Supply Charge		16.7520	16.9951	19.0683	20.1946

Notes:
(1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1922 cents/m^3.

uniongas

Union Gas Limited
Union North
Gas Supply Charges

Utility Sales

Rate 20 (cents / m^3)

	Fort Frances	Western	Northern	Eastern
Commodity and Fuel (1)	12.2105	12.2751	12.3594	12.4324
Commodity and Fuel - Price Adjustment	0.5430	0.5430	0.5430	0.5430
Commodity Transportation - Charge 1	3.0513	3.1266	3.9709	4.4184
Transportation 1 - Price Adjustment	(0.8304)	(0.8304)	(0.8304)	(0.8304)
Commodity Transportation - Charge 2	-	-	-	-
Monthly Gas Supply Demand	21.9979	24.8403	62.6137	82.3705
Gas Supply Demand - Price Adjustment	-	-	-	-
Commissioning and Decommissioning Rate	3.2231	3.4703	6.6294	8.2865

Rate 100 (cents / m^3)

	Fort Frances	Western	Northern	Eastern
Commodity and Fuel (1)	12.2105	12.2751	12.3594	12.4324
Commodity and Fuel - Price Adjustment	0.5430	0.5430	0.5430	0.5430
Commodity Transportation - Charge 1	5.4887	5.5452	6.1784	6.5140
Commodity Transportation - Charge 2	-	-	-	-
Monthly Gas Supply Demand	59.0298	62.3453	106.4130	129.4620
Commissioning and Decommissioning Rate	5.1247	5.3047	7.6458	8.8721

Rate 25 (cents / m^3)

		Fort Frances	Western	Northern	Eastern
Gas Supply Charge:	Interruptible Service				
	Minimum	14.3135	14.3135	14.3135	14.3135
	Maximum	140.5622	140.5622	140.5622	140.5622

Notes:
(1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1922 cents/m^3.

Effective: January 1, 2014
O.E.B. Order # EB-2013-0365

Chatham, Ontario

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

SMALL VOLUME GENERAL SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To general service customers whose total consumption is equal to or less than 50,000 m^3 per year.

(C) Rates

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

a)	Monthly Charge		$21.00
b)	Delivery Charge		
	First	100 m^3	3.7937 ¢ per m^3
	Next	150 m^3	3.5811 ¢ per m^3
	All Over	250 m^3	3.0844 ¢ per m^3
	Delivery – Price Adjustment (All Volumes)		0.0001 ¢ per m^3
c)	Storage Charge (if applicable)		0.7493 ¢ per m^3

Applicable to all bundled customers (sales and bundled transportation service).

d) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

During any month in which a customer terminates service or begins service, the fixed charge for the month will be prorated to such customer.

(D) Supplemental Service to Commercial and Industrial Customers Under Group Meters

Combination of readings from several meters may be authorized by the Company and the Company will not reasonably withhold authorization in cases where meters are located on contiguous pieces of property of the same owner not divided by a public right-of-way

(E) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(F) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(G) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. The customer may pay 4.5430 ¢ per m^3 for the delivery and the total gas supply charge for utility sales provided in Schedule “A” per m^3, plus 7¢ per m^3.

(H) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

(I) Company Policy Relating to Terms of Service

a. Customers who temporarily discontinue service during any twelve consecutive months without payment of the monthly fixed charge for the months in which the gas is temporarily disconnected shall pay for disconnection and reconnection.

b. When gas is delivered at an absolute pressure in excess of 101.325 kilopascals, then for purposes of measurement, hereunder, such volume of gas shall be corrected to an absolute pressure of 101.325 kilopascals. Atmospheric pressure is assumed to be the levels shown below in kilopascals (absolute) regardless of the actual atmospheric pressure at which the gas is measured and delivered.

Zone	Assumed Atmospheric Pressure kPa
1	100.148
2	99.494
3	98.874
4	98.564
5	98.185
6	97.754
7	97.582
8	97.065
9	96.721
10	100.561
11	99.321
12	98.883

LARGE VOLUME GENERAL SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To general service customers whose total consumption is greater than 50,000 m^3 per year.

(C) Rates

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

a)	Monthly Charge		$70.00
b)	Delivery Charge		
	First	1 000 m³	3.5839 ¢ per m³
	Next	6 000 m³	3.5170 ¢ per m³
	Next	13 000 m³	3.3211 ¢ per m³
	All Over	20 000 m³	3.0817 ¢ per m³
	Delivery – Price Adjustment (All Volumes)		0.0001 ¢ per m³
c)	Storage Charge (if applicable)		0.6626 ¢ per m³

Applicable to all bundled customers (sales and bundled transportation service).

d) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

During any month in which a customer terminates service or begins service, the fixed charge for the month will be prorated to such customer.

(D) Supplemental Service to Commercial and Industrial Customers Under Group Meters

Combination of readings from several meters may be authorized by the Company and the Company will not reasonably withhold authorization in cases where meters are located on contiguous pieces of property of the same owner not divided by a public right-of-way.

(E) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(F) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(G) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. The customer may pay 4.2465 ¢ per m³ for the delivery and the total gas supply charge for utility sales provided in Schedule “A” per m³, plus 7¢ per m³.

(H) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

(I) Company Policy Relating to Terms of Service

a. Customers who temporarily discontinue service during any twelve consecutive months without payment of the monthly fixed charge for the months in which the gas is temporarily disconnected shall pay for disconnection and reconnection.

b. When gas is delivered at an absolute pressure in excess of 101.325 kilopascals, then for purposes of measurement, hereunder, such volume of gas shall be corrected to an absolute pressure of 101.325 kilopascals. Atmospheric pressure is assumed to be the levels shown below in kilopascals (absolute) regardless of the actual atmospheric pressure at which the gas is measured and delivered.

Zone	Assumed Atmospheric Pressure kPa
1	100.148
2	99.494
3	98.874
4	98.564
5	98.185
6	97.754
7	97.582
8	97.065
9	96.721
10	100.561
11	99.321
12	98.883

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

FIRM INDUSTRIAL AND COMMERCIAL CONTRACT RATE

(A) Availability

Available to customers in Union’s Southern Delivery Zone.

(B) Applicability

To a customer who enters into a contract for the purchase or transportation of gas for a minimum term of one year that specifies a daily contracted demand between 2 400 m^3 and 60 000 m^3.

(C) Rates

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

1. Bills will be rendered monthly and shall be the total of:

(i) A Monthly Demand Charge

First	8 450 m^3 of daily contracted demand	46.8485 ¢ per m^3
Next	19 700 m^3 of daily contracted demand	21.0057 ¢ per m^3
All Over	28 150 m^3 of daily contracted demand	17.6477 ¢ per m^3

(ii) A Monthly Delivery Commodity Charge

First 422 250 m^3 delivered per month	0.9590 ¢ per m^3
Next volume equal to 15 days use of daily contracted demand	0.9590 ¢ per m^3
For remainder of volumes delivered in the month	0.4007 ¢ per m^3
Delivery- Price Adjustment (All Volumes)	0.0001 ¢ per m^3

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel. The applicable rates are provided in Schedule “A”

2. Overrun Charge

Authorized overrun gas is available provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization. Overrun means gas taken on any day in excess of 103% of contracted daily demand. Authorized overrun will be available April 1 through October 31 and will be paid for at a Delivery Rate of 2.4992 ¢ per m^3 and, if applicable, the total gas supply charge for utility sales provided in Schedule “A” per m^3 for all volumes purchased.

Unauthorized overrun gas taken in any month shall be paid for at the rate of 4.5430 ¢ per m^3 for the delivery and the total gas supply charge for utility sales provided in Schedule “A” per m^3 for all gas supply volumes purchased.

3. Firm Minimum Annual Charge

In each contract year, the customer shall purchase from Union or pay for a minimum volume of gas or transportation services equivalent to 146 days use of firm contracted demand. Overrun gas volumes will not contribute to the minimum volume. In the event that the customer shall not take such minimum volume the customer shall pay an amount equal to the deficiency from the minimum volume times a Delivery Charge of 1.1512 ¢ per m^3 and, if applicable a gas supply commodity charge provided in Schedule “A”.

In the event that the contract period exceeds one year the annual minimum volume will be prorated for any part year.

4. Interruptible Service

Union may agree, in its sole discretion, to combine a firm service with an interruptible service provided that the amount of interruptible volume to be delivered and agreed upon by Union and the customer shall be no less than 350,000 m^3 per year.

The price of all gas delivered by Union pursuant to any contract, contract amendment, or contract renewal shall be determined on the basis of the following schedules:

a) (i) Monthly Delivery Commodity Charge

Daily Contracted Demand Level (CD)	Price per m^3
2 400 m^3 ≤ CD < 17 000 m^3	2.5547 ¢ per m^3
17 000 m^3 ≤ CD < 30 000 m^3	2.4248 ¢ per m^3
30 000 m^3 ≤ CD < 50 000 m^3	2.3565 ¢ per m^3
50 000 m^3 ≤ CD ≤ 60 000 m^3	2.3086 ¢ per m^3

Delivery- Price Adjustment (All Volumes)	- ¢ per m^3

(ii) Days Use of Interruptible Contract Demand

The price determined under Paragraph 4(a) of "Rates" will be reduced by the amount based on the number of Days Use of Contracted Demand as scheduled below:

For 75 days use of contracted demand	0.0530 ¢ per m^3
For each additional days use of contracted demand up to a maximum of 275 days, an additional discount of	0.00212 ¢ per m^3

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A"

(iv) Monthly Charge	\$684.51 per month

b) In each contract year, the customer shall take delivery from Union, or in any event pay for, if available and not accepted by the customer, a minimum volume of gas or transportation services as specified in the contract between the parties and which will not be less than 350 000 m^3 per annum. Overrun volumes will not contribute to the minimum volume. In the event that the customer shall not take such minimum volume, the customer shall pay an amount equal to the deficiency from the minimum volume times a Delivery Charge of 2.7469 ¢ per m^3, and if applicable, a gas supply charge provided in Schedule "A".

In the event that the contract period exceeds one year, the annual minimum volume will be prorated for any part year.

c) Overrun gas is available without penalty provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization. Overrun means gas taken on any day in excess of 105% of contracted daily demand.

Unauthorized overrun gas taken in any month shall be paid for at the rate of 4.5430 ¢ per m^3 for the delivery and the total gas supply charge for utility sales provided in Schedule "A" per m^3 for all gas supply volumes purchased.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems for all volumes. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union,

(F) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union.

Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

INTERRUPTIBLE INDUSTRIAL AND COMMERCIAL CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer who enters into a contract for the purchase or transportation of gas for a minimum term of one year that specifies a daily contracted demand between 2 400 m³ and 60 000 m³ inclusive.

(C) Rates

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

1. Interruptible Service

The price of all gas delivered by Union pursuant to any contract, contract amendment, or contract renewal shall be determined on the basis of the following schedules:

a) (i) Monthly Delivery Commodity Charge

Daily Contracted Demand Level (CD)	Price per m³
2 400 m³ ≤ CD < 17 000 m³	2.5547 ¢ per m³
17 000 m³ ≤ CD < 30 000 m³	2.4248 ¢ per m³
30 000 m³ ≤ CD < 50 000 m³	2.3565 ¢ per m³
50 000 m³ ≤ CD ≤ 60 000 m³	2.3086 ¢ per m³

Delivery- Price Adjustment (All Volumes)	0.0001 ¢ per m³

(ii) Days Use of Interruptible Contract Demand

The price determined under Paragraph 1(a) of "Rates" will be reduced by the amount based on the number of Days

For 75 days use of contracted demand	0.0530 ¢ per m³
For each additional days use of contracted demand up to a maximum of 275 days, an additional discount of	0.00212 ¢ per m³

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A"

(iv) Monthly Charge	$684.51 per month

2. In each contract year, the customer shall take delivery from Union, or in any event pay for, if available and not accepted by the customer, a minimum volume of gas or transportation services as specified in the contract between the parties and which will not be less than 350 000 m³ per annum. Overrun volumes will not contribute to the minimum volume. In the event that the customer shall not take such minimum volume, the customer shall pay an amount equal to the deficiency from the minimum volume times a Delivery Charge of 2.7469 ¢ per m³, and if applicable, a gas supply charge provided in Schedule "A".

   In the event that the contract period exceeds one year, the annual minimum volume will be prorated for any part year.

3. Overrun gas is available without penalty provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization. Overrun means gas taken on any day in excess of 105% of contracted daily demand.

   Unauthorized overrun gas taken in any month shall be paid for at the rate of 4.5430 ¢ per m³ for the delivery and the total gas supply charge for utility sales provided in Schedule "A" per m³ for all gas supply volumes purchased.

4. Non-Interruptible Service

   Union may agree, in its sole discretion, to combine an interruptible service with a firm service in which case the amount of firm daily demand to be delivered shall be agreed upon by Union and the customer.

   a) The monthly demand charge for firm daily deliveries will be 28.4168 ¢ per m³.

   b) The commodity charge for firm service shall be the rate for firm service at Union's firm rates net of a monthly demand charge of 28.4168 ¢ per m³ of daily contracted demand and a delivery commodity price adjustment of 0.0001 ¢ per m³.

   c) The interruptible commodity charge will be established under Clause 1 of this schedule.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(F) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union.

Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

SPECIAL LARGE VOLUME
INDUSTRIAL AND COMMERCIAL CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a Customer

a) who enters into a contract for the purchase or transportation of gas for a minimum term of one year that specifies a combined maximum daily requirement for firm, interruptible and seasonal service of at least 60 000 m³; and

b) who has site specific energy measuring equipment that will be used in determining energy balances.

(C) Rates

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

1. Bills will be rendered monthly and shall be the total of:

(i) A Monthly Demand Charge

A negotiated Monthly Demand Charge of up to 25.5589 ¢ per m³ for each m³ of daily contracted firm demand.

(ii) A Monthly Delivery Commodity Charge

(1) A Monthly Firm Delivery Commodity Charge for all firm volumes of 0.2886 ¢ per m³ for each m³, and a Delivery - Price Adjustment of 0.0001 ¢ per m³.

(2) A Monthly Interruptible Delivery Commodity Charge for all interruptible volumes to be negotiated between Union and the customer not to exceed an annual average of 4.0015 ¢ per m³, and a Delivery - Price Adjustment of 0.0001 ¢ per m³.

(3) A Monthly Seasonal Delivery Commodity Charge for all seasonal volumes to be negotiated between Union and the customer not to exceed an annual average of 3.7574 ¢ per m³, and a Delivery - Price Adjustment of 0.0001 ¢ per m³.

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

(iv) Overrun Gas

Overrun gas is available without penalty provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization.

Unauthorized overrun gas taken in any month shall be paid for at the M1 rate in effect at the time the overrun occurs, plus, if applicable, the total gas supply charge for utility sales provided in Schedule "A" per m³ for all the gas supply volumes purchased.

2. In negotiating the Monthly Interruptible and Seasonal Commodity Charges, the matters to be considered include:

(a) The volume of gas for which the customer is willing to contract,

(b) The load factor of the customer's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for,

(c) Interruptible or curtailment provisions, and

(d) Competition.

3. In each contract year, the customer shall take delivery from Union, or in any event, pay for if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun gas volumes will not contribute to the minimum volume.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the "transition period"). In such event, the contract will provide for a Monthly Delivery Commodity Charge to be applied on such volume during the transition of 2.8878 ¢ per m³ and the total gas supply charge for utility sales provided in Schedule "A" per m³, if applicable.

5. Either the utility or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(F) Bundled Direct Purchase Delivery and Short Term Supplemental Services

Where a customer elects transportation service and/or a short term supplemental service under this rate schedule, the customer must enter into a Contract under rate schedule R1.

LARGE WHOLESALE SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a distributor who enters into a contract to purchase and/or receive delivery of a firm supply of gas for distribution to its customers and who agrees to take or pay for an annual quantity of at least two million cubic metres.

(C) Rates

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

1. (i) A Monthly Demand Charge of 15.2848 ¢ per m³ of established daily demand determined in accordance with the service contract, such demand charge to be computed on a calendar month basis and a pro-rata charge to be made for the fraction of a calendar month which will occur if the day of first regular delivery does not fall on the first day of a month,

   (ii) A Delivery Commodity Charge of 0.1591 ¢ per m³, a Delivery Price Adjustment of 0.0001 ¢ per m³ for gas delivered and,

   (iii) Gas Supply Charge (if applicable)

   The gas supply charge is comprised of charges for transportation and for commodity and fuel.
   The applicable rates are provided in Schedule "A".

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(F) Overrun Charge

Authorized:

For all quantities on any day in excess of 103% of the customer's contractual rights, for which authorization has been received, the customer will be charged 0.6616 ¢ per m³. Overrun will be authorized by Union at its sole discretion.

Unauthorized:

For all quantities on any day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged 36.0 ¢ per m³.

(G) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union.

Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

SMALL WHOLESALE SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a non-contract distributor who purchases and/or receives delivery of a firm supply of gas for distribution only to its own customers.

(C) Rates

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

1. A Delivery Commodity Charge of 4.8957 ¢ per m³ for gas delivered.

2. Gas Supply Charge (if applicable)

   The gas supply charge is comprised of charges for transportation and for commodity and fuel.
   The applicable rates are provided in Schedule "A".

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(F) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. This gas shall be paid for at the rate of 4.5430 ¢ per m³ for the delivery and, if applicable, the total gas supply charge for utility sales provided in Schedule "A" per m³, plus 7 ¢ per m³ for all gas supply volumes purchased.

(G) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union.

Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

BUNDLED DIRECT PURCHASE CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer who enters into a Receipt Contract or Gas Purchase Contract for delivery and/or sale of gas to Union.

(C) Rates

		Demand Charge Rate/GJ/month	Commodity Charges/Credits Rate/GJ
a)	Transportation by Union For gas delivered to Union at any point other than the Ontario Point(s) of Receipt, Union will charge a customer all approved tolls and charges, incurred by Union to transport the gas to the Ontario Point(s) of Receipt		
b)	Firm Backstop Gas Applied to the contracted Firm Backstop Gas Supply Service	$1.781	
	Backstop Gas Commodity Charge On all quantities supplied by Union to the Ontario Point(s) of Receipt		$4.724
c)	Reasonable Efforts Backstop Gas Paid on all quantities of gas supplied by Union to the customer's Point(s) of Consumption		$5.509
d)	Banked Gas Purchase		
	T-service		Note (1)
e)	Failure to Deliver Applied to all quantities not delivered to Union in the event the customer's supply fails		$2.552
f)	Short Term Storage / Balancing Service (2)		
	Maximum		$6.000
g)	Discretionary Gas Supply Service ("DGSS")		Note (3)

Notes:

(1) The charge for banked gas purchases shall be the higher of the daily spot cost at Dawn in the month of or the month following the month in which gas is sold under this rate and shall not be less than Union's approved weighted average cost of gas.

(2) Short Term Storage / Balancing Service is:

- i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, OR
- ii) short-term firm deliverability, OR
- iii) a component of an operational balancing service offered.

In negotiating the rate to be charged for short term storage services, the matters that are to be considered include:

- i) The minimum amount of storage service to which a customer is willing to commit,
- ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
- iii) Utilization of facilities, and
- iv) Competition

(3) Discretionary Gas Supply Service price reflects the "back-to-back" price plus gas supply administration charge.

STORAGE AND TRANSPORTATION RATES
FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer:

a) whose qualifying annual transportation volume for combined firm and interruptible service is at least 2 500 000 m^3 or greater and has a daily firm contracted demand up to 140,870 m^3; and

b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and

c) who has meters with electronic recording at each Point of Consumption; and

d) who has site specific energy measuring equipment that will be used in determining energy balances; and

e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space	$0.011			
b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right				
Union provides deliverability Inventory	$1.581			
Customer provides deliverability Inventory (4)	$1.210			
c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right	$1.210			
d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right	$1.210			

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity		$0.026	0.397%	$0.008
f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity		$0.026	0.397%	$0.008
g) Short Term Storage / Balancing Service Maximum		$6.000		

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.

3. Annual Firm Storage Space

   The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

   3.1 Aggregate Excess
   Aggregate excess is the difference between a customer's gas consumption in the 151-day winter period and consumption during the balance of the year. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

   3.2 Obligated daily contract quantity multiple of 15
   Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

   Customers may contract for less than their maximum entitlement of firm storage space.

4. Annual Injection/Withdrawal Right

   The maximum level of deliverability available to a customer at the rates specified herein is determined by one of the following methodologies:

   4.1 The greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

   Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.

6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

7. Deliverability Inventory being defined as 20% of annual storage space.

8. Short Term Storage / Balancing Service is:
   i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, or
   ii) short-term firm deliverability, or
   iii) a component of an operational balancing service offered.

   In negotiating the rate to be charged for service, the matters that are to be considered include:
   i) The minimum amount of storage service to which a customer is willing to commit,
   ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   iii) Utilization of facilities, and
   iv) Competition

TRANSPORTATION CHARGES:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/m^3/mo	Commodity Charge Rate/m^3	Fuel Ratio (5)	Commodity Charge Rate/m^3
a) Annual Firm Transportation Demand Applied to the Firm Daily Contract Demand				
First 28,150 m^3 per month	32.1640 ¢			
Next 112,720 m^3 per month	22.2217 ¢			
b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption Commodity Charge (All volumes)		0.1177 ¢	0.251%	0.0721 ¢
c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption Maximum		4.0015 ¢	0.251%	3.9559 ¢

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:

   a) The amount of the interruptible transportation for which customer is willing to contract,

   b) The anticipated load factor for the interruptible transportation quantities,

   c) Interruptible or curtailment provisions, and

   d) Competition.

3. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.

4. Transportation fuel ratios do not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.

5. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule “A”.

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer’s contracted Maximum Storage Space. Overrun will be authorized by Union at is sole discretion. Storage Space Overrun equal to the customer’s firm deliveries from TCPL: less the customer’s Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be $6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union’s approved weighted average cost of gas If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

	Union Providing Fuel	For Customers Providing Their Own Compressor Fuel Firm or Interruptible Service	
	Firm or Interruptible Service	Fuel Ratio	Commodity Charge
Storage Injections	$0.100/GJ	0.857%	$0.060/GJ
Storage Withdrawals	$0.100/GJ	0.857%	$0.060/GJ
Transportation	1.1752 ¢/m³	0.251%	1.1295 ¢/m³

Unauthorized

For all quantities on any Day in excess of 103% of the customer’s contractual rights, for which authorization has not been received, the customer will be charged 4.5430 ¢ per m³ or $1.193 per GJ, as appropriate.

3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

	Firm Service Rate/GJ
Space	$6.000
Injection / Withdrawal Maximum	$6.000

OTHER SERVICES & CHARGES:

1. **Monthly Charge**

In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

Monthly Charge	$1,933.45

2. **Diversion of Gas**

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. **Delivery Obligations**

Unless otherwise authorized by Union, all other customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

4. **Additional Service Information**

Additional information on Union's T1 service offering can be found at:

The additional information consists of, but is not limited to, the following:
www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

i. Storage space and deliverability entitlement;
ii. The determination of gas supply receipt points and delivery obligations;
iii. The nomination schedule;
iv. The management of multiple redelivery points by a common fuel manager; and
v. The availability of supplemental transactional services including title transfers.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

STORAGE AND TRANSPORTATION RATES FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer:

a) who has a daily firm contracted demand of at least 140 870 m^3. Firm and/or interruptible daily contracted demand of less than 140,870 m^3 cannot be combined for the purposes of qualifying for this rate class; and

b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and

c) who has meters with electronic recording at each Point of Consumption; and

d) who has site specific energy measuring equipment that will be used in determining energy balances; and

e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space	$0.011			
b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right				
Union provides deliverability Inventory	$1.581			
Customer provides deliverability Inventory (4)	$1.210			
c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right	$1.210			
d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right	$1.210			

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity		$0.026	0.397%	$0.008
f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity		$0.026	0.397%	$0.008
g) Short Term Storage / Balancing Service Maximum		$6.000		

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.

3. Annual Firm Storage Space

   The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

   3.1 Aggregate Excess
   Aggregate excess is the difference between a customer's gas consumption in the 151-day winter period and consumption during the balance of the year. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

   3.2 Obligated daily contract quantity multiple of 15
   Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

   3.3 For new, large (daily firm transportation demand requirements in excess of 1,200,000 m^3/day) gas fired power generation customers, storage space is determined by peak hourly consumption x 24 x 4 days. Should the customer elect firm deliverability less than their maximum entitlement (see Note 4.2), the maximum storage space available at the rates specified herein is 10 x firm storage deliverability contracted, not to exceed peak hourly consumption x 24 x 4 days.

   Customers may contract for less than their maximum entitlement of firm storage space.

4. Annual Injection/Withdrawal Right

   The maximum level of deliverability available to a customer at the rates specified herein is determined by one of the following methodologies:

   4.1 The greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

   4.2 For new, large (daily firm transportation demand requirements in excess of 1,200,000 m^3/day) gas fired power generation customers, the maximum entitlement of firm storage deliverability is 24 times the customer's peak hourly consumption, with 1.2% firm deliverability available at the rates specified herein.

   Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.

6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

7. Deliverability Inventory being defined as 20% of annual storage space.

8. Short Term Storage / Balancing Service is:
   i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, or
   ii) short-term firm deliverability, or
   iii) a component of an operational balancing service offered.

   In negotiating the rate to be charged for service, the matters that are to be considered include:
   i) The minimum amount of storage service to which a customer is willing to commit,
   ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   iii) Utilization of facilities, and
   iv) Competition

TRANSPORTATION CHARGES:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/m^3/mo	Commodity Charge Rate/m^3	Fuel Ratio (5) (6)	Commodity Charge Rate/m^3
a) Annual Firm Transportation Demand Applied to the Firm Daily Contract Demand				
First 140,870 m^3 per month	20.3500 ¢			
All over 140,870 m^3 per month	10.7643 ¢			
b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption Commodity Charge (All volumes)		0.0529 ¢	0.248%	0.0079 ¢
c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption Maximum		4.0015 ¢	0.248%	3.9565 ¢

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day and who are directly connected to i) the Dawn-Trafalgar transmission system in close proximity to Parkway or ii) a third party pipeline, have the option to pay for service using a Billing Contract Demand. The Billing Contract Demand shall be determined by Union such that the annual revenues over the term of the contract will recover the invested capital, return on capital and operating and maintenance costs associated with the dedicated service in accordance with Union's system expansion policy. The firm transportation demand charge will be applied to the Billing Contract Demand. For customers choosing the Billing Contract Demand option, the authorized transportation overrun rate will apply to all volumes in excess of the Billing Contract Demand but less than the daily firm demand requirement.

3. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:

   a) The amount of the interruptible transportation for which customer is willing to contract,

   b) The anticipated load factor for the interruptible transportation quantities,

   c) Interruptible or curtailment provisions, and

   d) Competition.

4. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.

5. Transportation fuel ratios do not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.

6. Firm transportation fuel ratio does not apply to new customers or existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day that contract for M12 Dawn to Parkway transportation service equivalent to 100% of their daily firm demand requirement. If a customer with a daily firm demand requirement in excess of 1,200,000 m^3/day contracts for M12 Dawn to Parkway transportation service at less than 100% of their firm daily demand requirement, the firm transportation fuel ratio will be applicable to daily volumes not transported under the M12 transportation contract.

7. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule “A”.

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer’s contracted Maximum Storage Space. Overrun will be authorized by Union at is sole discretion. Storage Space Overrun equal to the customer’s firm deliveries from TCPL: less the customer’s Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be $6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union’s approved weighted average cost of gas If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

	Union Providing Fuel	For Customers Providing Their Own Compressor Fuel Firm or Interruptible Service	
	Firm or Interruptible Service	Fuel Ratio	Commodity Charge
Storage Injections	$0.100/GJ	0.857%	$0.060/GJ
Storage Withdrawals	$0.100/GJ	0.857%	$0.060/GJ
Transportation	0.7220 ¢/m³	0.248%	0.6769 ¢/m³

Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged 4.5430 ¢ per m³ or $1.193 per GJ, as appropriate.

3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

	Firm Service Rate/GJ
Space	$6.000
Injection / Withdrawal Maximum	$6.000

OTHER SERVICES & CHARGES:

1. Monthly Charge

In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

Monthly Charge	$6,019.58

2. Diversion of Gas

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. Delivery Obligations

Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day who are delivering gas to Union under direct purchase arrangements may be entitled to non-obligated deliveries. The delivery options available to customers are detailed at www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

Unless otherwise authorized by Union, all other customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

4. Nominations

Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day who have non obligated deliveries may contract to use Union's 5 additional nomination windows (13 in total) for the purposes of delivering gas to Union. These windows are in addition to the standard NAESB and TCPL STS nomination windows. Customers taking the additional nomination window service will pay an additional monthly demand charge of $0.068/GJ/day/month multiplied by the non-obligated daily contract quantity.

5. Additional Service Information

Additional information on Union's T2 service offering can be found at:

The additional information consists of, but is not limited to, the following:
www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

- i. Storage space and deliverability entitlement;
- ii. The determination of gas supply receipt points and delivery obligations;
- iii. The nomination schedule;
- iv. The management of multiple redelivery points by a common fuel manager; and
- v. The availability of supplemental transactional services including title transfers.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

STORAGE AND TRANSPORTATION RATES
FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a Distributor:

a) whose minimum annual transportation of natural gas is 700 000 m^3 or greater; and

b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for distribution to its customers; and

c) who has meters with electronic recording at each Point of Redelivery; and

d) for whom Union has determined transportation and/or storage capacity is available.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space	$0.011			
b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right				
Union provides deliverability Inventory	$1.581			
Customer provides deliverability Inventory (4)	$1.210			
c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right	$1.210			
d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right	$1.210			

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity		$0.026	0.397%	$0.008
f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity		$0.026	0.397%	$0.008
g) Short Term Storage / Balancing Service Maximum		$6.000		

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.

3. Annual Firm Storage Space

   The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

   3.1 Aggregate Excess
   Aggregate excess is the difference between a customer’s gas consumption in the 151-day winter period and consumption during the balance of the year. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

   3.2 Obligated daily contract quantity multiple of 15
   Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

   Customers may contract for less than their maximum entitlement of firm storage space.

4. Annual Injection/Withdrawal Right

   The maximum level of deliverability available to a customer at the rates specified herein is determined to be the greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

   Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.

6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

7. Deliverability Inventory being defined as 20% of annual storage space.

8. Short Term Storage / Balancing Service is:
   i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, OR
   ii) short-term firm deliverability, OR
   iii) a component of an operational balancing service offered.

   In negotiating the rate to be charged for this service, the matters that are to be considered include:
   i) The minimum amount of storage service to which a customer is willing to commit,
   ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   iii) Utilization of facilities, and
   iv) Competition

TRANSPORTATION CHARGES:

	Demand Charge Rate/m³/mo	Commodity Charge Rate/m³	For Customers Providing Their Own Compressor Fuel Fuel Ratio	For Customers Providing Their Own Compressor Fuel Commodity Charge Rate/m³
a) Annual Firm Transportation Demand (1) Applied to the Firm Daily Contract Demand	9.4648 ¢			
b) Firm Transportation Commodity Paid on all firm quantities redelivered to the Customer's Point(s) of Redelivery		0.0627 ¢	0.286%	0.0107 ¢

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

SUPPLEMENTAL CHARGES

Rates for supplemental services are provided in Schedule "A".

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer's contracted Maximum Storage Space. Overrun will be authorized by Union at is sole discretion.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be $6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day, the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union's approved weighted average cost of gas. If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

	Union Providing Fuel	For Customers Providing Their Own Compressor Fuel Firm or Interruptible Service	
	Firm or Interruptible Service	Fuel Ratio	Commodity Charge
Storage Injections	$0.100/GJ	0.857%	$0.060/GJ
Storage Withdrawals	$0.100/GJ	0.857%	$0.060/GJ
Transportation	0.3739 ¢/m³	0.286%	0.3219 ¢/m³

Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged 36.0¢ per m³ or $9.456 per GJ, as appropriate.

3. Short Term Storage Services

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

	Firm Service Rate/GJ
Space	$6.000
Injection	
Maximum	$6.000

OTHER SERVICES & CHARGES

1. Monthly Charge

In addition to the rates and charges described previously for each Point of redelivery a Monthly Charge shall be applied to each specific customer as follows:

	Monthly Charge
City of Kitchener	$ 20,367.45
NRG	$ 3,126.61
Six Nations	$ 1,042.20

If a customer combines Sales Service with Contract Carriage Service, the monthly charge will be prorated such that the customer will under both services pay no more than the above monthly charge.

2. Diversion of Gas

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

uniongas

Effective
2014-01-01
Schedule "A"

Gas Supply Charges

(A) **Availability:**

Available to customers in Union's Southern Delivery Zone.

(B) **Applicability:**

To all sales customers served under Rate M1, Rate M2, Rate M4, Rate M5A, Rate M7, Rate M9, Rate M10 and storage and transportation customers taking supplemental services under Rate T1, Rate T2 and Rate T3.

(C) **Rates:**

	cents / m^3	
Utility Sales		
Commodity and Fuel	12.4897	(1)
Commodity and Fuel - Price Adjustment	(0.1130)	
Transportation	3.9402	
Total Gas Supply Commodity Charge	16.3169	
Minimum Annual Gas Supply Commodity Charge		
Rate M4 Firm and Rate M5A Interruptible Contract	4.4493	

	$/GJ
Storage and Transportation Supplemental Services - Rate T1, Rate T2 & Rate T3	
Monthly demand charges:	
Firm gas supply service	46.857
Firm backstop gas	1.781
Commodity charges:	
Gas supply	3.230
Backstop gas	4.724
Reasonable Efforts Backstop Gas	5.509
Supplemental Inventory	Note (2)
Supplemental Gas Sales Service (cents / m^3)	19.3888
Failure to Deliver: Applied to quantities not delivered to Union in the event the customer's supply fails	2.552
Discretionary Gas Supply Service (DGSS)	Note (3)

Notes:

(1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1922 cents/ m^3.
(2) The charge for banked gas purchases shall be the higher of the daily spot gas cost at Dawn in the
(3) month of or the month following the month in which gas is sold under this rate and shall not be less than
Union's approved weighted average cost of gas.
Reflects the "back to back" price plus gas supply administration charge.

Effective: January 1, 2014
O.E.B. Order # EB-2013-0365

Chatham, Ontario

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

STORAGE RATES FOR UNBUNDLED CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer, or an agent, who is authorized to service residential and non-contract commercial and industrial end-users paying for the Monthly Fixed Charge and Delivery charge under Rate M1 or Rate M2:

a) who enters into an Unbundled Service Contract with Union for the storage of Gas for use at facilities located within Union's gas franchise area;

b) who contracts for Standard Peaking Service (SPS) with Union unless the customer can demonstrate that it has a replacement to the deliverability available in the SPS physically tied into Union's system and an OEB approved rate to provide the SPS replacement service;

c) who accepts daily estimates of consumption at Points of Consumption as prepared by Union so that they may nominate an equivalent amount from storage, upstream transportation, or Ontario Producers authorized to sell to third parties;

d) who nominates injections and withdrawals from storage and deliveries on upstream pipeline systems daily or Ontario Producers authorized to sell to third parties;

e) for whom Union has determined storage capacity is available; and

f) who accepts a monthly bill as prepared by Union.

(C) Rates

The following rates shall be charged for all volumes contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE	Demand Charge Rate/GJ/mo	Fuel Ratio	Commodity Charge Rate/GJ
i) Standard Storage Service (SSS)			
a) Combined Storage Space & Deliverability Applied to contracted Maximum Storage Space	$0.024		
b) Injection Commodity		0.397%	$0.026
c) Withdrawal Commodity		0.397%	$0.026
ii) Standard Peaking Service (SPS)			
a) Combined Storage Space & Deliverability Applied to contracted Maximum Storage Space	$0.117		
b) Injection Commodity		0.397%	$0.026
c) Withdrawal Commodity		0.857%	$0.026

		Demand Charge Rate/GJ/mo	Fuel Ratio	Commodity Charge Rate/GJ
iii)	Supplemental Service			
a)	Incremental Firm Injection Right: (5) Applied to the contracted Maximum Incremental Firm Injection Right	$1.054		
b)	Incremental Firm Withdrawal Right: (5) Applied to the contracted Maximum Incremental Firm Withdrawal Right	$1.054		
c)	Short Term Storage / Balancing Service - Maximum			$6.000

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the Contract, which shall not be less than one year, unless Union, in its sole discretion, accepts a term of less than one year.

2. Daily Firm Injection and Withdrawal Rights shall be pursuant to the Storage Contract.

3. Storage Space, Withdrawal Rights, and Injection Rights are not assignable to any other party without the prior written consent of Union and where necessary, approval from the Ontario Energy Board.

4. Short Term Storage / Balancing service (less than 2 years) is:
   i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, OR
   ii) short-term incremental firm deliverability, OR
   iii) a component of an operational balancing service offered.

   In negotiating the rate to be charged for service, the matters that are to be considered include:
   i) The minimum amount of storage service to which a customer is willing to commit,
   ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   iii) Utilization of facilities,
   iv) Competition, and
   v) Term.

5. Union's ability to offer incremental injection and withdrawal rights is subject to annual asset availability.

OVERRUN SERVICE

1. Injection and Withdrawal

Authorized

	Fuel Ratio	Commodity Charge Rate/GJ
Injection	0.857%	$0.061
Withdrawal	0.857%	$0.061

The Authorized Overrun rate is payable on all quantities on any Day in excess of the customer's contractual rights, for which authorization has been received. Overrun will be authorized by Union at its sole discretion.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space or the gas storage balance for the account of the customer is less than zero or the customer has injected or withdrawn volumes from storage which exceeds their contractual rights, and which has not been authorized by Union or provided for under a short term storage/balancing service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate during the November 1 to April 15 period will be $60.00 per GJ. The Unauthorized Overrun rate during the April 16 to October 31 period will be $6.000 per GJ.

OTHER SERVICES & CHARGES

1. Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must commit to provide a call at Parkway, throughout the winter period, for a specified number of days. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

TRANSPORTATION RATES

(A) Applicability

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

Applicable Points

Dawn as a receipt point: Dawn (TCPL), Dawn (Facilities), Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE).

Dawn as a delivery point: Dawn (Facilities).

(B) Services

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

(C) Rates

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

	Monthly Demand Charge (applied to daily contract demand) Rate/GJ	**Commodity and Fuel Charges**		
		Fuel Ratio %	**AND**	**Commodity Charge Rate/GJ**
Firm Transportation (1)				
Dawn to Parkway	$2.421			
Dawn to Kirkwall	$2.043	Monthly fuel rates and ratios shall be in accordance with schedule "C".		
Kirkwall to Parkway	$0.378			
Parkway to Dawn	n/a			
M12-X Firm Transportation				
Between Dawn, Kirkwall and Parkway	$3.010	Monthly fuel rates and ratios shall be in accordance with schedule "C".		
Limited Firm/Interruptible Transportation (1)				
Dawn to Parkway – Maximum	$5.810	Monthly fuel rates and ratios shall be in accordance with schedule "C".		
Dawn to Kirkwall – Maximum	$5.810			
Parkway (TCPL) to Parkway (Cons) (2)		0.154%		

Authorized Overrun (3)

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

	If Union supplies fuel Commodity Charge Rate/GJ	**Commodity and Fuel Charges**		
Transportation Overrun		**Fuel Ratio %**	**AND**	**Commodity Charge Rate/GJ**
Dawn to Parkway				$0.080
Dawn to Kirkwall		Monthly fuel rates and ratios shall be in accordance with schedule "C".		$0.067
Kirkwall to Parkway				$0.012
Parkway to Dawn				$0.080
Parkway (TCPL) Overrun (4)	n/a	0.652%		n/a
M12-X Firm Transportation				
Between Dawn, Kirkwall and Parkway		Monthly fuel rates and ratios shall be in accordance with schedule "C".		$0.099

(C) Rates (Cont'd)

Unauthorized Overrun

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

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

Nomination Variances

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

Notes for Section (C) Rates:

(1) The annual transportation commodity charge is calculated by application of the YCRR Formula, as per Section (D). The annual transportation fuel required is calculated by application of the YCR Formula, as per Section (D).

(2) This rate is for westerly transportation within the Parkway yard, from Parkway (TCPL) to Parkway (Cons) or Lisgar.

(3) For purposes of applying the YCRR Formula or YCR Formula (Section (D)) to transportation overrun quantities, the transportation commodity revenue will be deemed to be equal to the commodity charge of the applicable service as detailed in Section (B).

(4) This ratio will be applied to all gas quantities for which Union is obligated to deliver to Parkway (Cons) or Lisgar and has agreed to deliver to Parkway (TCPL) on an interruptible basis. This will be in addition to any rate or ratio paid for transportation easterly to Parkway (Cons) or Lisgar.

(5) A demand charge of $0.068/GJ/day/month will be applicable for customers contracting for firm all day transportation service in addition to the demand charges appearing on this schedule for firm transportation service to either Kirkwall or Parkway

(D) Transportation Commodity

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

(D) Transportation Commodity (Cont'd)

$$YCR = \sum_{1}^{4} [(0.001537 \text{ X } (QT1 + QT3)) + (DSFx(QT1 + QT3)) + F_{ST}] \text{ For June 1 to Sept. 30}$$

plus

$$\sum_{5}^{12} [0.001537 \text{ x } (QT1 + Q3)) + (DWFxQT1) + F_{WT}] \text{ For Oct. 1 to May 31}$$

$$YCRR = \sum_{1}^{4} [(0.001537 \text{ x } (QT1 + QT3)) + (DSFx(QT1 + QT3)) + F_{ST}]xR \text{ For June 1 to Sept. 30}$$

plus

$$\sum_{5}^{12} [(0.001537 \text{ x } (QT1 + QT3)) + (DWFxQT1)+ F_{WT}]xR \text{ For Oct. 1 to May 31}$$

where:

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

in which:

YCR	Yearly Commodity Required The sum of 12 separate monthly calculations of Commodity Quantities required for the period from April through March.
YCRR	Yearly Commodity Revenue Required The sum of 12 separate monthly calculations of Commodity Revenue required for the period April through March.
QT1	Monthly quantities in GJ transported easterly hereunder received at Dawn at not less than 4 850 kPa but less than 5 860 kPa (compression required at Dawn).
QT3	Monthly quantities in GJ transported westerly hereunder received at the Parkway Delivery Point.
F_{WT}	The individual Shipper's monthly share of compressor fuel used in GJ which was required at Union's Lobo, Bright, Trafalgar and Parkway Compressor Stations ("Lobo", "Bright", "Trafalgar" and "Parkway") to transport the same Shipper's QT1 monthly quantities easterly. Lobo, Bright, Trafalgar and Parkway compressor fuel required by each Shipper will be calculated each month. The monthly Lobo and Bright compressor fuel will be allocated to each Shipper in the same proportion as the Shipper's monthly quantities transported is to the monthly transported quantity for all users including Union. The monthly Parkway and Trafalgar compressor fuel used will be allocated to each Shipper in the same proportion as the monthly quantity transported to Parkway (TCPL) for each user is to the total monthly quantity transported for all users including Union.

(D) Transportation Commodity (Cont'd)

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

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

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

Notes

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

(E) Provision for Compressor Fuel

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

Transportation Fuel

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

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

Transportation Fuel Quantity = Transportation Quantity x Transportation Fuel Ratio.

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

Nominations

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

(F) Terms of Service

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

(G) Nominations

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

(H) Monthly Fuel Rates and Ratios

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

(I) Receipt and Delivery Points and Pressures

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

SCHEDULE "A"

RATE M12
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

2. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

3. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

4. "delivery" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

5. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "A";

6. "gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

7. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;

9. “Interconnecting Pipeline” shall mean a pipeline that directly connects to the Union pipeline system;

10. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term “gigajoule” (GJ) shall mean 1,000,000,000 joules;

11. "limited interruptible service" shall mean gas service subject to interruption or curtailment on a limited number of days as specified in the Contract;

12. "m^3" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

13. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;

14. "OEB" means the Ontario Energy Board;

15. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

16. "receipt" shall mean any gas that is delivered into Union's possession, or the possession of Union’s agent;

17. "Shipper" shall have the meaning as defined in the Contract and shall also include Shipper's agent(s);

18. "TCPL" means TransCanada PipeLines Limited;

19. "cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

20. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

21. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

22. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,

   a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to or interference with the proper operation of the lines, regulators, meters or other appliances through which it flows,

   b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,

   c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

   d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

   e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

   f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

   g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

   h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

   i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

   j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a

quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's M12 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

   a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

   b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

   c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

   d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas.

2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract where Shipper takes possession of the gas.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

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VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Union's Parkway Point of Delivery, or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.

2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.

3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by their regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing redeliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations , as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union's account on the first business day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment.

   b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend service(s) until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

   If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend service(s) because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

   Notwithstanding the foregoing paragraph(s), Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's gas bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas

nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the M12 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI hereof) which has not been waived by the other party, then and in every such case and as often as the same may happen, the Non-defaulting party may give written notice to the Defaulting party requiring it to remedy such default and in the event of the Defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the Non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. MODIFICATION

Subject to Union's M12 Rate Schedule, Schedule A, Article XV and the ability of Union to amend the M12 Rate Schedule with the approval of the OEB, no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

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XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

SCHEDULE "A 2010"

RATE M12
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"**Authorized Overrun**" shall mean the amount by which Shipper's Authorized Quantity exceeds the Contract Demand;

"**Available Capacity**" shall mean at any time, Union's remaining available capacity to provide Transportation Services;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"**Contract Year**" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Day**" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"**delivery**" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"**Expansion Facilities**" shall mean any new facilities to be constructed by Union in order to provide Transportation Services;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interruptible Service HUB Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible service**" or "**Interruptible**" shall mean service subject to curtailment or interruption, after notice, at any time;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline system;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"Loaned Quantities" shall mean those quantities of gas loaned to Shipper under the Facilitating Agreement;

"**m^3**" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**NAESB**" shall mean North American Energy Standards Board;

"**OEB**" means the Ontario Energy Board;

"**Open Season**" or "**open season**" shall mean an open access auction or bidding process held by Union as a method of allocating capacity;

"**pascal**" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

"**receipt**" shall mean any gas that is delivered into Union's possession, or the possession of Union's agent;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**TCPL**" means TransCanada PipeLines Limited;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,

   a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,

c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's M12 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

   a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

   b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

   c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

   d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where possession of the gas changes from one party to the other, and as per Schedule “D 2010”.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper’s gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union’s possession, except to the extent such loss is caused entirely by Union’s negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER’S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Parkway (TCPL), or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.

2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.

3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company’s gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done

in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Transportation Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4 Taxes:

In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off:

If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract or any enhancement to the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union’s system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union’s system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union’s system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union’s system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term “**Daily Demand Rate**” shall mean the Monthly demand charge or equivalent pursuant to the M12 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for

in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI ALLOCATION OF CAPACITY

1. A potential shipper may request firm transportation service on Union’s system at any time. Any request for firm M12 transportation service must include: potential shipper’s legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, Contract Demand and proposed payment. This is applicable for M12 service requests for firm transportation service with minimum terms of ten (10) years where Expansion Facilities are required or a minimum term of five (5) years for use of existing capacity.

2. If requests for firm transportation services cannot be met through existing capacity such that the only way to satisfy the requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.

3. If requests for long-term firm transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. “**Long-term**”, for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.

4. Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("**NPV**").

5. Union may at any time allocate capacity to respond to any M12 transportation service request through an open season. If a potential shipper requests M12 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:

   a. Any such request must conform to the requirements of Section 1 of this Article XVI;

   b. Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form M12 transportation contract;

   c. Union may reject a request for M12 transportation service for any of the following reasons:

      i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper;

      ii) if the proposed monthly payment is less than Union's Monthly demand charge plus fuel requirements for the applicable service;

      iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5 d hereof; -

      iv) if Union does not provide the type of transportation service requested; or

      v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

   d. Union will advise the potential shipper in writing whether Union accepts or rejects the request for service, subject to Article XVI 5 c, within 5 calendar days of receiving a request for M12 transportation service. If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected; and

   e. If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:

      i) Reject all the pending requests for transportation service and conduct an open season; or

      ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

Contracts with an Initial Term of five (5) years or greater will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

   The Priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

   1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 1)
   2. In-franchise Interruptible Distribution services
   3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
   4. Balancing (Hub Activity) < = 100 GJ/d; Balancing (Direct Purchase) < = 500 GJ/d; In-franchise distribution authorized overrun (Note 3)
   5. C1/M12 IT Transport and IT Exchanges at premium rates
   6. C1/M12 Overrun < = 20% of CD (Note 4)
   7. Balancing (Direct Purchase) > 500 GJ/d
   8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
   9. C1/M12 Overrun > 20% of CD
   10. C1/M12 IT Transport and IT Exchanges at a discount
   11. Late Nominations

   Notes:

   1. Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be late nomination and are therefore interruptible.
   2. Higher value or more reliable IT is contemplated in the service and contract, when purchase at market competitive prices.
   3. Captures the majority of customers that use Direct Purchase balancing transactions.
   4. Captures the majority of customers that use overrun.

2. Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. If such maintenance or construction is required, and in Union's sole opinion, acting reasonably, such maintenance or construction may impact Union's ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper, except in the case of an emergency. In the event the maintenance impacts on Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of the Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the Monthly demand charge shall be reduced in accordance with Article XI Section 8 and available capacity allocated in accordance with Article XI Section 9 herein.

   Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, which would normally be expected to impact on Union's ability to meet Shipper's requirements, during the period from April 1 through to November 1.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are

required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security) (if any) shall remain in place throughout the term hereof, unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract as a result of one of the following events ("**Material Event**");

   a. Shipper is in default, which default has not been remedied, of the Contract or is in default of any other material contract with Union or another party; or,

   b. Shipper's corporate or debt rating falls below investment grade according to at least one nationally recognized rating agency; or,

   c. Shipper ceases to be rated by a nationally recognized agency; or,

   d. Shipper has exceeded credit available as determined by Union from time to time,

   then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). The Security plus the Initial Financial Assurances shall not exceed twelve (12) months of Monthly demand charges (in accordance with Article IX herein) multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security within such fourteen (14) day period, Union may deem a default under the Default and Termination provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

XX. MISCELLANEOUS PROVISIONS

1. Permanent Assignment: Shipper may assign the Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.

2. Temporary Assignment: Shipper may, upon notice to Union, assign all or a part of its service entitlement under the Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee on a temporary basis for not less than one calendar month. Such assignment shall not be unreasonably withheld and shall be conditional upon the Assignee executing the Facilitating Agreement as per Article XXI herein. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.

3. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. The obligations of Union to provide Transportation Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

    a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Transportation Services; and,

    b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the transportation Services; and,

    c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

    d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

    a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

    b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

    c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, and d and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

RATE M12
NOMINATIONS

a) For Services provided either under this rate schedule or referenced to this rate schedule:

i) For Services required on any day Shipper shall provide Union with a nomination (the “Shipper's Nomination”) of the quantity it desires to be handled at the applicable Receipt Point and/or Delivery Point. Such Shipper's Nomination is to be provided in writing so as to be received by Union's Gas Management Services on or before 1230 hours in the Eastern time zone, unless agreed to otherwise in writing by the parties, on the business day immediately preceding the day for which service is requested.

ii) If, in Union's sole opinion, operating conditions permit, a change in Shipper's Nomination may be accepted after 1230 hours in the Eastern time zone.

iii) For customers electing firm all day transportation service, nominations shall be provided to Union’s Gas Management Services as outlined in the F24 –T Agreement.

b) Union shall determine whether or not all or any portion of Shipper's Nomination will be accepted. In the event Union determines that it will not accept such nomination, Union shall advise Shipper, on or before 1730 hours in the Eastern time zone on the business day immediately preceding the day for which service is requested, of the reduced quantity (the "Quantity Available") for Services at the applicable points. Forthwith after receiving such advice from Union but no later than 1800 hours in the Eastern time zone on the same day, Shipper shall provide a "Revised Nomination" to Union which shall be no greater than the Quantity Available. If such Revised Nomination is not provided within the time allowed as required above or such Revised Nomination is greater than the Quantity Available, then the Revised Nomination shall be deemed to be the Quantity Available. If the Revised Nomination (delivered within the time allowed as required above) is less than the Quantity Available, then such lesser amount shall be the Revised Nomination.

c) That portion of a Shipper's Nomination or Revised Nomination, as set out in (a) and (b), above, which Union shall accept for Services hereunder, shall be known as Shipper's "Authorized Quantity".

d) If on any day the actual quantities handled by Union, for each of the Services authorized, exceed Shipper's Authorized Quantity, and such excess was caused by either Shipper's incorrect nomination or by its delivering or receiving too much gas, then the amount by which the actual quantities handled for each of the Services exceed Shipper's Authorized Quantity, such excess shall be deemed "Unauthorized Overrun".

e) The daily quantity of gas nominated by Shipper will be delivered by Shipper at rates of flow that are as nearly constant as possible, however, Union shall use reasonable efforts to take receipt of gas on any day at an hourly rate of flow up to one twentieth (1/20) of the quantity received for that day. Union shall have the right to limit Services when on any day the cumulative hourly imbalance between receipts and deliveries exceeds one twentieth (1/20) of the quantity handled for that day, for each applicable Service.

f) A nomination for a daily quantity of gas on any day shall remain in effect and apply to subsequent days unless and until Union receives a new nomination from Shipper or unless Union gives Shipper written notice that it is not acceptable in accordance with either (a) or (b) of this schedule.

g) Except for periods of gas or quantity balancing as provided in the Contract, nominations by Shipper for deliveries to Union and redeliveries by Union shall be the same delivery of gas by Union either to Shipper or a Shipper’s Account with Union.

SCHEDULE "B 2010"

RATE M12
NOMINATIONS

1. For Transportation Services required on any Day under the Contract, Shipper shall provide Union with a nomination(s) providing the Shipper's requested Receipt Point(s), contract numbers, the applicable service, the quantity of Gas to be transported, the requested Delivery Point(s), and such additional information as Union determines to be necessary (a "**Nomination**").

2. All Nominations shall be submitted by electronic means via *Unionline*. Union, in its sole discretion, may amend or modify the nominating procedures or *Unionline* at any time. Nominations shall be submitted so as to be received by Union in accordance with timelines established by Union, which reflect the NAESB standard nomination cycles. Union will accept all nominations on each of the nomination cycles. Nominations made after the applicable deadline shall not be accepted except at the sole discretion of Union. All times referred to herein are Eastern Clock Time. For greater certainty, NAESB nomination cycle timelines are as follows:

   a. The Timely Nomination Cycle: 12:45 pm for Nominations leaving control of the nominating party; 3:30 pm for receipt of Quantities Available by Shipper; 4:30 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 5:30 pm for receipt of Scheduled Quantities by Shipper (Day prior to flow).

   b. The Evening Nomination Cycle: 7:00 pm for Nominations leaving control of the nominating party; 9:00 pm for receipt of Quantities Available by Shipper; 10:00 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 11:00 pm for receipt of Scheduled Quantities by Shipper (Day prior to flow).

   c. The Intra-day 1 Nomination Cycle: 11:00 am for Nominations leaving control of the nominating party; 1:00 pm for receipt of Quantities Available by Shipper; 2:00 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 3:00 pm for receipt of Scheduled Quantities Available by Shipper, on Day. Quantities Available resulting from Intra-day 1 Nominations should be effective at 6:00 pm on same Day.

   d. The Intra-day 2 Nomination Cycle: 6:00 pm for Nominations leaving control of the nominating party: 8:00 pm for receipt of Quantities Available by Shipper; 9:00 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 10:00 pm for receipt of Scheduled Quantities by Shipper on Day. Quantities Available resulting from Intra-day 2 Nominations should be effective at 10:00 pm on same Day.

3. Union shall determine whether or not all or any portion of the Nomination will be scheduled at each nomination cycle. With respect to each nomination cycle, in the event Union determines that it will not schedule such Nomination, Union shall advise Shipper of the reduced quantity (the "**Quantities Available**") for Transportation Services at the applicable points as outlined in each nomination cycle. After receiving such advice from Union, but no later than one half hour after the Quantities Available deadline as outlined in each nomination cycle, Shipper shall provide a revised nomination ("**Revised Nomination**") to Union which shall be no greater than the Quantity Available. If such Revised Nomination is not provided within the time allowed as required above or such Revised Nomination is greater than the Quantities Available, then the Revised Nomination shall be deemed to be the Quantities Available. If the Revised Nomination (delivered with the time allowed as required above) is less than the Quantity Available, then such lessor amount shall be the Revised Nomination.

4. For Shippers electing firm all day transportation service, nominations shall be provided to Union's Gas Management Services as outlined in the F24 –T Agreement.

5. For Transportation Services requiring Shipper to provide compressor fuel in kind, the nominated fuel requirements will be calculated by rounding to the nearest whole GJ.

6. All Timely Nominations shall have rollover options. Specifically, Shippers shall have the ability to nominate for several days, months or years, provided the Nomination start date and end date are both within the term of the Transportation Agreement.

7. Nominations received after the nomination deadline shall, if accepted by Union, be scheduled after Nominations received before the nomination deadline.

8. All Services are required to be nominated in whole Gigajoules (GJ).

9. To the extent Union is unable to complete a Nomination confirmation due to inaccurate, untimely or incomplete data involving an Interconnecting Pipeline entity, Union shall undertake reasonable efforts to confirm the transaction on a non-discriminatory basis until such time that the transaction is adequately verified by the parties, or until such time that Union determines that the Nomination is invalid at which time the Union shall reject the Nomination.

10. That portion of a Shipper's Nomination or Revised Nomination, as set out in paragraphs 1 and 3 above, which Union shall schedule for Transportation Services hereunder, shall be known as Shipper's "**Authorized Quantity**".

11. If on any day the actual quantities handled by Union, for each of the Transportation Services authorized, exceed Shipper's Authorized Quantity, and such excess was caused by either Shipper's incorrect nomination or by its delivering or receiving too much gas, then the amount by which the actual quantities handled for each of the Transportation Services exceed Shipper's Authorized Quantity shall be deemed "**Unauthorized Overrun**".

12. The daily quantity of gas nominated by Shipper will be delivered by Shipper at rates of flow that are as nearly constant as possible, however, Union shall use reasonable efforts to take receipt of gas on any day at an hourly rate of flow up to one twentieth (1/20th) of the quantity received for that day. Union shall have the right to limit Transportation Services when on any day the cumulative hourly imbalance between receipts and deliveries exceeds one twentieth (1/20th) of the quantity handled for that day, for each applicable Transportation Service.

13. The parties hereto recognize that with respect to Transportation Services, on any day, receipts of gas by Union and deliveries of gas by Union may not always be exactly equal, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, and any imbalances arising shall be allocated to the Facilitating Agreement and shall be subject to the respective terms and charges contained therein, and shall be resolved in a timely manner.

14. Shipper may designate a third party as agent for purposes of providing a Nomination, and for giving and receiving notices related to Nominations, and Union shall only accept nominations from the agent. Shipper shall provide Union with written notice of such designation, such notice to be acceptable to Union. Any such designation, if acceptable to Union, shall be effective starting the Month following the receipt of the written notice and will remain in effect until revoked in writing by Shipper.

Schedule "C"

UNION GAS LIMITED

M12 Monthly Transportation Fuel Ratios and Rates

Firm or Interruptible Transportation Commodity

Effective January 1, 2014

	VT1 Easterly Dawn to Parkway (TCPL) With Dawn Compression		VT1 Easterly Dawn to Kirkwall, Lisgar, Parkway (Consumers) With Dawn Compression		VT3 Westerly Parkway to Kirkwall, Dawn	
Month	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)
April	0.806	0.038	0.535	0.026	0.154	0.007
May	0.570	0.027	0.361	0.017	0.154	0.007
June	0.466	0.022	0.261	0.012	0.358	0.017
July	0.453	0.022	0.249	0.012	0.358	0.017
August	0.357	0.017	0.155	0.007	0.356	0.017
September	0.353	0.017	0.154	0.007	0.353	0.017
October	0.700	0.033	0.465	0.022	0.154	0.007
November	0.844	0.040	0.607	0.029	0.154	0.007
December	0.950	0.045	0.706	0.034	0.154	0.007
January	1.091	0.052	0.835	0.040	0.154	0.007
February	1.038	0.050	0.790	0.038	0.154	0.007
March	0.977	0.047	0.723	0.034	0.154	0.007

	M12-X Easterly Kirkwall to Parkway (TCPL)		M12-X Easterly Kirkwall to Lisgar, Parkway (Consumers)		M12-X Westerly Parkway to Kirkwall, Dawn	
Month	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)
April	0.425	0.020	0.154	0.007	0.269	0.013
May	0.363	0.017	0.154	0.007	0.269	0.013
June	0.358	0.017	0.154	0.007	0.269	0.013
July	0.358	0.017	0.154	0.007	0.269	0.013
August	0.356	0.017	0.154	0.007	0.269	0.013
September	0.353	0.017	0.154	0.007	0.269	0.013
October	0.389	0.019	0.154	0.007	0.269	0.013
November	0.391	0.019	0.154	0.007	0.154	0.007
December	0.398	0.019	0.154	0.007	0.154	0.007
January	0.410	0.020	0.154	0.007	0.154	0.007
February	0.402	0.019	0.154	0.007	0.154	0.007
March	0.408	0.019	0.154	0.007	0.154	0.007

UNION GAS LIMITED

M12 Monthly Transportation Authorized Overrun Fuel Ratios and Rates

Firm or Interruptible Transportation Commodity

Effective January 1, 2014

	VT1 Easterly Dawn to Parkway (TCPL) With Dawn Compression		VT1 Easterly Dawn to Kirkwall, Lisgar, Parkway (Consumers) With Dawn Compression		VT3 Westerly Parkway to Kirkwall, Dawn	
Month	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)
April	1.409	0.147	1.138	0.121	0.757	0.116
May	1.173	0.136	0.964	0.113	0.757	0.116
June	1.069	0.131	0.864	0.108	0.961	0.125
July	1.056	0.130	0.852	0.108	0.961	0.125
August	0.960	0.125	0.758	0.103	0.959	0.125
September	0.956	0.125	0.758	0.103	0.956	0.125
October	1.303	0.142	1.069	0.118	0.757	0.116
November	1.447	0.149	1.210	0.125	0.757	0.116
December	1.553	0.154	1.309	0.130	0.757	0.116
January	1.694	0.160	1.438	0.136	0.757	0.116
February	1.641	0.158	1.393	0.134	0.757	0.116
March	1.580	0.155	1.326	0.130	0.757	0.116

	M12-X Easterly Kirkwall to Parkway (TCPL)		M12-X Easterly Kirkwall to Lisgar, Parkway (Consumers)		M12-X Westerly Parkway to Kirkwall, Dawn	
Month	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)	Fuel Ratio (%)	Fuel Rate ($/GJ)
April	1.028	0.061	0.757	0.049	0.872	0.121
May	0.966	0.059	0.757	0.049	0.872	0.121
June	0.961	0.058	0.757	0.049	0.872	0.121
July	0.961	0.058	0.757	0.049	0.872	0.121
August	0.959	0.058	0.757	0.049	0.872	0.121
September	0.956	0.058	0.757	0.049	0.872	0.121
October	0.992	0.060	0.757	0.049	0.872	0.121
November	0.994	0.060	0.757	0.049	0.757	0.116
December	1.001	0.060	0.757	0.049	0.757	0.116
January	1.013	0.061	0.757	0.049	0.757	0.116
February	1.005	0.060	0.757	0.049	0.757	0.116
March	1.011	0.061	0.757	0.049	0.757	0.116

SCHEDULE "D 2010"

RATE M12
RECEIPT AND DELIVERY POINTS AND PRESSURES

1. Receipt and Delivery Points:

The following defines each Receipt Point and/or Delivery Point, as indicated (R= Receipt Point; D= Delivery Point)

R,D	**DAWN (FACILITIES):**	Union’s Compressor Station site situated in the northwest corner of Lot Twenty-Five (25), Concession II, in the Township of Dawn-Euphemia, in the County of Lambton. This point is applicable for quantities of gas that have been previously transported or stored under other contracts that Shipper may have in place with Union.
R	**DAWN (TCPL):**	At the junction of Union’s and TCPL’s facilities, at or adjacent to Dawn (Facilities).
R	**DAWN (TECUMSEH):**	At the junction of Union’s and Enbridge Gas Distribution Inc.’s (Enbridge) Tecumseh Gas Storage’s facilities, at or adjacent to Dawn (Facilities).
R	**DAWN (TSLE):**	At the junction of Union’s and Enbridge Gas Distribution Inc.’s (“**Enbridge**”) NPS 16 Tecumseh Sombra Line Extension facilities; at or adjacent to Dawn (Facilities)
R	**DAWN (VECTOR):**	At the junction of Union’s and Vector Pipeline Limited Partnership (“**Vector**”) facilities, at or adjacent to Dawn (Facilities).
R,D	**PARKWAY (TCPL):**	At the junction of Union's and TCPL's facilities, at or adjacent to Union's facilities situated in the Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga)
R,D	**KIRKWALL:**	At the junction of Union's and TCPL's facilities at or adjacent to Union's facilities situated in Part Lot Twenty-Five (25), Concession 7, Town of Flamborough.
D	**PARKWAY (CONSUMERS):**	At the junction of Union’s and Enbridge’s facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga)
D	**LISGAR:**	At the junction of the facilities of Union and Enbridge situated at 6620 Winston Churchill Boulevard, City of Mississauga.

2. Receipt and Delivery Pressures:

(a) All Gas tendered by or on behalf of Shipper to Union shall be tendered at the Receipt Point(s) at Union's prevailing pressure at that Receipt Point, or at such pressure as per operating agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(b) All Gas tendered by or on behalf of Union to Shipper shall be tendered at the Delivery Point(s) at Union's prevailing pressure at that Delivery Point or at such pressure as per agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(c) Under no circumstances shall Union be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Union be required to make any physical deliveries or to accept any physical receipts which its existing facilities cannot accommodate.

TRANSPORTATION OF LOCALLY PRODUCED GAS

(A) Applicability

The charges under this rate schedule shall be applicable to a customer who enters into a contract with Union for gas received at a local production point to be transported to Dawn.

Applicable Points

Dawn as a delivery point: Dawn (Facilities).

(B) Rates

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

Demand Commodity

	Demand Charge Rate/Month	**Commodity Charge Union Provides Fuel Rate/GJ**	**Customer Provides Own Fuel Fuel Ratio**
1. Monthly fixed charge per Customer Station	$931.32		
2. Transmission Commodity Charge		$0.034	
3. Delivery Commodity Charge		$0.007	0.154%

These charges are in addition to the transportation, storage and/or balancing charges which shall be paid for under Rate M12 or Rate C1, or other services that may be negotiated.

4. Overrun Services

Authorized Overrun

Authorized overrun will be payable on all quantities transported in excess of Union's obligation on any day. The overrun charges payable will be calculated at $0.076 /GJ. Overrun will be authorized at Union's sole discretion.

	Commodity Charge Union Provides Fuel Rate/GJ	**Customers Provides Own Fuel**	
		Commodity Charge Rate/GJ	**Fuel Ratio**
Authorized Overrun Charge	$0.076	$0.069	0.154%

Unauthorized Overrun

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

The Unauthorized Overrun rate during the November 1 to April 15 period will be $50 per GJ for all usage on any day in excess of 102% of Union's contractual obligation. The Unauthorized Overrun rate during the April 16 to October 31 period will be $9.373 per GJ for all usage on any day in excess of 102% of Union's contractual obligation.

(C) Terms of Service

General Terms & Conditions applicable to this rate shall be in accordance with the attached Schedule "A" in effect before January 1, 2013. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A 2013" for contracts in effect on or after January 1, 2013.

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

SCHEDULE "A"

GENERAL TERMS & CONDITIONS
M13 TRANSPORTATION AGREEMENT

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Banking Day" shall mean a day on which the general offices of the Canadian Imperial Bank of Commerce, 99 King St. W., Chatham, Ontario are open for business;

2. "business day" shall mean a day on which the general offices of Union in Chatham, Ontario are open for business;

3. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

4. "contract year" shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the day agreed upon by Union and Shipper as set forth in the Contract, or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;

5. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

6. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;

7. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "B";

8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;

9. "gas" shall mean gas as defined in the Ontario Energy Board Act, R.S.O. 1980, c. 332, as amended, supplemented or reenacted from time to time;

10. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

11. "m^3" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

12. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

13. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term “gigajoule” (GJ) shall mean 1,000,000,000 joules;

14. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

15. "Shipper" shall have the meaning as defined in the Contract and shall also include Shipper’s agent(s);

16. "subsidiary" shall mean a company in which more than fifty (50) per cent of the issued share capital (having full voting rights under all circumstances) is owned or controlled directly or indirectly by another company, by one or more subsidiaries of such other company, or by such other company and one or more of its subsidiaries;

17. "TCPL" means TransCanada PipeLines Limited;

18. "NOVA" means NOVA Gas Transmission Ltd;

19. "Panhandle" means CMS Panhandle Eastern Pipeline Company;

20. "MichCon" means Michigan Consolidated Gas Company;

21. "SCPL" means St. Clair Pipelines (1996) Ltd.;

22. "OEB" means the Ontario Energy Board;

23. "NEB" means the National Energy Board (Canada);

    i. "GLGT" means Great Lakes Gas Transmission Company;

    ii. "CMS" means CMS Gas Transmission and Storage Company; and,

    iii. "Consumers" means The Consumers' Gas Company, Limited.

24. "cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

25. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

26. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute; and,

27. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,

    a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

    b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,

    c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

    d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

    e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

k. shall not exceed forty-three degrees Celsius (43ºC), and,

l. shall not be odourized by Shipper.

3. Non-conforming Gas:

a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.

b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out therein.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

III. MEASUREMENTS

1. Service Unit: The unit of the gas delivered to Union shall be a quantity of 10^3m^3. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VI herein.

IV. POINT OF RECEIPT AND POINT OF DELIVERY

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas. Whenever the phrase "receipt point" appears herein, it shall mean Point of Receipt as defined in this Article IV.

2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract, where Shipper takes possession of the gas. Whenever the phrase "delivery point" shall appear herein, it shall mean Point of Delivery as defined in this Article IV.

V. FACILITIES ON CUSTOMER'S PROPERTY

N/A.

VI. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas received or delivered hereunder is measured by a meter that is owned and operated by an upstream or downstream transporter (the "Transporter") whose facilities may or may not interconnect with Union's, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas received or delivered on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union pursuant to this Article VII, Section 2 shall be in accordance with the general terms and conditions as incorporated in that Transporter's gas tariff as approved by Transporter's regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Receipt Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Receipt Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

5. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

VII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

VIII. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union's account on the first business day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due, Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract may suspend service(s) until such amount is paid, provided however, that if Shipper, in good faith shall dispute the amount of any such bill or part thereof and shall pay to Union such amounts as it concedes to be correct and at any time thereafter within twenty (20) days of a demand made by Union shall furnish good and sufficient surety bond satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case, then Union shall not be entitled to suspend service(s) because of such non-payment unless and until default be made in the conditions of such bond or in payment for any further service(s) to Shipper hereunder.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of invoice.

IX. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under this Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

X. FORCE MAJEURE

N/A

XI. DEFAULT AND TERMINATION

N/A

XII. MODIFICATION

N/A

XIII. NONWAIVER AND FUTURE DEFAULT

N/A

XIV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

RATE M13
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"**Aid to Construction"** shall include any and all costs, expenses, amounts, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred before or after the date of the Contract) actually paid by Union (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the OEB) in connection with or in respect of satisfying the conditions precedent set out in Article XXI herein (including without limitation the cost of construction, installation and connection of any required meter station as described in Article IX, Section 6, the obtaining of all governmental, regulatory and other third party approvals, and the obtaining of rights of way) whether resulting from Union's negligence or not, except for any costs that have arisen from the gross negligence, fraud, or wilful misconduct of Union;

"**Average Local Producer Heat**" ("**ALPH**") shall mean the heat content value as set by Union, and shall be determined by volumetrically averaging the gross heat content of all produced gas delivered to the Union system by Ontario Local Producers. The ALPH shall be expressed in GJ/10^3m^3 and may be adjusted from time to time by Union;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"**Contract Year**" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Dawn Quantity**" shall mean the total daily quantity of gas in GJ delivered at Dawn (Facilities), which is equal to the total energy of all gas supplied daily to Union at the Receipt Point(s). The Dawn Quantity shall be calculated utilizing the following factor equation: Dawn Quantity = Produced Volume x ALPH;

"**Day**" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"**Delivery Point**" shall mean the point where Union shall deliver the Dawn Quantity and/or Market Quantity to Shipper and as further defined in Schedule 1 of the Contract;

"**Distribution Demand**" shall mean the varying demand for the supply of gas, as determined by Union, on Union's pipeline and distribution system for users of gas who are supplied or delivered gas by Union's pipeline and distribution system;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**Firm Daily Variability Demand**" shall mean the established quantity set forth in Schedule 2 of the Contract, which is the permitted difference between the Dawn Quantity and the Market Quantity;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interruptible Service HUB Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline and distribution system;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**m^3**" shall mean cubic metre of gas and "**10^3m^3**" shall mean 1,000 cubic metres of gas;

"**MAOP"** shall mean the maximum allowable operating pressure of Union's pipeline and distribution system and as further defined in Schedule 1 of the Contract;

"**Market Quantity**" shall mean the daily quantity in GJ nominated for Name Change Service that Day by Shipper at Dawn (Facilities);

"**Maximum Daily Quantity**" shall mean the maximum quantity of gas Shipper may deliver to Union at a Receipt Point on any Day, as further defined in Schedule 1;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**Name Change Service**" shall mean an interruptible administrative service whereby Union acknowledges for Shipper a change in title of a gas quantity from Shipper to a third party at the Delivery Point;

"**OEB**" means the Ontario Energy Board;

"**pascal**" "**(Pa)**" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "**kilopascal**" "**(kPa)"** shall mean 1,000 pascals;

"**Produced Volume**" shall mean the aggregate of all actual volumes of gas in 10^3m^3, delivered by Shipper to Union at all Receipt Points on any Day;

"**Producer Balancing Account**" shall mean the gas balance held by Union for Shipper, or owed by Shipper to Union, at the Delivery Point. Where the Producer Balancing Account is zero or a positive number, the account is in a credit position, and where the Producer Balancing Account is less than zero, the account is in a debit position;

"**Producer Balancing Service**" shall mean a Service whereby Union either calculates a credit or debit to the Producer Balancing Account by subtracting the Market Quantity from the Dawn Quantity. Where such amount is greater than zero, Union will credit the Producer Balancing Account, or where such amount is less than zero, Union will debit the Producer Balancing Account. This Service shall be performed on a retroactive basis on the terms and conditions contained in Schedule 2 of the Contract, as may be revised from time to time by Union;

"Receipt Point" shall mean the point(s) where Union shall receive gas from Shipper;

"**Sales Agreement**" shall mean the Ontario Gas Purchase Agreement(s) entered into between Shipper and Union;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**System Capacity**" shall mean the volumetric capacity that exists from time to time within Union's pipeline and distribution system which determines Union's ability to accept volumes of gas into Union's pipeline and distribution system hereunder. System Capacity shall be determined by Union and such determination, in addition to the physical characteristics of Union's pipeline and distribution system Distribution Demand, shall also include consideration of Union's local Distribution Demand, Union's total system Distribution Demand, availability of Union's gas storage capacity, and other gas being purchased and/or delivered into Union's pipeline and distribution system;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,

   a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

   b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,

   c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

   d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

   e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

   f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

   g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

   h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

   i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

   j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

k. shall not exceed forty-three degrees Celsius (43ºC), and,

l. shall not be odourized by Shipper.

3. Non-conforming Gas:

   a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.

   b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out therein.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

III. MEASUREMENTS

1. Service Unit: The unit of the gas delivered to Union shall be a quantity of 10^3m^3. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

   a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

   b. The supercompressibility factor shall be determined in accordance with either the "**Manual for Determination of Supercompressibility Factors for Natural Gas**" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

   c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

IV. RECEIPT POINT AND DELIVERY POINT

The point(s) of receipt and point of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in Schedule 1 of the Contract, where possession of the gas changes from one party to the other.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

1. Union shall provide, at the Receipt Point(s), according to the terms hereunder, the meter station required to receive and measure the Produced Volume of gas received by Union from Shipper. Shipper agrees, if requested by Union, to provide Union with sufficient detailed information regarding Shipper's current and expected operations in order to aid Union in Union's design of the meter station.

2. Pursuant to Article VI. Section 1 herein, Union shall purchase, install and maintain, at the Receipt Point(s):

   a. a meter and any associated recording gauges as are necessary; and,

   b. a suitable gas odourizing injection facility where Union deems such facility to be necessary.

3. All equipment installed by Union at the Receipt Point(s) shall remain the property of Union at all times, notwithstanding the fact that it may be affixed to Shipper's property. Union shall be entitled to remove said equipment at any time within a period of sixty (60) days from any termination or expiry of the Contract. Shipper shall take all necessary steps to ensure Union may enter onto the Receipt Point(s) to remove such equipment for a period of sixty (60) days after termination or expiry of the Contract or the Sales Agreement.

4. Upon Union's request Shipper shall, at Shipper's own cost and expense:

   a. obtain a registered lease or freehold ownership at the Receipt Point(s) sufficient to provide Union with free uninterrupted access to, from, under and above the Receipt Point(s), for a term (and extended terms) identical to the Contract, plus sixty (60) days, and shall provide Union with a bona fide copy of such lease agreement prior to Union commencing the construction of the meter station;

   b. furnish, install, set, and maintain suitable pressure and volume control equipment and such additional equipment as required on Shipper's delivery system, to protect against the overpressuring of Union's facilities, and to limit the daily flow of gas to the corresponding Maximum Daily Quantity applicable to the Receipt Point(s);

   c. supply, install and maintain a gravel or cut stone covering on each Receipt Point and shall maintain such Receipt Point(s) in a safe and workmanlike manner; and,

   d. install and maintain a fence satisfactory to Union around the perimeter of each Receipt Point which will adequately secure and protect Union's equipment therein.

5. Shipper shall within thirty (30) days of the delivery of an invoice by Union, reimburse Union for any actual costs reasonably incurred by Union for any repair, replacement, relocation, or upgrading of any meter station requested by Shipper, or as required by law, or by duly constituted regulatory body, or through good engineering practice. Union shall be responsible for any costs incurred by Union to correct an error made by Union.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas received or delivered hereunder is measured by a meter that is owned and operated by an upstream or downstream transporter (the "**Transporter**") whose facilities may or may not interconnect with Union's, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas received or delivered on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union pursuant to this Article VII, Section 2 shall be in accordance with the general terms and conditions as incorporated in that Transporter's gas tariff as approved by Transporter's regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Receipt Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Receipt Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

5. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the companies, that transport the gas contemplated herein for Union and Shipper, retain the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

    a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off: If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

6. Station and Connection Costs: In the event that a meter station must be constructed and/or installed in order to give effect to this Contract, Shipper agrees to pay Union for a portion, as determined by Union, of Union's actual cost, as hereinafter defined, for constructing and installing such station. Shipper also agrees to pay the actual costs to connect such station to Union's pipeline and distribution system. Union shall advise Shipper as to the need for a meter station and shall provide Shipper with an estimate of the Aid to Construction. Such Aid to Construction shall include the costs of all pipe, fittings and materials, third party labour costs and Union's direct labour, labour saving devices, vehicles and mobile equipment, but shall exclude the purchase costs of gas pressure control equipment and gas meters installed by Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the

Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Firm Daily Variability Demand Charge Relief: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the Firm Daily Variability Demand for that Contract, then for that Day the Monthly charge shall be reduced by an amount equal to the applicable Firm Daily Variability Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Firm Daily Variability Demand Rate**" shall mean the monthly Firm Daily Variability Demand charge as provided in Schedule 2 of the Contract, divided by the number of days in the month for which such rate is being calculated.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

In the event that this Contract is terminated pursuant to this Article XII, the parties hereto agree that they shall continue to be bound only by the terms and conditions set forth in the Contract but only for the purpose of determining the actual quantities in Shipper's Producer Balancing Account with such determination being subject to Article X. Such extended period of time shall not exceed one (1) year from the date of termination of this Contract.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. RESERVED FOR FUTURE USE

N/A

XVII. RENEWALS

The Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, subject to notice in writing by either party of termination at least three (3) months prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Excepting instances of emergency, Shipper and Union agree to give at least twenty-four (24) hours verbal notice before a

planned curtailment of receipt or delivery, shut-down or start-up.

2. Shipper shall complete and maintain a plan which depicts all of the Shipper's gas production facilities including all emergency shut off valves and emergency equipment and provide a copy to Union upon Union's request. Shipper shall provide to Union the names and telephone numbers of those persons whom Union may contact in the event of an emergency situation arising within the Shipper's facilities.

3. In the event that Union is notified by a third party or if Union becomes aware of an emergency situation in which Shipper's gas production site, pipeline or associated equipment is involved, Union shall immediately notify Shipper or Shipper's representative of such emergency condition.

4. Union shall have the right, at all times, to reconstruct or modify Union's pipeline and distribution system and the pressure carried therein, notwithstanding that such reconstruction or modification may reduce the System Capacity available to receive Shipper's gas, or Shipper's ability to deliver gas to Union. Should Union expect any such reconstruction or modification to reduce the delivery or receipt of gas by either party, Union will, where able, provide Shipper with six (6) months' notice or as much notice as is reasonably practical in the circumstances. Union shall use reasonable efforts to assist the Shipper in meeting its Market Quantity in these circumstances.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security), if any, shall remain in place throughout the term hereof unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances (including the Initial Financial Assurances and Security), if any, throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract for any reason (a "**Material Event**"), then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). In the event that Shipper does not provide to Union such Security, Union may deem a default in accordance with the provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

3. Licence: Shipper represents and warrants to Union that Shipper possesses a licence to produce gas in the Province of Ontario.

XX. MISCELLANEOUS PROVISIONS

1. Assignment: Shipper may assign the Contract to a third party ("**Assignee**"), up to the Maximum Daily Quantity, (the "**Capacity Assigned**"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.

2. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO SERVICES

1. The obligations of Union to provide Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Services; and,

   b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Services; and,

   c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

   d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union; and,

   e. Union shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations required to construct any facilities necessary to provide the Services hereunder, which approvals and authorizations, if granted upon conditions, shall be conditions satisfactory to Union; and,

   f. Union shall, where applicable, have completed and placed into service those facilities necessary to provide the Services hereunder; and,

   g. Further to Article IX Section 6 herein, Shipper shall pay to Union a payment ("**First Prepayment**") towards the Aid to Construction at the time of the execution of this Agreement. Shipper shall pay a payment prior to installation of the meter station ("**Second Prepayment**"). The foregoing payments are specified in the attached Schedule 1 for the first meter station ("**Receipt Point #1**") to be installed under this contract. Payments for additional meter stations will be handled by written mutual agreement between the parties. Shipper shall pay Union the difference if the actual Aid to Construction is more than the Prepayments, within thirty (30) days of the delivery of an invoice from Union on which the actual costs for construction and installation of facilities are stated. Union shall pay Shipper the difference if the actual Aid to Construction is less than the Prepayments. In the event Shipper terminates this Agreement prior to Union incurring any costs related to the construction, installation or connection of the meter station, Shipper's Prepayments shall be returned to Seller, without interest, within fifteen (15) days notice to Union of such termination by Shipper. In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the meter station prior to being notified by Shipper of Shipper's intention to terminate the Agreement, Union shall deduct such actual costs from Union's return of Shipper's Prepayments. "**Prepayments**" shall mean the sum of the First Prepayment and the Second Prepayment.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and,

   b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

   c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract; and,

d. Shipper shall have cancelled or renegotiated its Sales Agreement, on terms satisfactory to Union, as applicable.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, d, e, f, g, and Section 2 a, b, and d. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, or if any of the Shipper payments required under the condition precedent in this Article XXI Section 1 g have not been paid as required in such section, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

STORAGE AND TRANSPORTATION SERVICES TRANSPORTATION CHARGES

(A) Availability

The charges under this rate schedule shall be applicable for transportation service rendered by Union for all quantities transported to and from embedded storage pools located within Union's franchise area and served using Union's distribution and transmission assets.

Applicable Points

Dawn as a receipt point: Dawn (Facilities).
Dawn as a delivery point: Dawn (Facilities).

(B) Rates

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

a) Charges Applicable to both Firm and/or Interruptible Transportation Services:

Monthly Fixed Charge per customer station ($ per month) (1)	$1,481.63
Transmission Commodity Charge to Dawn ($ per GJ)	$0.034

Transportation Fuel	Customers located East of Dawn	Customers located West of Dawn
Fuel Charges to Dawn:		
Commodity Rate - Union provides fuel ($ per GJ)	$0.007	$0.007
Fuel Ratio - customer provides fuel (%)	0.154%	0.154%
Fuel Charge to the Pool		
Commodity Rate - Union provides fuel ($ per GJ)	$0.007	$0.021
Fuel Ratio - customer provides fuel (%)	0.154%	0.437%

b) Firm Transportation Demand Charges: (2)

	Customers located East of Dawn	Customers located West of Dawn
Monthly Demand Charge applied to contract demand ($ per GJ)	$0.753	$1.065

Authorized Overrun:

The authorized overrun rate payable on all quantities transported in excess of Union's obligation any day shall be:

	Customers located East of Dawn	Customers located West of Dawn
Firm Transportation:		
Charges to Dawn		
Commodity Rate - Union provides fuel ($ per GJ)	$0.066	$0.076
Commodity Rate - customer provides fuel ($ per GJ)	$0.059	$0.069
Fuel Ratio - customer provides fuel (%)	0.154%	0.154%
Charges to the Pool		
Commodity Rate - Union provides fuel ($ per GJ)	$0.032	$0.056
Commodity Rate - customer provides fuel ($ per GJ)	$0.025	$0.035
Fuel Ratio - customer provides fuel (%)	0.154%	0.437%

Overrun will be authorized at Union's sole discretion.

Unauthorized Overrun

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

The Unauthorized Overrun rate during the November 1 to April 15 period will be $50 per GJ for all usage on any day in excess of 102% of Union's contractual obligation. The Unauthorized Overrun rate during the April 16 to October 31 period will be $9.373 per GJ for all usage on any day in excess of 102% of Union's contractual obligation.

Charges aforesaid in respect of any given month in accordance with General Terms & Conditions shall be payable no later than the twenty-fifth day of the succeeding month.

Notes for Section (B) Rates:

1. (1) The monthly fixed charge will be applied once per month per customer station regardless of service being firm, interruptible or a combination thereof.
2. (2) Demand charges will be applicable to customers firm daily contracted demand or the firm portion of a combined firm and interruptible service.

(C) Terms of Service

The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule “A” for contracts in effect before October 1, 2010. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule “A 2013” for contracts in effect on or after January 1, 2013.

SCHEDULE "A"

GENERAL TERMS & CONDITIONS
M16 TRANSPORTATION AGREEMENT

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Banking Day" shall mean a day on which the general offices of the Canadian Imperial Bank of Commerce, 99 King St. W., Chatham, Ontario are open for business;

2. "business day" shall mean a day on which the general offices of Union in Chatham, Ontario are open for business;

3. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

4. "contract year" shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the day agreed upon by Union and Shipper as set forth in the Contract, or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;

5. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

6. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;

7. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "B";

8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;

9. "gas" shall mean gas as defined in the Ontario Energy Board Act, R.S.O. 1980, c. 332, as amended, supplemented or reenacted from time to time;

10. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

11. "m^3" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

12. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

13. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term “gigajoule” (GJ) shall mean 1,000,000,000 joules;

14. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

15. "Shipper" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

16. "subsidiary" means a company in which more than fifty (50) per cent of the issued share capital (having full voting rights under all circumstances) is owned or controlled directly or indirectly by another company, by one or more subsidiaries of such other company, or by such other company and one or more of its subsidiaries;

17. "TCPL" means TransCanada PipeLines Limited;

18. "NOVA" means Gas Transmission Ltd.;

19. "Panhandle" means CMS Panhandle Eastern Pipeline Company;

20. "MichCon" means Michigan Consolidated Gas Company;

21. "SCPL" means St. Clair Pipelines (1996) Ltd.;

22. "OEB" means the Ontario Energy Board;

23. "NEB" means the National Energy Board (Canada);

24. "GLGT" means Great Lakes Gas Transmission Company;

25. “CMS” means CMS Gas Transmission and Storage Company;

26. “Consumers” means The Consumers’ Gas Company, Limited;

27. "cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

28. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

29. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute; and,

30. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,

    a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

    b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,

    c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

    d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

    e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

k. shall not exceed forty-three degrees Celsius (43ºC), and,

l. shall not be odourized by Shipper.

3. Non-conforming Gas:

a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.

b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.

c. With respect to Article II 2. h. herein, Union may accept the gas subject to Shipper's obligations under the Dehydration Contract, if applicable.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

6. Odourization of Gas:

a. Union may odourize or deliver odourized gas under the Contract,

b. Shipper shall if requested by Union monitor the mercaptan sulphur content of the gas delivered to Union under the Contract and shall provide at no cost to Union a continuous signal quantifying the mercaptan sulphur content in milligrams per cubic metre.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. POINT OF RECEIPT AND POINT OF DELIVERY

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered thereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas. Whenever the phrase "receipt point" appears herein, it shall mean Point of Receipt as defined in this Article IV.

2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract, where Shipper takes possession of the gas. Whenever the phrase "delivery point" shall appear hereon, it shall mean Point of Delivery as defined in this Article IV.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

N/A

VI. FACILITIES ON SHIPPER'S PROPERTY

N/A

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Custody Transfer Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Custody Transfer Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union’s bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union’s account on the first business day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due, Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract may suspend service(s) until such amount is paid, provided however, that if Shipper, in good faith shall dispute the amount of any such bill or part thereof and shall pay to Union such amounts as it concedes to be correct and at any time thereafter within twenty (20) days of a demand made by Union shall furnish good and sufficient surety bond satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement, arbitration decision or

judgement of the courts, as may be the case, then Union shall not be entitled to suspend service(s) because of such non-payment unless and until default be made in the conditions of such bond or in payment for any further service(s) to Shipper hereunder.

Notwithstanding the foregoing paragraph, this does not relieve Shipper from the obligation to continue its deliveries of gas under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of invoice.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under this Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

N/A

XII. DEFAULT AND TERMINATION

N/A

XIII. MODIFICATION

N/A

XIV. NONWAIVER AND FUTURE DEFAULT

N/A

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

RATE M16
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

“**Aid to Construction**” shall include any and all costs, expenses, amounts, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred before or after the date of the Contract) actually paid by Union (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the OEB) in connection with or in respect of satisfying the conditions precedent set out in Article XXI herein (including without limitation the construction and placing into service of the Union Expansion Facilities, the obtaining of all governmental, regulatory and other third party approvals, and the obtaining of rights of way) whether resulting from Union’s negligence or not, except for any costs that have arisen from the gross negligence, fraud, or wilful misconduct of Union;

“**Authorized Overrun**” shall mean the amount by which Shipper’s Authorized Quantity exceeds the firm and interruptible contract demands;

“**Authorized Quantity**” shall have the meaning given thereto in Schedule “B 2010” of the C1 Rate Schedule;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

“**Contract Year**” shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the Commencement Date or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“**Custody Transfer Point**” That point on the piping system at the Pool Station which is at the Shipper side of the insulating flange on the Union Expansion Facilities, and which point shall serve as the point of custody transfer;

“**Day**” shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

“**Dehydration Contract**” shall mean the contract for Dehydration Service between Union and the Shipper as detailed in Schedule 1 of the Contract;

“**Delivery Point**” shall mean the point(s) where Union shall deliver gas to Shipper as defined in Schedule 1 of the Contract;

“Eastern Clock Time” shall mean the local clock time in the Eastern Time Zone on any Day;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline system;

"**Interruptible Service HUB Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible**" shall mean service subject to curtailment or interruption, after notice, at any time;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**m^3**" shall mean cubic metre of gas and "**10^3m^3**" shall mean 1,000 cubic metres of gas;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**OEB**" means the Ontario Energy Board;

"**pascal**" "**(Pa)**" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "**kilopascal**" "**(kPa)** " shall mean 1,000 pascals;

"**Pool Quantity**" shall mean the actual daily quantity of gas delivered to or received from Shipper at the Custody Transfer Point;

"**Pool Station**" shall mean the physical location of Union's measurement and control facilities to the pool; the pool name as detailed in Schedule 1 of the Contract;

"**Receipt Point**" shall mean any one of the points where Union shall receive gas from Shipper as detailed in Schedule 1 of the Contract;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**Shipper Quantity**" shall, on any Day, be equal to the greater of: (i) the Authorized Quantity for that Day; and (ii) the nomination duly made by Shipper in good faith prior to the nomination deadline for the first nomination window applicable for that Day; provided that in no event shall the Shipper Quantity exceed the firm contract demand;

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**TCPL**" means TransCanada PipeLines Limited;

"**Union Expansion Facilities**" shall mean any facilities necessary for Union to provide the Services, including without limiting the generality of the foregoing:

a. a meter and any associated recording gauges as are necessary;

b. pressure and/or flow control devices, over pressure protection and telemetry equipment as are necessary;

c. a suitable gas odourizing injection facility if Union deems such a facility to be necessary

d. piping, fittings, material, filtration facilities, cathodic protection and insulating flanges;

e. gas chromatograph, moisture analyzer, piping, fittings, material, filtration facilities, cathodic protection and insulating flanges;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,

a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,

c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

k. shall not exceed forty-three degrees Celsius (43ºC), and,

l. shall not be odourized by Shipper.

3. Non-conforming Gas:

a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.

b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.

c. With respect to Article II 2. h. herein, Union may accept the gas subject to Shipper's obligations under the Dehydration Contract, if applicable.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

6. Odourization of Gas:

a. Union may odourize or deliver odourized gas under the Contract,

b. Shipper shall if requested by Union monitor the mercaptan sulphur content of the gas delivered to Union under the Contract and shall provide at no cost to Union a continuous signal quantifying the mercaptan sulphur content in milligrams per cubic metre.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

b. The supercompressibility factor shall be determined in accordance with either the “Manual for Determination of Supercompressibility Factors for Natural Gas” (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union’s discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

The point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in Schedule 1 of the Contract, where possession of the gas changes from one party to the other.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union’s system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper’s gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union’s possession, except to the extent such loss is caused entirely by Union’s negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER’S PROPERTY

1. All of the Union Expansion Facilities shall remain the property of Union. Union shall be entitled to remove said equipment at any time within a period of sixty (60) days from any termination or expiry of the Contract. Shipper shall take all necessary steps to ensure Union may enter the Pool Station to remove such equipment for a period of sixty (60) days after termination or expiry of the Contract.

2. Shipper shall, at Shipper's own cost and expense:

   a. obtain the Pool Station Land Rights; and

   b. furnish, install, set, and maintain suitable pressure and quantity control equipment and such additional equipment as required on Shipper’s delivery system, to protect against the over pressuring of Union's facilities as set out in Article VI of the Contract and Schedule 1 of the Contract, protect Union from receiving gas not meeting the quality specification as set out in Article II herein, and to limit the daily flow of gas to the corresponding parameters as set out in the Article II of the Contract.

3. Shipper shall within thirty (30) days of the delivery of an invoice by Union, reimburse Union for any actual costs reasonably incurred by Union for any repair, replacement, relocation, or upgrading of any meter station or any Union Expansion Facilities requested by Shipper, or as required by law or by duly constituted regulatory body, or through good engineering practice. Union shall be responsible for any costs incurred by Union to correct an error made by Union.

4. Operation and Maintenance: Subject to this Article VI Section 3, each party shall be fully responsible for the continued operation, maintenance, repair and replacement of its respective facilities. Both parties agree to maintain cathodic protection on their respective facilities.

5. Inspection: Each party shall inspect its facilities as required by industry standards or by the appropriate regulatory body.

6. Each party shall decide, in its sole discretion, whether its facilities need to be repaired or replaced. In the event that repair or replacement is needed, the party undertaking such work will, to the extent possible, give the other party sixty (60) days' notice and will ensure that the work be done in a manner so as to minimize the amount of time the pipeline has restricted flows.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Custody Transfer Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Custody Transfer Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled under the Contract, Union shall have the right to amend its statements for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

   b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

   If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

   Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such

overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off: If Shipper shall, at any time, be in arrears under any of its payment obligations to Union under the Contract, then Union shall be entitled to reduce the amount payable by Union to Shipper under the Contract or any other contract by an amount equal to the amount of such arrears or other indebtedness to Union. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

6. Aid to Construction: Shipper agrees to reimburse Union for the Aid to Construction.

   In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the gas metering station prior to being notified by Shipper of Shipper's intention to terminate the Contract, Shipper shall promptly remit to Union such actual costs on presentation to Shipper of an invoice for same from Union.

   All applicable Taxes will be applied to all amounts to be paid under this Section. Shipper warrants and represents that no payment to be made by Shipper under the Contract is subject to any withholding tax.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and

any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm contract demand for the Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. In addition to the definition of force majeure in Article XI, Section 1 herein, for the purposes of the Contract, it shall also include the unforeseen reduction in natural gas usage and/or capacity of the local transmission system as described in Schedule 1 of the Contract, regardless of the duration of such unforeseen reduction, or any other cause, whether of the kind herein enumerated or otherwise, not within the reasonable control of the party claiming relief hereunder and which, by the exercise of due diligence, such party is unable to prevent or overcome.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in

Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. RESERVED FOR FUTURE USE

N/A

XVII. RENEWALS

The Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper or Union may reduce the contract demands or terminate the Contract, with notice in writing to the other party, at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Capacity Sharing: Where requests for interruptible service hereunder exceed the capacity available for such Service, Union will authorize nominations from shippers and allocate capacity as per Union's procedures and policies and shippers shall be so advised. Any interruptible service provided herein are subordinate to any and all firm service supplied by Union, and subordinate to Union's own operational or system requirements.

2. Capacity Procedures: Union reserves the right to change its procedures and policies for sharing interruptible capacity and will provide Shipper with two (2) months' notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. In the event that such event occurs and in Union's sole opinion, acting reasonably, may impact its ability to meet Shipper's requirements, Union shall provide at least ten (10) days' notice to the Shipper, except in the case of emergencies. In the event the maintenance impacts Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed to be in breach of the Contract. To the extent that Union's ability to receive or deliver gas is impaired, Demand Charge Relief shall be calculated and credited to Shipper's invoice in accordance with Article XI, Section 8 herein. Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, that can be scheduled and completed, and which would normally be expected to impact on Union's ability to meet its obligations of any Contract Year, during the period from April 1 through to October 31.

4. Shipper's Facilities: Shipper shall complete and maintain a plan which depicts all of Shipper's production storage facilities including all emergency shut off valves and emergency equipment and provide a copy to Union upon Union's request. Shipper shall provide to Union the names and telephone numbers of those persons whom Union may contact in the event of an emergency situation arising within the Shipper's facilities.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security), if any, shall remain in place throughout the term hereof unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances (including the Initial Financial Assurances and Security), if any, throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract for any reason (a "**Material Event**"), then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). In the event that Shipper does not provide to Union such Security, Union may deem a default in accordance with the provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

3. Regulatory Approval: Shipper represents and warrants to Union that Shipper possesses all licenses and permits needed to inject gas into, store gas in, and remove gas from the pool.

XX. MISCELLANEOUS PROVISIONS

1. Assignment: Shipper may not assign the Contract without the written consent of Union and, if required, the approval of the OEB. Should Union consent to the assignment, and if OEB approval is needed, Union will apply for OEB approval with all costs of the application to be paid by Shipper.

2. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. The obligations of Union to provide Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

    a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Services; and,

    b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Services; and,

    c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

    d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union; and,

    e. Shipper shall have paid any amounts owing pursuant to Schedule 1 Aid to Construction; and,

    f. With regard to the Union Expansion Facilities:

        i. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations required to construct the Union Expansion Facilities;

        ii. Union shall have obtained all internal approvals that are necessary or appropriate to construct the Union Expansion Facilities;

        iii. Union shall have completed and placed into service the Union Expansion Facilities; and,

    g. Shipper shall, at Shipper's own cost and expense, have obtained a registered lease or freehold ownership in Union's favour for the Union Expansion Facilities located at the Pool Station satisfactory to Union and sufficient to provide Union with free uninterrupted access to, from, under and above the Pool Station for a term (and extended terms) identical to the Contract, plus sixty (60) days (such land rights being referred to as the "**Pool Station Land Rights**"), and shall provide Union with a bona fide copy of such agreements prior to Union commencing the construction of the Union Expansion Facilities.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

    a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

    b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

    c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, d, e, f i., f iii., and g and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

CROSS FRANCHISE TRANSPORTATION RATES

(A) Applicability

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

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

*Dawn as a receipt point: Dawn (TCPL), Dawn (Facilities), Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE).

*Dawn as a delivery point: Dawn (Facilities).

(B) Services

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

(C) Rates

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

Transportation Service:

	Monthly Demand Charge (applied to daily contract demand)	Commodity Charges			
		If Union supplies fuel Commodity Charge		If Shipper supplies fuel Fuel Ratio	
		Apr.1-Oct.31	Nov.1-Mar.31	Apr.1-Oct.31	Nov.1-Mar.31
	Rate/GJ	Rate/GJ	Rate/GJ	%	%
a) Firm Transportation					
Between:					
St.Clair & Dawn	$1.065	$0.010	$0.012	0.202%	0.260%
Ojibway & Dawn	$1.065	$0.021	$0.014	0.437%	0.297%
Bluewater & Dawn	$1.065	$0.010	$0.012	0.202%	0.260%
From:					
Parkway to Kirkwall	$0.589	$0.013	$0.007	0.269%	0.154%
Parkway to Dawn	$0.589	$0.013	$0.007	0.269%	0.154%
Kirkwall to Dawn	$1.039	$0.007	$0.007	0.154%	0.154%
Dawn to Kirkwall	$2.043	$0.015	$0.035	0.311%	0.732%
Dawn to Parkway	$2.421	$0.025	$0.047	0.529%	0.980%
Kirkwall to Parkway	$0.378	$0.018	$0.019	0.371%	0.402%
b) Interruptible and Short Term (1 year or less) Firm Transportation:					
Maximum		$75.00	$75.00		
c) Firm Transportation between two points within Dawn					
Dawn to Dawn-Vector	$0.029	n/a	n/a	0.332%	0.154%
Dawn to Dawn-TCPL	$0.135	n/a	n/a	0.154%	0.343%
d) Interruptible Transportation between two points within Dawn*					
*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)				0.154%	0.154%

(C) Rates (Cont'd)

Authorized Overrun:

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

	Commodity Charges				
	If Union supplies fuel		If Shipper supplies fuel		
	Commodity Charge		Fuel Ratio		Commodity Charge
	Apr.1-Oct.31	Nov.1-Mar.31	Apr.1-Oct.31	Nov.1-Mar.31	
a) Firm Transportation	Rate/GJ	Rate/GJ	%	%	Rate/GJ
Between:					
St.Clair & Dawn	$0.045	$0.047	0.202%	0.260%	$0.035
Ojibway & Dawn	$0.056	$0.049	0.437%	0.297%	$0.035
Bluewater & Dawn	$0.045	$0.047	0.202%	0.260%	$0.035
From:					
Parkway to Kirkwall	$0.121	$0.116	0.873%	0.757%	$0.019
Parkway to Dawn	$0.121	$0.116	0.873%	0.757%	$0.019
Kirkwall to Dawn	$0.041	$0.041	0.854%	0.854%	$0.034
Dawn to Kirkwall	$0.111	$0.131	0.915%	1.335%	$0.067
Dawn to Parkway	$0.134	$0.155	1.132%	1.583%	$0.080
Kirkwall to Parkway	$0.059	$0.060	0.975%	1.005%	$0.012
b) Firm Transportation within Dawn					
Dawn to Dawn-Vector	n/a	n/a	0.332%	0.154%	$0.001
Dawn to Dawn-TCPL	n/a	n/a	0.154%	0.343%	$0.004

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

Unauthorized Overrun:

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

Notes for Section (C) Rates:

(1) A demand charge of $0.068/GJ/day/month will be applicable to customers contracting for firm all day transportation service in addition to the demand charges appearing on this schedule for all firm transportation service paths.

(D) Terms of Service

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

(E) Nominations

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

(F) Receipt and Delivery Points and Pressures

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

Effective January 1, 2014 Chatham, Ontario
O.E.B. Order # EB-2013-0365

Supersedes EB-2013-0316 Rate Schedule effective October 1, 2013.

SCHEDULE "A"

RATE C1
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

2. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

3. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

4. "delivery" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

5. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "A";

6. "gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

7. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;

9. “Interconnecting Pipeline” shall mean a pipeline that directly connects to the Union pipeline system;

10. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term “gigajoule” (GJ) shall mean 1,000,000,000 joules;

11. "limited interruptible service" shall mean gas service subject to interruption or curtailment on a limited number of days as specified in the Contract;

12. "m^3" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

13. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;

14. "OEB" means the Ontario Energy Board;

15. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

16. "receipt" shall mean any gas that is delivered into Union's possession, or the possession of Union’s agent;

17. "Shipper" shall have the meaning as defined in the Contract and shall also include Shipper's agent(s);

18. "TCPL" means TransCanada PipeLines Limited;

19. "cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

20. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

21. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

22. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,

    a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

    b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,

    c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

    d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

    e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

    f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

    g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

    h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

    i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

    j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a

quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's C1 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

   a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

   b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

   c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

   d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas.

2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract where Shipper takes possession of the gas.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

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VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Union's Parkway Point of Delivery, or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.

2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.

3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company’s gas tariff as approved by their regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union's account on the first business day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment.

   b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend service(s) until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

   If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend service(s) because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

   Notwithstanding the foregoing paragraph(s), Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's gas bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI hereof) which has not been waived by the other party, then and in every such case and as often as the same may happen, the Non-defaulting party may give written notice to the Defaulting party requiring it to remedy such default and in the event of the Defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the Non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. MODIFICATION

Subject to Union's C1 Rate Schedule, Schedule A, Article XV and the ability of Union to amend the C1 Rate Schedule with the approval of the OEB, no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

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XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

RATE C1
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"**Authorized Overrun**" shall mean the amount by which Shipper's Authorized Quantity exceeds the Contract Demand;

"**Available Capacity**" shall mean at any time, Union's remaining available capacity to provide Transportation Services;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"**Contract Year**" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Day**" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"**delivery**" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"**Expansion Facilities**" shall mean any new facilities to be constructed by Union in order to provide Transportation Services;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interruptible Service HUB Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible service**" or “**Interruptible**” shall mean service subject to curtailment or interruption, after notice, at any time;

“**Interconnecting Pipeline**” shall mean a pipeline that directly connects to the Union pipeline system;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term “**gigajoule**” (GJ) shall mean 1,000,000,000 joules;

“**Limited Firm**” shall mean gas service subject to interruption or curtailment on a limited number of Days as specified in the Contract;

“Loaned Quantities” shall mean those quantities of gas loaned to Shipper under the Facilitating Agreement;

"**m^3**" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

“**Month**” shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

“**NAESB**” shall mean North American Energy Standards Board;

"**OEB**" means the Ontario Energy Board;

“**Open Season**” or “**open season**” shall mean an open access auction or bidding process held by Union as a method of allocating capacity;

"**pascal**" “**(Pa)**” shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" **“(kPa)**” shall mean 1,000 pascals;

"**receipt**" shall mean any gas that is delivered into Union's possession, or the possession of Union’s agent;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper’s agent(s);

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“**Taxes**” shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**TCPL**" means TransCanada PipeLines Limited;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper’s gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,

    a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

    b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,

    c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

    d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

    e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

    f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

    g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

    h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

    i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

    j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's C1 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

    a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

    b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where possession of the gas changes from one party to the other, and as per Schedule "C 2010".

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Parkway (TCPL), or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.

2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.

3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Transportation Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

   b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

   If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

   Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes:

   In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off:

   If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract or any enhancement to the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. ALLOCATION OF CAPACITY

1. A potential shipper may request transportation service on Union's system at any time. Any request for C1 transportation service must include: potential shipper's legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, Contract Demand, proposed payment, and type of transportation service requested.

2. If requests for firm transportation services cannot be met through existing capacity such that the only way to satisfy the requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.

3. If requests for long-term transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "**Long-term**", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.

4. Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("**NPV**").

5. Union may at any time allocate capacity to respond to any C1 transportation service request through an open season. If a potential shipper requests C1 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:

   a. Any such request must conform to the requirements of Section 1 of this Article XVI;

   b. Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form C1 transportation contract;

   c. Union may reject a request for C1 transportation service for any of the following reasons:

      i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper;

      ii) if the proposed monthly payment is less than Union's Monthly demand charge plus fuel requirements for the applicable service;

      iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5 d hereof;

      iv) if Union does not provide the type of transportation service requested; or

      v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

   d. Union will advise the potential shipper in writing whether Union accepts or rejects the request for service, subject to Article XVI 5(c) within 5 calendar days of receiving a request for C1 transportation service. If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected; and

   e. If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:

      i) Reject all the pending requests for transportation service and conduct an open season; or

      ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

Contracts with an Initial Term of five (5) years or greater, with Receipt Points and Delivery Points of Parkway or Kirkwall or Dawn (Facilities), will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof.

For all other contracts, the Contract will continue in full force and effect until the end of the Initial Term, but shall not renew.

XVIII. SERVICE CURTAILMENT

1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

   The Priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

   1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 1)
   2. In-franchise Interruptible Distribution services
   3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
   4. Balancing (Hub Activity) < = 100 GJ/d; Balancing (Direct Purchase) < = 500 GJ/d; In-franchise distribution authorized overrun (Note 3)
   5. C1/M12 IT Transport and IT Exchanges at premium rates
   6. C1/M12 Overrun < = 20% of CD (Note 4)
   7. Balancing (Direct Purchase) > 500 GJ/d
   8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
   9. C1/M12 Overrun > 20% of CD
   10. C1/M12 IT Transport and IT Exchanges at a discount
   11. Late Nominations

   Notes:
   1. Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be late nomination and are therefore interruptible.
   2. Higher value or more reliable IT is contemplated in the service and contract, when purchase at market competitive prices.
   3. Captures the majority of customers that use Direct Purchase balancing transactions.
   4. Captures the majority of customers that use overrun.

2. Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. If such maintenance or construction is required, and in Union's sole opinion, acting reasonably, such maintenance or construction may impact

Union's ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper, except in the case of an emergency. In the event the maintenance impacts on Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of the Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the Monthly demand charge shall be reduced in accordance with Article XI Section 8 and available capacity allocated in accordance with Article XI Section 9 herein.

Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, which would normally be expected to impact on Union's ability to meet Shipper's requirements, during the period from April 1 through to November 1.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security) (if any) shall remain in place throughout the term hereof, unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract as a result of one of the following events ("**Material Event**");

   a. Shipper is in default, which default has not been remedied, of the Contract or is in default of any other material contract with Union or another party; or,

   b. Shipper's corporate or debt rating falls below investment grade according to at least one nationally recognized rating agency; or,

   c. Shipper ceases to be rated by a nationally recognized agency; or,

   d. Shipper has exceeded credit available as determined by Union from time to time,

   then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). The Security plus the Initial Financial Assurances shall not exceed twelve (12) months of Monthly demand charges (in accordance with Article IX herein) multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security within such fourteen (14) day period, Union may deem a default under the Default and Termination provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

XX. MISCELLANEOUS PROVISIONS

1. Permanent Assignment: Shipper may assign the Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.

2. Temporary Assignment: Shipper may, upon notice to Union, assign all or a part of its service entitlement under the

Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee on a temporary basis for not less than one calendar month. Such assignment shall not be unreasonably withheld and shall be conditional upon the Assignee executing the Facilitating Agreement as per Article XXI herein. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.

3. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. The obligations of Union to provide Transportation Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Transportation Services; and,

   b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Transportation Services; and,

   c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

   d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

   b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

   c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, and d and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no

further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

RATE C1
NOMINATIONS

a) For Services provided either under this rate schedule or referenced to this rate schedule:

i) For Services required on any day Shipper shall provide Union with a nomination (the "Shipper's Nomination") of the quantity it desires to be handled at the applicable Receipt Point, and/or Delivery Point. Such Shipper's Nomination is to be provided in writing so as to be received by Union's Gas Management Services on or before 1230 hours in the Eastern time zone, unless agreed to otherwise in writing by the parties, on the business days immediately preceding the day for which service is requested.

ii) If, in Union's sole opinion, operating conditions permit, a change in Shipper's Nomination may be accepted after 1230 hours in the Eastern time zone.

iii) For customers electing firm all day transportation, nominations shall be provided to Union’s Gas Management Services as outlined in the F24 –T Agreement.

b) Union shall determine whether or not all or any portion of Shipper's Nomination will be accepted. In the event Union determines that it will not accept such nomination, Union shall advise Shipper, on or before 1730 hours in the Eastern time zone on the business day immediately preceding the day for which service is requested, of the reduced quantity (the "Quantity Available") for Services at the applicable points. Forthwith after receiving such advice from Union but no later than 1800 hours in the Eastern time zone on the same day, Shipper shall provide a "Revised Nomination" to Union which shall be no greater than the Quantity Available. If such Revised Nomination is not provided within the time allowed as required above or such Revised Nomination is greater than the Quantity Available, then the Revised Nomination shall be deemed to be the Quantity Available. If the Revised Nomination (delivered within the time allowed as required above) is less than the Quantity Available, then such lesser amount shall be the Revised Nomination.

c) That portion of a Shipper's Nomination or Revised Nomination, as set out in (a) and (b), above, which Union shall accept for Services hereunder, shall be known as Shipper's "Authorized Quantity".

d) If on any day the actual quantities handled by Union, for each of the Services authorized, exceed Shipper's Authorized Quantity, and such excess was caused by either Shipper's incorrect nomination or by its delivering or receiving too much gas, then the amount by which the actual quantities handled for each of the Services exceed Shipper's Authorized Quantity, such excess shall be deemed "Unauthorized Overrun".

e) The daily quantity of gas nominated by Shipper will be delivered by Shipper at rates of flow that are as nearly constant as possible, however, Union shall use reasonable efforts to take receipt of gas on any day at an hourly rate of flow up to one twentieth (1/20) of the quantity received for that day. Union shall have the right to limit Services when on any day the cumulative hourly imbalance between receipts and deliveries exceeds one twentieth (1/20) of the quantity handled for that day, for each applicable Service.

f) A nomination for a daily quantity of gas on any day shall remain in effect and apply to subsequent days unless and until Union receives a new nomination from the Shipper or unless Union gives Shipper written notice that it is not acceptable in accordance with either (a) or (b) of this schedule.

g) Except for periods of gas or quantity balancing as provided in the Contract, nominations by Shipper for deliveries to Union and redeliveries by Union shall be the same delivery of gas by Union either to Shipper or a Shipper’s Account with Union.

SCHEDULE "B 2010"

RATE C1
NOMINATIONS

1. For Transportation Services required on any Day under the Contract, Shipper shall provide Union with a nomination(s) providing the Shipper's requested Receipt Point(s), contract numbers, the applicable service, the quantity of Gas to be transported, the requested Delivery Point(s), and such additional information as Union determines to be necessary (a "**Nomination**").

2. All Nominations shall be submitted by electronic means via *Unionline*. Union, in its sole discretion, may amend or modify the nominating procedures or *Unionline* at any time. Nominations shall be submitted so as to be received by Union in accordance with timelines established by Union, which reflect the NAESB standard nomination cycles. Union will accept all nominations on each of the nomination cycles. Nominations made after the applicable deadline shall not be accepted except at the sole discretion of Union. All times referred to herein are Eastern Clock Time. For greater certainty, NAESB nomination cycle timelines are as follows:

    a. The Timely Nomination Cycle: 12:45 pm for Nominations leaving control of the nominating party; 3:30 pm for receipt of Quantities Available by Shipper; 4:30 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 5:30 pm for receipt of Scheduled Quantities by Shipper (Day prior to flow).

    b. The Evening Nomination Cycle: 7:00 pm for Nominations leaving control of the nominating party; 9:00 pm for receipt of Quantities Available by Shipper; 10:00 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 11:00 pm for receipt of Scheduled Quantities by Shipper (Day prior to flow).

    c. The Intra-day 1 Nomination Cycle: 11:00 am for Nominations leaving control of the nominating party; 1:00 pm for receipt of Quantities Available by Shipper; 2:00 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 3:00 pm for receipt of Scheduled Quantities Available by Shipper, on Day. Quantities Available resulting from Intra-day 1 Nominations should be effective at 6:00 pm on same Day.

    d. The Intra-day 2 Nomination Cycle: 6:00 pm for Nominations leaving control of the nominating party: 8:00 pm for receipt of Quantities Available by Shipper; 9:00 pm for receipt of completed confirmations by Union from upstream and downstream connected parties; 10:00 pm for receipt of Scheduled Quantities by Shipper on Day. Quantities Available resulting from Intra-day 2 Nominations should be effective at 10:00 pm on same Day.

3. Union shall determine whether or not all or any portion of the Nomination will be scheduled at each nomination cycle. With respect to each nomination cycle, in the event Union determines that it will not schedule such Nomination, Union shall advise Shipper of the reduced quantity (the "**Quantities Available**") for Transportation Services at the applicable points as outlined in each nomination cycle. After receiving such advice from Union, but no later than one half hour after the Quantities Available deadline as outlined in each nomination cycle, Shipper shall provide a revised nomination ("**Revised Nomination**") to Union which shall be no greater than the Quantity Available. If such Revised Nomination is not provided within the time allowed as required above or such Revised Nomination is greater than the Quantities Available, then the Revised Nomination shall be deemed to be the Quantities Available. If the Revised Nomination (delivered with the time allowed as required above) is less than the Quantity Available, then such lessor amount shall be the Revised Nomination.

4. For Shippers electing firm all day transportation service, nominations shall be provided to Union's Gas Management Services as outlined in the F24 –T Agreement.

5. For Transportation Services requiring Shipper to provide compressor fuel in kind, the nominated fuel requirements will be calculated by rounding to the nearest whole GJ.

6. All Timely Nominations shall have rollover options. Specifically, Shippers shall have the ability to nominate for several days, months or years, provided the Nomination start date and end date are both within the term of the Transportation Agreement.

7. Nominations received after the nomination deadline shall, if accepted by Union, be scheduled after Nominations received before the nomination deadline.

8. All Services are required to be nominated in whole Gigajoules (GJ).

9. To the extent Union is unable to complete a Nomination confirmation due to inaccurate, untimely or incomplete data involving an Interconnecting Pipeline entity, Union shall undertake reasonable efforts to confirm the transaction on a non-discriminatory basis until such time that the transaction is adequately verified by the parties, or until such time that Union determines that the Nomination is invalid at which time the Union shall reject the Nomination.

10. That portion of a Shipper's Nomination or Revised Nomination, as set out in paragraphs 1 and 3 above, which Union shall schedule for Transportation Services hereunder, shall be known as Shipper's "**Authorized Quantity**".

11. If on any day the actual quantities handled by Union, for each of the Transportation Services authorized, exceed Shipper's Authorized Quantity, and such excess was caused by either Shipper's incorrect nomination or by its delivering or receiving too much gas, then the amount by which the actual quantities handled for each of the Transportation Services exceed Shipper's Authorized Quantity shall be deemed "**Unauthorized Overrun**".

12. The daily quantity of gas nominated by Shipper will be delivered by Shipper at rates of flow that are as nearly constant as possible, however, Union shall use reasonable efforts to take receipt of gas on any day at an hourly rate of flow up to one twentieth (1/20th) of the quantity received for that day. Union shall have the right to limit Transportation Services when on any day the cumulative hourly imbalance between receipts and deliveries exceeds one twentieth (1/20th) of the quantity handled for that day, for each applicable Transportation Service.

13. The parties hereto recognize that with respect to Transportation Services, on any day, receipts of gas by Union and deliveries of gas by Union may not always be exactly equal, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, and any imbalances arising shall be allocated to the Facilitating Agreement and shall be subject to the respective terms and charges contained therein, and shall be resolved in a timely manner.

14. Shipper may designate a third party as agent for purposes of providing a Nomination, and for giving and receiving notices related to Nominations, and Union shall only accept nominations from the agent. Shipper shall provide Union with written notice of such designation, such notice to be acceptable to Union. Any such designation, if acceptable to Union, shall be effective starting the Month following the receipt of the written notice and will remain in effect until revoked in writing by Shipper.

SCHEDULE "C 2010"

RATE C1
RECEIPT AND DELIVERY POINTS AND PRESSURES

1. Receipt and Delivery Points:

The following defines each Receipt Point and/or Delivery Point, as indicated (R= Receipt Point; D= Delivery Point)

R, D	**DAWN (FACILITIES):**	Union's Compressor Station site situated in the northwest corner of Lot Twenty-Five (25), Concession II, in the Township of Dawn-Euphemia, in the County of Lambton. This point is applicable for quantities of gas that have been previously transported or stored under other contracts that Shipper may have in place with Union.
R, D	**DAWN (TCPL):**	At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities).
R, D	**DAWN (TECUMSEH):**	At the junction of Union's and Enbridge Gas Distribution Inc.'s (Enbridge) Tecumseh Gas Storage's facilities, at or adjacent to Dawn (Facilities).
R, D	**DAWN (TSLE):**	At the junction of Union's and Enbridge Gas Distribution Inc.'s ("**Enbridge**") NPS 16 Tecumseh Sombra Line Extension facilities; at or adjacent to Dawn (Facilities)
R, D	**DAWN (VECTOR):**	At the junction of Union's and Vector Pipeline Limited Partnership ("**Vector**") facilities, at or adjacent to Dawn (Facilities).
R, D	**PARKWAY (TCPL):**	At the junction of Union's and TCPL's facilities, at or adjacent to Union's facilities situated in the Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga)
R, D	**KIRKWALL:**	At the junction of Union's and TCPL's facilities at or adjacent to Union's facilities situated in Part Lot Twenty-Five (25), Concession 7, Town of Flamborough.
D	**PARKWAY (CONSUMERS):**	At the junction of Union's and Enbridge's facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga)
D	**LISGAR:**	At the junction of the facilities of Union and Enbridge situated at 6620 Winston Churchill Boulevard, City of Mississauga.
R, D	**OJIBWAY:**	At the junction of Union's and Panhandle Eastern Pipe Line Company, LP's ("**Panhandle**") facilities, located at the International Border between Canada and the United States in the St. Clair River.
R, D	**ST.CLAIR (MICHCON):**	At the junction of Michigan Consolidated Gas Company's ("**MichCon**") and St. Clair Pipelines L.P.'s facilities, located at the International Border between Canada and the United States in the St. Clair River.

R, D	**BLUEWATER:**	At the junction of Bluewater Gas Storage, LLC (“**Bluewater**”) and St. Clair Pipelines L.P.’s facilities, located at the International Border between Canada and the United States in the St. Clair River.

2. Receipt and Delivery Pressures:

(a) All Gas tendered by or on behalf of Shipper to Union shall be tendered at the Receipt Point(s) at Union’s prevailing pressure at that Receipt Point, or at such pressure as per operating agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(b) All Gas tendered by or on behalf of Union to Shipper shall be tendered at the Delivery Point(s) at Union’s prevailing pressure at that Delivery Point or at such pressure as per agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(c) Under no circumstances shall Union be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Union be required to make any physical deliveries or to accept any physical receipts which its existing facilities cannot accommodate.

UNION GAS LIMITED
Infranchise Customers
Summary of Average Interruptible Rate and Price Adjustment Changes for Rates 25, M4, M5A, M7, T1 and T2
Effective January 1, 2014

Line No.	Particulars (cents / m^3)	Monthly Charge Increase / (Decrease) (a)	Delivery Commodity Charge Increase / (Decrease) (b)	Delivery - Price Adjustment Increase / (Decrease) (c)	Gas Commodity Price Adjustment Rate (d)
	Rate 25				
1	All Zones	($13.54)	0.0084		(0.2720) (1)
	Rate M4				
2	Interruptible				
	Rate M5A				
3	Interruptible	($5.49)	0.0453		
	Rate M7				
4	Interruptible		0.0098		
5	Seasonal		0.0098		
	Rate T1 - Interruptible				
6	Transportation - Union supplies fuel		0.0257		
7	Transportation - Customer supplies fuel		0.0254		
	Rate T2 - Interruptible				
8	Transportation - Union supplies fuel		0.0140		
9	Transportation - Customer supplies fuel		0.0138		

Notes:
(1) Applies to Sales service customers only.

UNION GAS LIMITED
Miscellaneous Non-Energy Charges

Line No.	Service	Fee
	Residential Customer Class Service	
1	Connection Charge	$35
2	Temporary Seal - Turn-off (Seasonal)	$22
3	Temporary Seal - Turn-on (Seasonal)	$35
4	Landlord Turn-on	$35
5	Disconnect/Reconnect for Non-Payment	$65
	Commercial/Industrial Customer Class Service	
6	Connection Charge	$38
7	Temporary Seal - Turn-off (Seasonal)	$22
8	Temporary Seal - Turn-on (Seasonal)	$38
9	Landlord Turn-on	$38
10	Disconnect/Reconnect for Non-Payment	$65
	Statement of Account/History Statements	
11	History Statement (previous year)	$15/statement
12	History Statement (beyond previous year)	$40/hour
13	Duplicate Bills * (if processed by system)	No charge
14	Duplicate Bills * (if manually processed)	$15/statement
	Dispute Meter Test Charges	
15	Meter Test - Residential Meter	$50 flat fee for removal and test
16	Meter Test - Commercial/Industrial Meter	Hourly charge based on actual costs
	Direct Purchase Administration Charges	
17	Monthly fee per bundled t-service contract or unbundled U2 contract	$75.00
18	Monthly per customer fee	$0.19
19	Invoice Vendor Adjustment (IVA) fee (for each successfully submitted IVA transaction)	$1.09

Notes:

* Duplicate bill charges only apply when customer wants two copies of a bill. Lost bills from the last billing period will be replaced free of charge.

UNION GAS LIMITED

Accounting Entries for Short-term Storage and Other Balancing Services

Deferral Account No. 179-70

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 571
Storage Revenue

Credit - Account No. 179-70
Other Deferred Charges - Short-term Storage and Other Balancing Services

To record, as a debit (credit) in Deferral Account No. 179-70 the utility portion of actual net revenues for Short-term Storage and Other Balancing Services, less the 10% shareholder incentive to provide these services and less the net revenue forecast for these services as approved by the Board for ratemaking purposes. The utility portion of actual net revenues for Short-term Storage and Other Balancing Services is determined by allocating total margins received from the sale of these services based on the utility share of the total quantity of the services sold each calendar year. The utility share reflects the transactions supported by utility storage space (up to the 100 PJ cap – both planned and excess over planned).

Debit - Account No. 571
Storage Revenue

Credit - Account No. 179-70
Other Deferred Charges – Short-term Storage and Other Balancing Services

To record, as a credit in Deferral Account No. 179-70 payments by Union Gas Limited’s non-utility business to its utility business for storage encroachment.

Debit - Account No.179-70
Other Deferred Charges - Short-term Storage and Other Balancing Services

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-70, interest on the balance in Deferral Account No. 179-70. Simple interest will be computed monthly upon finalization of the year end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for Lost Revenue Adjustment Mechanism Deferral Account No. 179-75

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No.179-75 Other Deferred Charges - Lost Revenue Adjustment Mechanism
Credit	-	Account No. 529 Other Sales

To record, as a debit (credit) in Deferral Account No. 179-75, the difference between actual margin reductions related to Union's DSM plans and the margin reduction included in gas delivery rates as approved by the Board.

Debit	-	Income Account No. 179-75 Other Deferred Charges - Lost Revenue Adjustment Mechanism
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-75, interest expense on the balance in Deferral Account No. 179-75. Simple interest will be computed monthly upon finalization of the year end 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. 663 Transportation of Gas by Others

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

Debit	-	Account No. 179-100 Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern Operations Area
Credit	-	Account No. 663 Transportation of Gas by Others

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.

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

Accounting Entries for
Unbundled Services Unauthorized Storage Overrun
Deferral Account No. 179-103

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

Debit	-	Account No.571 Storage Revenue
Credit	-	Account No. 179-103 Other Deferred Charges – Unbundled Services Unauthorized Storage Overrun

To record as a credit (debit) in Deferral Account No. 179-103 any unauthorized storage overrun charges incurred by customers electing unbundled service.

Debit	-	Account No. 179-103 Other Deferred Charges – Unbundled Services Unauthorized Storage Overrun
Credit	-	Account No. 323 Other Interest Expense

To record as a debit (credit) in Deferral Account No. 179-103, interest on the balance in Deferral Account No. 179-103. Simple interest will be computed on the monthly 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 North Purchase Gas Variance Account

Deferral Account No. 179-105

This account is applicable to the Northern and Eastern Operations area 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. 179-105 Other Deferred Charges – North Purchase Gas Variance Account
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-105, the difference between the unit cost of gas purchased each month for the Northern and Eastern Operations area and the unit cost of gas included in the gas sales rates as approved by the Board, including the difference between the actual heat content of the gas purchased and the forecast heat content included in gas sales rates.

Debit	-	Account No. 179-105 Other Deferred Charges - North Purchase Gas Variance Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-105, interest expense on the balance in Deferral Account No. 179-105. 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
South Purchase Gas Variance Account
Deferral Account No. 179-106

This account is applicable to the Southern Operations area 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. 179-106
Other Deferred Charges – South Purchase Gas Variance Account

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-106, the difference between the unit cost of gas purchased each month for the Southern Operations and the unit cost of gas included in the gas sales rates as approved by the Board, including the difference between the actual heat content of the gas purchased and the forecast heat content included in gas sales rates.

Debit - Account No. 179-106
Other Deferred Charges - South Purchase Gas Variance Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-106, interest expense on the balance in Deferral Account No. 179-106. 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
Spot Gas Variance Account
Deferral Account No. 179-107

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-107 Other Deferred Charges –Spot Gas Variance Account
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-107, the difference between the unit cost of spot gas purchased each month and the unit cost of gas included in the gas sales rates as approved by the Board on the spot volumes purchased in excess of planned purchases.

Debit	-	Account No. 623 Cost of Gas
Credit	-	Account No. 179-107 Other Deferred Charges –Spot Gas Variance Account

To record, as a credit (debit) in Deferral Account No. 179-107, the approved gas supply charges recovered through the delivery component of rates.

Debit	-	Account No. 179-107 Other Deferred Charges – Spot Gas Variance Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-107, interest expense on the balance in Deferral Account No. 179-107. 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
Unabsorbed Demand Cost (UDC) Variance Account
Deferral Account No. 179-108

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-108
Other Deferred Charges – Unabsorbed Demand Cost Variance Account

Credit - Account No. 663
Transportation of Gas by Others

To record, as a debit (credit) in Deferral Account No. 179-108, the difference between the actual unabsorbed demand costs incurred by Union and the amount of unabsorbed demand charges included in rates as approved by the Board.

Debit - Account No. 663
Transportation of Gas by Others

Credit - Account No.179-108
Other Deferred Charges – Unabsorbed Demand Cost Variance Account

To record, as a credit (debit) in Deferral Account No. 179-108, 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. 179-108
Other Deferred Charges – Unabsorbed Demand Cost Variance Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-108, interest expense on the balance in Deferral Account No. 179-108. 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
Inventory Revaluation Account
Deferral Account No. 179-109

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-109
Other Deferred Charges – Inventory Revaluation

Credit - Account No. 152
Gas in Storage - Available for Sale

To record, as a debit (credit) in Deferral Account No. 179-109, the decrease (increase) in the value of gas inventory available for sale to sales service customers due to changes in Union's weighted average cost of gas approved by the Board for rate making purposes.

Debit - Account No. 179-109
Other Deferred Charges – Inventory Revaluation Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-109, interest expense on the balance in Deferral Account No. 179-109. 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
Demand Side Management Variance Account
Deferral Account No. 179-111

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-111
Demand Side Management Variance Account

Credit - Account No. 728
General Expense

To record as a debit (credit) in Deferral Account No. 179-111, the difference between actual and the approved direct DSM expenditure budget currently approved for recovery in rates, provided that any excess over the approved direct DSM expenditure budget does not exceed 15% of the direct DSM expenditure budget. Any excess over the approved direct DSM expenditure budget for the year must be for incremental DSM volume savings that are cost effective as determined by the Total Resource Cost Test.

Debit - Account No.179-111
Other Deferred Charges – Demand Side Management Variance Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-111, interest expense on the balance in Deferral Account No. 179-111. Simple interest will be computed monthly upon finalization of the year end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Gas Distribution Access Rule (GDAR) Costs
Deferral Account No. 179-112

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-112 Other Deferred Charges - Deferred Gas Distribution Access Rule (GDAR) Costs
Credit	-	Account No. 728 General Expense

To record, as a debit (credit) in Deferral Account No. 179-112 the difference between the actual costs required to implement the appropriate process and system changes to achieve compliance with GDAR and the costs included in rates as approved by the Board.

Debit	-	Account No.179-112 Other Deferred Charges - Deferred Gas Distribution Access Rule (GDAR) Costs
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-112, interest on the balance in Deferral Account No. 179-112. 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
Shared Savings Mechanism
Deferral Account No. 179-115

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 -115
Shared Savings Mechanism

Credit - Account No. 579
Miscellaneous Operating Revenue

To record, as a debit in Deferral Account No. 179-115, the shareholder incentive earned by the Company in relation to its Demand Side Management (DSM) Programs.

Debit - Account No.179- 115
Other Deferred Charges – Shared Savings Mechanism

Credit - Account No. 323
Other Interest Expense

To record, as a debit in Deferral Account No. 179 -115, interest expense on the balance in Deferral Account No. 179-115. Simple interest will be computed monthly upon finalization of the year end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Carbon Dioxide Offset Credits
Deferral Account No. 179-117

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 -117 Carbon Dioxide Offset Credits
Credit	-	Account No. 579 Miscellaneous Operating Revenue

To record, as a debit in Deferral Account No. 179-117, the amounts representing proceeds from the sale of or other dealings in carbon dioxide offset credits earned as a result of Union's DSM activity.

Debit	-	Account No.179 -117 Other Deferred Charges – Carbon Dioxide Offset Credits
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit in Deferral Account No. 179 -117, interest expense on the balance in Deferral Account No. 179-117. Simple interest will be computed monthly upon finalization of the year end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Average Use Per Customer
Deferral Account No. 179-118

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 500 Sales Revenue
Credit	-	Account No. 179-118 Other Deferred Charges - Average Use Per Customer

To record as a debit (credit) in Deferral Account No. 179-118 the margin variance resulting from the difference between the actual rate of decline in use-per-customer and forecast rate of decline in use-per-customer included in gas delivery rates as approved by the Board in 2013. Actual and forecast rate of declines in use-per-customer will be calculated on a percentage and rate class specific basis for rate classes M1, M2, 01 and 10, be normalized for weather and exclude the impacts attributed to DSM which are captured in the Lost Revenue Adjustment Mechanism Deferral Account No. 179-75.

Debit	-	Account No. 179-118 Other Deferred Charges - Average Use Per Customer
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-118, interest on the balance in Deferral Account No. 179-118. 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 CGAAP to IFRS Conversion Costs

Deferral Account No. 179-120

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-120 Other Deferred Charges - CGAAP to IFRS Conversion Costs
Credit	-	Account No. 728 General Expense

To record, as a debit (credit) in Deferral Account No. 179-120 the difference between the actual incremental one-time administrative costs incurred to convert accounting policies and processes from their current compliance with Canadian Generally Accepted Accounting Principles (CGAAP) to their future compliance with International Financial Reporting Standards (IFRS) and the costs included in rates as approved by the Board.

Debit	-	Account No.179-120 Other Deferred Charges - CGAAP to IFRS Conversion Costs
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-120, interest on the balance in Deferral Account No. 179-120. 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
Conservation Demand Management
Deferral Account No. 179-123

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 312
Non-Gas Operating Revenue

Credit - Account No.179-123
Other Deferred Charges – Conservation Demand Management

To record, as a credit in Deferral Account No. 179-123, 50% of the actual revenues generated from the Conservation Demand Management (CDM) program that will be paid to customers upon approval by the Board for rate making purposes.

Debit - Account No.179-123
Other Deferred Charges – Conservation Demand Management

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-123, interest expense on the balance in Deferral Account No. 179-123. Simple interest will be computed monthly on the opening balance in the said account at the short term debt rate as approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Demand Side Management Incentive
Deferral Account No. 179-126

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-126 Other Deferred Charges – Demand Side Management Incentive
Credit	-	Account No. 319 Other Income

To record, as a debit in Deferral Account No. 179-126, the shareholder incentive earned by the Company in relation to its Demand Side Management (DSM) Programs.

Debit	-	Account No.179-126 Other Deferred Charges – Demand Side Management Incentive
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-126, interest on the balance in Deferral Account No. 179-126. Simple interest will be computed monthly on the opening balance in the said account at the short term debt rate as approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Pension Charge on Transition to US GAAP
Deferral Account No. 179-127

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-127 Other Deferred Charges – Pension Charge on Transition to US GAAP
Credit	-	Account No. 212 Retained Earnings

To record, as a debit in Deferral Account No. 179-127, the amount recognized in retained earnings associated with transitioning accounting standards and reporting to US Generally Accepted Accounting Principles (GAAP) for previously unrecorded pension expenses.

UNION GAS LIMITED

Accounting Entries for
Gas Supply Plan Review – Consultant Cost
Deferral Account No. 179-128

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-128 Other Deferred Charges – Gas Supply Plan Review – Consultant Cost
Credit	-	Account No. 728 General Expense

To record as a debit in Deferral Account No. 179-128 the costs of hiring a consultant to undertake a review of the gas supply plan, gas supply planning process and gas supply planning methodology as directed by the Board in EB-2011-0210.

Debit	-	Account No. 179-128 Other Deferred Charges – Gas Supply Plan Review – Consultant Cost
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit in Deferral Account No. 179-128, interest on the balance in Deferral Account No. 179-128. 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
Preparation of Audited Utility Financial Statements
Deferral Account No. 179-129

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-129
Other Deferred Charges – Preparation of Audited Utility Financial Statements

Credit - Account No. 728
General Expense

To record as a debit in Deferral Account No. 179-129 the costs of the annual preparation of audited utility financial statements as directed by the Board in EB-2011-0210.

Debit - Account No. 179-129
Other Deferred Charges – Preparation of Audited Utility Financial Statements

Credit - Account No. 323
Other Interest Expense

To record, as a debit in Deferral Account No. 179-129, interest on the balance in Deferral Account No. 179-129. 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
Upstream Transportation FT-RAM Optimization
Deferral Account No. 179-130

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 579
Miscellaneous Operating Revenue

Credit - Account No. 179-130
Other Deferred Charges – Upstream Transportation FT-RAM Optimization

To record as a credit in Deferral Account No. 179-130 the ratepayer portion of net revenues related to FT-RAM optimization as ordered by the Board in EB-2012-0087. Net revenue is defined as FT-RAM optimization revenue less related third party costs and incremental compressor fuel and UFG costs directly attributable to the provision of FT-RAM optimization transportation services.

Debit - Account No. 323
Other Interest Expense

Credit - Account No. 179-130
Other Deferred Charges – Upstream Transportation FT-RAM Optimization

To record, as a credit in Deferral Account No. 179-130, interest on the balance in Deferral Account No. 179-130. Simple interest will be computed monthly upon finalization of the year- end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for
Upstream Transportation Optimization
Deferral Account No. 179-131

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-131
Other Deferred Charges – Upstream Transportation Optimization

Credit - Account No. 626
Exchange Gas

To record as a debit in Deferral Account No. 179-131 a receivable from customers and a reduction in cost of gas for the unit rate of optimization revenues refunded to in-franchise customers multiplied by the actual distribution transportation volumes.

Debit - Account No. 579
Miscellaneous Operating Revenue

Credit - Account No. 179-131
Other Deferred Charges – Upstream Transportation Optimization

To record as a credit in Deferral Account No. 179-131 a payable to customers and a reduction in transportation revenue equal to the ratepayer portion (90%) of the actual net revenue from gas supply optimization activities.

Debit - Account No. 323
Other Interest Expense

Credit - Account No. 179-131
Other Deferred Charges – Upstream Transportation Optimization

To record, as a debit (credit) in Deferral Account No. 179-131, interest on the balance in Deferral Account No. 179-131. Simple interest will be computed monthly upon finalization of the year- end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Accounting Entries for Normalized Average Consumption (NAC) Account

Deferral Account No. 179-133

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-133 Normalized Average Consumption Account
Credit	-	Account No. 500 Sales Revenue

To record as a debit (credit) in Deferral Account No. 179-133 the variance in revenue resulting from the difference between forecast normalized average consumption (NAC) included in rates as approved by the Board and actual NAC for general service rate classes Rate M1, Rate M2, Rate 01, and Rate 10.

Debit	-	Account No. 179-133 Normalized Average Consumption Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-133, interest on the balance in Deferral Account No. 179-133. 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
Tax Variance Deferral Account
Deferral Account No. 179-134

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-134
Tax Variance Deferral Account

Credit - Account No. 300
Operating Revenues

To record as a debit (credit) in Deferral Account No. 179-134 50% of the variance in costs resulting from the difference between the actual tax rates and the approved tax rates included in rates as approved by the Board.

Debit - Account No. 179-134
Tax Variance Deferral Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-134, interest on the balance in Deferral Account No. 179-134. 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 Unaccounted for Gas (UFG) Volume Variance Account

Deferral Account No. 179-135

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-135 UFG Volume Variance Account
Credit	-	Account No. 654 Gas Losses

To record as a debit (credit) in Deferral Account No. 179-135 the difference between the UFG recovered in revenue at rates approved by the Board and the actual cost of UFG expensed, in excess of $5 million.

Debit	-	Account No. 179-135 UFG Volume Variance Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-135, interest on the balance in Deferral Account No. 179-135. 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
Parkway West Project Revenue Requirement

Line No.	Particulars ($000's)	Revenue Requirement 2014	2015	2016	2017	2018
		(a)	(b)	(c)	(d)	(e)
	Rate Base Investment					
1	Capital Expenditures	73,978	144,652	800	0	0
2	Average Investment	8,969	102,133	213,094	208,357	203,254
	Revenue Requirement Calculation:					
	Operating Expenses:					
3	Operating and Maintenance Expenses (1)	0	739	1,615	1,649	1,683
4	Depreciation Expense (2)	485	3,026	5,094	5,105	5,105
5	Property Taxes (3)	236	290	510	521	532
6	Total Operating Expenses	721	4,055	7,218	7,274	7,320
7	Required Return (4)	518	5,898	12,306	12,032	11,737
8	Total Operating Expenses and Return	1,239	9,953	19,524	19,306	19,057
	Income Taxes:					
9	Income Taxes - Equity Return (5)	104	1,182	2,466	2,411	2,352
10	Income Taxes - Utility Timing Differences (6)	(1,618)	(4,762)	(5,534)	(4,536)	(3,672)
11	Total Income Taxes	(1,515)	(3,580)	(3,068)	(2,124)	(1,320)
12	Total Revenue Requirement (7)	(276)	6,373	16,457	17,182	17,737
13	Incremental Project Revenue	0	0	0	0	0
14	Net Revenue Requirement	(276)	6,373	16,457	17,182	17,737

Notes:

(1) 2018 O&M expenses include $0.488 million in salary, wages and employee expenses, $0.711 million in contract services and $0.485 million in materials, utility cost, and company used fuel.

(2) Depreciation expense at 2013 Board-approved depreciation rates.

(3) Property taxes include $0.247 million for land purchases, $0.195 million for LCU compression and $0.090 million for pipeline and building

(4) The required return for 2018 assumes total rate base of $203.254 million and a capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return of 8.93%. The 2018 required return calculation is as follows:

$203.254 million * 64% * 4% = $5.203 million plus
$203.254 million * 36% * 8.93% = $6.534 million for a total of $11.737 million.

(5) Taxes related to the equity component of the return at a tax rate of 26.5%.

(6) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

FIRM INDUSTRIAL AND COMMERCIAL CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer who enters into a contract for the purchase or transportation of gas for a minimum term of one year that specifies a daily contracted demand between 2 400 m³ and 60 000 m³.

(C) Rates

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

1. Bills will be rendered monthly and shall be the total of:

(i) A Monthly Demand Charge

First	8 450 m³ of daily contracted demand	46.8485 ¢ per m³
Next	19 700 m³ of daily contracted demand	21.0057 ¢ per m³
All Over	28 150 m³ of daily contracted demand	17.6477 ¢ per m³

(ii) A Monthly Delivery Commodity Charge

First 422 250 m³ delivered per month	0.9590 ¢ per m³
Next volume equal to 15 days use of daily contracted demand	0.9590 ¢ per m³
For remainder of volumes delivered in the month	0.4007 ¢ per m³
Delivery- Price Adjustment (All Volumes)	0.0001 ¢ per m³

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel. The applicable rates are provided in Schedule "A"

2. Overrun Charge

Authorized overrun gas is available provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization. Overrun means gas taken on any day in excess of 103% of contracted daily demand. Authorized overrun will be available April 1 through October 31 and will be paid for at a Delivery Rate of 2.4992 ¢ per m³ and, if applicable, the total gas supply charge for utility sales provided in Schedule "A" per m³ for all volumes purchased.

Unauthorized overrun gas taken in any month shall be paid for at the rate of 4.5430 ¢ per m³ for the delivery and the total gas supply charge for utility sales provided in Schedule "A" per m³ for all gas supply volumes purchased.

3. Firm Minimum Annual Charge

In each contract year, the customer shall purchase from Union or pay for a minimum volume of gas or transportation services equivalent to 146 days use of firm contracted demand. Overrun gas volumes will not contribute to the minimum volume. In the event that the customer shall not take such minimum volume the customer shall pay an amount equal to the deficiency from the minimum volume times a Delivery Charge of 1.1512 ¢ per m³ and, if applicable a gas supply commodity charge provided in Schedule "A".

In the event that the contract period exceeds one year the annual minimum volume will be prorated for any part year.

4. Interruptible Service

Union may agree, in its sole discretion, to combine a firm service with an interruptible service provided that the amount of interruptible volume to be delivered and agreed upon by Union and the customer shall be no less than 350,000 m^3 per year.

The price of all gas delivered by Union pursuant to any contract, contract amendment, or contract renewal shall be determined on the basis of the following schedules:

a) (i) Monthly Delivery Commodity Charge

Daily Contracted Demand Level (CD)	Price per m³
2 400 m³ ≤ CD < 17 000 m³	2.5547 ¢ per m³
17 000 m³ ≤ CD < 30 000 m³	2.4248 ¢ per m³
30 000 m³ ≤ CD < 50 000 m³	2.3565 ¢ per m³
50 000 m³ ≤ CD ≤ 60 000 m³	2.3086 ¢ per m³

Delivery- Price Adjustment (All Volumes)	- ¢ per m³

(ii) Days Use of Interruptible Contract Demand

The price determined under Paragraph 4(a) of “Rates” will be reduced by the amount based on the number of Days Use of Contracted Demand as scheduled below:

For 75 days use of contracted demand	0.0530 ¢ per m³
For each additional days use of contracted demand up to a maximum of 275 days, an additional discount of	0.00212 ¢ per m³

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule “A”

(iv) Monthly Charge	$684.51 per month

b) In each contract year, the customer shall take delivery from Union, or in any event pay for, if available and not accepted by the customer, a minimum volume of gas or transportation services as specified in the contract between the parties and which will not be less than 350 000 m³ per annum. Overrun volumes will not contribute to the minimum volume. In the event that the customer shall not take such minimum volume, the customer shall pay an amount equal to the deficiency from the minimum volume times a Delivery Charge of 2.7469 ¢ per m³, and if applicable, a gas supply charge provided in Schedule “A”.

In the event that the contract period exceeds one year, the annual minimum volume will be prorated for any part year.

c) Overrun gas is available without penalty provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization. Overrun means gas taken on any day in excess of 105% of contracted daily demand.

Unauthorized overrun gas taken in any month shall be paid for at the rate of 4.5430 ¢ per m³ for the delivery and the total gas supply charge for utility sales provided in Schedule “A” per m³ for all gas supply volumes purchased.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems for all volumes. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union,

(F) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union.

Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

INTERRUPTIBLE INDUSTRIAL AND COMMERCIAL CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer who enters into a contract for the purchase or transportation of gas for a minimum term of one year that specifies a daily contracted demand between 2 400 m³ and 60 000 m³ inclusive.

(C) Rates

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

1. Interruptible Service

The price of all gas delivered by Union pursuant to any contract, contract amendment, or contract renewal shall be determined on the basis of the following schedules:

a) (i) Monthly Delivery Commodity Charge

Daily Contracted Demand Level (CD)	Price per m³
2 400 m³ ≤ CD < 17 000 m³	2.5547 ¢ per m³
17 000 m³ ≤ CD < 30 000 m³	2.4248 ¢ per m³
30 000 m³ ≤ CD < 50 000 m³	2.3565 ¢ per m³
50 000 m³ ≤ CD ≤ 60 000 m³	2.3086 ¢ per m³

Delivery- Price Adjustment (All Volumes)	0.0001 ¢ per m³

(ii) Days Use of Interruptible Contract Demand

The price determined under Paragraph 1(a) of "Rates" will be reduced by the amount based on the number of Days

For 75 days use of contracted demand	0.0530 ¢ per m³
For each additional days use of contracted demand up to a maximum of 275 days, an additional discount of	0.00212 ¢ per m³

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A"

(iv) Monthly Charge	$684.51 per month

2. In each contract year, the customer shall take delivery from Union, or in any event pay for, if available and not accepted by the customer, a minimum volume of gas or transportation services as specified in the contract between the parties and which will not be less than 350 000 m³ per annum. Overrun volumes will not contribute to the minimum volume. In the event that the customer shall not take such minimum volume, the customer shall pay an amount equal to the deficiency from the minimum volume times a Delivery Charge of 2.7469 ¢ per m³, and if applicable, a gas supply charge provided in Schedule "A".

   In the event that the contract period exceeds one year, the annual minimum volume will be prorated for any part year.

3. Overrun gas is available without penalty provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization. Overrun means gas taken on any day in excess of 105% of contracted daily demand.

   Unauthorized overrun gas taken in any month shall be paid for at the rate of 4.5430 ¢ per m³ for the delivery and the total gas supply charge for utility sales provided in Schedule "A" per m³ for all gas supply volumes purchased.

4. Non-Interruptible Service

   Union may agree, in its sole discretion, to combine an interruptible service with a firm service in which case the amount of firm daily demand to be delivered shall be agreed upon by Union and the customer.

   a) The monthly demand charge for firm daily deliveries will be 28.4168 ¢ per m³.

   b) The commodity charge for firm service shall be the rate for firm service at Union's firm rates net of a monthly demand charge of 28.4168 ¢ per m³ of daily contracted demand and a delivery commodity price adjustment of 0.0001 ¢ per m³.

   c) The interruptible commodity charge will be established under Clause 1 of this schedule.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(F) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union.

Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

SPECIAL LARGE VOLUME
INDUSTRIAL AND COMMERCIAL CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a Customer

a) who enters into a contract for the purchase or transportation of gas for a minimum term of one year that specifies a combined maximum daily requirement for firm, interruptible and seasonal service of at least 60 000 m³; and

b) who has site specific energy measuring equipment that will be used in determining energy balances.

(C) Rates

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

1. Bills will be rendered monthly and shall be the total of:

(i) A Monthly Demand Charge

A negotiated Monthly Demand Charge of up to 25.5589 ¢ per m³ for each m³ of daily contracted firm demand.

(ii) A Monthly Delivery Commodity Charge

(1) A Monthly Firm Delivery Commodity Charge for all firm volumes of 0.2886 ¢ per m³ for each m³, and a Delivery - Price Adjustment of 0.0001 ¢ per m³.

(2) A Monthly Interruptible Delivery Commodity Charge for all interruptible volumes to be negotiated between Union and the customer not to exceed an annual average of 4.0015 ¢ per m³, and a Delivery - Price Adjustment of 0.0001 ¢ per m³.

(3) A Monthly Seasonal Delivery Commodity Charge for all seasonal volumes to be negotiated between Union and the customer not to exceed an annual average of 3.7574 ¢ per m³, and a Delivery - Price Adjustment of 0.0001 ¢ per m³.

(iii) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

(iv) Overrun Gas

Overrun gas is available without penalty provided that it is authorized by Union in advance. Union will not unreasonably withhold authorization.

Unauthorized overrun gas taken in any month shall be paid for at the M1 rate in effect at the time the overrun occurs, plus, if applicable, the total gas supply charge for utility sales provided in Schedule "A" per m³ for all the gas supply volumes purchased.

2. In negotiating the Monthly Interruptible and Seasonal Commodity Charges, the matters to be considered include:

(a) The volume of gas for which the customer is willing to contract,

(b) The load factor of the customer's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for,

(c) Interruptible or curtailment provisions, and

(d) Competition.

3. In each contract year, the customer shall take delivery from Union, or in any event, pay for if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun gas volumes will not contribute to the minimum volume.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the "transition period"). In such event, the contract will provide for a Monthly Delivery Commodity Charge to be applied on such volume during the transition of 2.8878 ¢ per m³ and the total gas supply charge for utility sales provided in Schedule "A" per m³, if applicable.

5. Either the utility or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(E) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(F) Bundled Direct Purchase Delivery and Short Term Supplemental Services

Where a customer elects transportation service and/or a short term supplemental service under this rate schedule, the customer must enter into a Contract under rate schedule R1.

STORAGE AND TRANSPORTATION RATES
FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer:

a) whose qualifying annual transportation volume for combined firm and interruptible service is at least 2 500 000 m^3 or greater and has a daily firm contracted demand up to 140,870 m^3; and

b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and

c) who has meters with electronic recording at each Point of Consumption; and

d) who has site specific energy measuring equipment that will be used in determining energy balances; and

e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space	$0.011			
b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right				
Union provides deliverability Inventory	$1.581			
Customer provides deliverability Inventory (4)	$1.210			
c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right	$1.210			
d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right	$1.210			

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity		$0.026	0.397%	$0.008
f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity		$0.026	0.397%	$0.008
g) Short Term Storage / Balancing Service Maximum		$6.000		

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.

3. Annual Firm Storage Space

   The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

   3.1 Aggregate Excess
   Aggregate excess is the difference between a customer’s gas consumption in the 151-day winter period and consumption during the balance of the year. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

   3.2 Obligated daily contract quantity multiple of 15
   Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

   Customers may contract for less than their maximum entitlement of firm storage space.

4. Annual Injection/Withdrawal Right

   The maximum level of deliverability available to a customer at the rates specified herein is determined by one of the following methodologies:

   4.1 The greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

   Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.

6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

7. Deliverability Inventory being defined as 20% of annual storage space.

8. Short Term Storage / Balancing Service is:
   - i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, or
   - ii) short-term firm deliverability, or
   - iii) a component of an operational balancing service offered.

   In negotiating the rate to be charged for service, the matters that are to be considered include:
   - i) The minimum amount of storage service to which a customer is willing to commit,
   - ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   - iii) Utilization of facilities, and
   - iv) Competition

TRANSPORTATION CHARGES:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/m^3/mo	Commodity Charge Rate/m^3	Fuel Ratio (5)	Commodity Charge Rate/m^3
a) Annual Firm Transportation Demand Applied to the Firm Daily Contract Demand				
First 28,150 m^3 per month	32.1640 ¢			
Next 112,720 m^3 per month	22.2217 ¢			
b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption				
Commodity Charge (All volumes)		0.1177 ¢	0.251%	0.0721 ¢
c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption				
Maximum		4.0015 ¢	0.251%	3.9559 ¢

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:

   a) The amount of the interruptible transportation for which customer is willing to contract,

   b) The anticipated load factor for the interruptible transportation quantities,

   c) Interruptible or curtailment provisions, and

   d) Competition.

3. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.

4. Transportation fuel ratios do not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.

5. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule “A”.

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer’s contracted Maximum Storage Space. Overrun will be authorized by Union at is sole discretion. Storage Space Overrun equal to the customer’s firm deliveries from TCPL: less the customer’s Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be $6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union’s approved weighted average cost of gas If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

	Union Providing Fuel	For Customers Providing Their Own Compressor Fuel Firm or Interruptible Service	
	Firm or Interruptible Service	Fuel Ratio	Commodity Charge
Storage Injections	$0.100/GJ	0.857%	$0.060/GJ
Storage Withdrawals	$0.100/GJ	0.857%	$0.060/GJ
Transportation	1.1752 ¢/m^3	0.251%	1.1295 ¢/m^3

Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged 4.5430 ¢ per m^3 or $1.193 per GJ, as appropriate.

3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

	Firm Service Rate/GJ
Space	$6.000
Injection / Withdrawal Maximum	$6.000

OTHER SERVICES & CHARGES:

1. **Monthly Charge**

   In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

Monthly Charge	$1,933.45

2. **Diversion of Gas**

   The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. **Delivery Obligations**

   Unless otherwise authorized by Union, all other customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

4. **Additional Service Information**

   Additional information on Union's T1 service offering can be found at:

   The additional information consists of, but is not limited to, the following:
   www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features
   i. Storage space and deliverability entitlement;
   ii. The determination of gas supply receipt points and delivery obligations;
   iii. The nomination schedule;
   iv. The management of multiple redelivery points by a common fuel manager; and
   v. The availability of supplemental transactional services including title transfers.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

STORAGE AND TRANSPORTATION RATES
FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer:

a) who has a daily firm contracted demand of at least 140 870 m^3. Firm and/or interruptible daily contracted demand of less than 140,870 m^3 cannot be combined for the purposes of qualifying for this rate class; and

b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and

c) who has meters with electronic recording at each Point of Consumption; and

d) who has site specific energy measuring equipment that will be used in determining energy balances; and

e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space	$0.011			
b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right				
Union provides deliverability Inventory	$1.581			
Customer provides deliverability Inventory (4)	$1.210			
c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right	$1.210			
d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right	$1.210			

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity		$0.026	0.397%	$0.008
f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity		$0.026	0.397%	$0.008
g) Short Term Storage / Balancing Service Maximum		$6.000		

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.

3. Annual Firm Storage Space

   The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

   3.1 Aggregate Excess
   Aggregate excess is the difference between a customer's gas consumption in the 151-day winter period and consumption during the balance of the year. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

   3.2 Obligated daily contract quantity multiple of 15
   Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

   3.3 For new, large (daily firm transportation demand requirements in excess of 1,200,000 m^3/day) gas fired power generation customers, storage space is determined by peak hourly consumption x 24 x 4 days. Should the customer elect firm deliverability less than their maximum entitlement (see Note 4.2), the maximum storage space available at the rates specified herein is 10 x firm storage deliverability contracted, not to exceed peak hourly consumption x 24 x 4 days.

   Customers may contract for less than their maximum entitlement of firm storage space.

4. Annual Injection/Withdrawal Right

The maximum level of deliverability available to a customer at the rates specified herein is determined by one of the following methodologies:

4.1 The greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

4.2 For new, large (daily firm transportation demand requirements in excess of 1,200,000 m^3/day) gas fired power generation customers, the maximum entitlement of firm storage deliverability is 24 times the customer's peak hourly consumption, with 1.2% firm deliverability available at the rates specified herein.

Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.

6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

7. Deliverability Inventory being defined as 20% of annual storage space.

8. Short Term Storage / Balancing Service is:
   i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, or
   ii) short-term firm deliverability, or
   iii) a component of an operational balancing service offered.

In negotiating the rate to be charged for service, the matters that are to be considered include:
   i) The minimum amount of storage service to which a customer is willing to commit,
   ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   iii) Utilization of facilities, and
   iv) Competition

TRANSPORTATION CHARGES:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/m^3/mo	Commodity Charge Rate/m^3	Fuel Ratio (5) (6)	Commodity Charge Rate/m^3
a) Annual Firm Transportation Demand Applied to the Firm Daily Contract Demand				
First 140,870 m^3 per month	20.3500 ¢			
All over 140,870 m^3 per month	10.7643 ¢			
b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption Commodity Charge (All volumes)		0.0529 ¢	0.248%	0.0079 ¢
c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption Maximum		4.0015 ¢	0.248%	3.9565 ¢

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day and who are directly connected to i) the Dawn-Trafalgar transmission system in close proximity to Parkway or ii) a third party pipeline, have the option to pay for service using a Billing Contract Demand. The Billing Contract Demand shall be determined by Union such that the annual revenues over the term of the contract will recover the invested capital, return on capital and operating and maintenance costs associated with the dedicated service in accordance with Union's system expansion policy. The firm transportation demand charge will be applied to the Billing Contract Demand. For customers choosing the Billing Contract Demand option, the authorized transportation overrun rate will apply to all volumes in excess of the Billing Contract Demand but less than the daily firm demand requirement.

3. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:

    a) The amount of the interruptible transportation for which customer is willing to contract,

    b) The anticipated load factor for the interruptible transportation quantities,

    c) Interruptible or curtailment provisions, and

    d) Competition.

4. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.

5. Transportation fuel ratios do not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.

6. Firm transportation fuel ratio does not apply to new customers or existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day that contract for M12 Dawn to Parkway transportation service equivalent to 100% of their daily firm demand requirement. If a customer with a daily firm demand requirement in excess of 1,200,000 m^3/day contracts for M12 Dawn to Parkway transportation service at less than 100% of their firm daily demand requirement, the firm transportation fuel ratio will be applicable to daily volumes not transported under the M12 transportation contract.

7. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule “A”.

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer’s contracted Maximum Storage Space. Overrun will be authorized by Union at is sole discretion. Storage Space Overrun equal to the customer’s firm deliveries from TCPL: less the customer’s Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be $6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union’s approved weighted average cost of gas If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

	Union Providing Fuel	For Customers Providing Their Own Compressor Fuel Firm or Interruptible Service	
	Firm or Interruptible Service	Fuel Ratio	Commodity Charge
Storage Injections	$0.100/GJ	0.857%	$0.060/GJ
Storage Withdrawals	$0.100/GJ	0.857%	$0.060/GJ
Transportation	0.7220 ¢/m³	0.248%	0.6769 ¢/m³

Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged 4.5430 ¢ per m³ or $1.193 per GJ, as appropriate.

3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

	Firm Service Rate/GJ
Space	$6.000
Injection / Withdrawal Maximum	$6.000

OTHER SERVICES & CHARGES:

1. Monthly Charge

In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

Monthly Charge	$6,019.58

2. Diversion of Gas

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. Delivery Obligations

Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day who are delivering gas to Union under direct purchase arrangements may be entitled to non-obligated deliveries. The delivery options available to customers are detailed at www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

Unless otherwise authorized by Union, all other customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

4. Nominations

Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m^3/day who have non obligated deliveries may contract to use Union's 5 additional nomination windows (13 in total) for the purposes of delivering gas to Union. These windows are in addition to the standard NAESB and TCPL STS nomination windows. Customers taking the additional nomination window service will pay an additional monthly demand charge of $0.068/GJ/day/month multiplied by the non-obligated daily contract quantity.

5. Additional Service Information

Additional information on Union's T2 service offering can be found at:

The additional information consists of, but is not limited to, the following:
www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

i. Storage space and deliverability entitlement;
ii. The determination of gas supply receipt points and delivery obligations;
iii. The nomination schedule;
iv. The management of multiple redelivery points by a common fuel manager; and
v. The availability of supplemental transactional services including title transfers.

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SCHEDULE "A 2010"

RATE M12
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"**Authorized Overrun**" shall mean the amount by which Shipper's Authorized Quantity exceeds the Contract Demand;

"**Available Capacity**" shall mean at any time, Union's remaining available capacity to provide Transportation Services;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"**Contract Year**" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Day**" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"**delivery**" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

"**Eastern Clock Time**" shall mean the local clock time in the Eastern Time Zone on any Day;

"**Expansion Facilities**" shall mean any new facilities to be constructed by Union in order to provide Transportation Services;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interruptible Service HUB ~~Service~~ Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible service**" or "**Interruptible**" shall mean service subject to curtailment or interruption, after notice, at any time;

“Interconnecting Pipeline” shall mean a pipeline that directly connects to the Union pipeline system;

"joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term “gigajoule” (GJ) shall mean 1,000,000,000 joules;

“Loaned Quantities” shall mean those quantities of gas loaned to Shipper under the Facilitating Agreement;

"m^3" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

“Month” shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

“NAESB” shall mean North American Energy Standards Board;

"OEB" means the Ontario Energy Board;

“Open Season” or “open season” shall mean an open access auction or bidding process held by Union as a method of allocating capacity;

"pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

"receipt" shall mean any gas that is delivered into Union's possession, or the possession of Union’s agent;

"Shipper" shall have the meaning as defined in the Contract, and shall also include Shipper’s agent(s);

"specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“Taxes” shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"TCPL" means TransCanada PipeLines Limited;

"Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper’s gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,

   a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,

c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's M12 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where possession of the gas changes from one party to the other, and as per Schedule "D 2010".

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Parkway (TCPL), or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.

2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.

3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done

in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Transportation Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill next following" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4 Taxes:

In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off:

If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract or any enhancement to the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union’s system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union’s system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union’s system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union’s system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term “**Daily Demand Rate**” shall mean the Monthly demand charge or equivalent pursuant to the M12 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for

in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI ALLOCATION OF CAPACITY

1. A potential shipper may request firm transportation service on Union's system at any time. Any request for firm M12 transportation service must include: potential shipper's legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, Contract Demand and proposed payment. This is applicable for M12 service requests for firm transportation service with minimum terms of ten (10) years where Expansion Facilities are required or a minimum term of five (5) years for use of existing capacity.

2. If requests for firm transportation services cannot be met through existing capacity such that the only way to satisfy the requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.

3. If requests for long-term firm transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "Long-term", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.

4. Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("NPV").

5. Union may at any time allocate capacity to respond to any M12 transportation service request through an open season. If a potential shipper requests M12 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:

   a. Any such request must conform to the requirements of Section 1 of this Article XVI;

   b. Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form M12 transportation contract;

   c. Union may reject a request for M12 transportation service for any of the following reasons:

      i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper;

      ii) if the proposed monthly payment is less than Union's Monthly demand charge plus fuel requirements for the applicable service;

      iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5 d hereof; -

      iv) if Union does not provide the type of transportation service requested; or

      v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

   d. Union will advise the potential shipper in writing whether Union accepts or rejects the request for service, subject to Article XVI 5 c, within 5 calendar days of receiving a request for M12 transportation service. If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected; and

   e. If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:

      i) Reject all the pending requests for transportation service and conduct an open season; or

      ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

Contracts with an Initial Term of five (5) years or greater will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

   The Priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

   1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 1)
   2. In-franchise Interruptible Distribution services
   3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
   4. Balancing (Hub Activity) < = 100 GJ/d; Balancing (Direct Purchase) < = 500 GJ/d; In-franchise distribution authorized overrun (Note 3)
   5. C1/M12 IT Transport and IT Exchanges at premium rates
   6. C1/M12 Overrun < = 20% of CD (Note 4)
   7. Balancing (Direct Purchase) > 500 GJ/d
   8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
   9. C1/M12 Overrun > 20% of CD
   10. C1/M12 IT Transport and IT Exchanges at a discount
   11. Late Nominations

   Notes:
   1. Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be late nomination and are therefore interruptible.
   2. Higher value or more reliable IT is contemplated in the service and contract, when purchase at market competitive prices.
   3. Captures the majority of customers that use Direct Purchase balancing transactions.
   4. Captures the majority of customers that use overrun.

2. Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. If such maintenance or construction is required, and in Union's sole opinion, acting reasonably, such maintenance or construction may impact Union's ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper, except in the case of an emergency. In the event the maintenance impacts on Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of the Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the Monthly demand charge shall be reduced in accordance with Article XI Section 8 and available capacity allocated in accordance with Article XI Section 9 herein.

   Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, which would normally be expected to impact on Union's ability to meet Shipper's requirements, during the period from April 1 through to November 1.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are

required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security) (if any) shall remain in place throughout the term hereof, unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract as a result of one of the following events ("**Material Event**");

   a. Shipper is in default, which default has not been remedied, of the Contract or is in default of any other material contract with Union or another party; or,

   b. Shipper's corporate or debt rating falls below investment grade according to at least one nationally recognized rating agency; or,

   c. Shipper ceases to be rated by a nationally recognized agency; or,

   d. Shipper has exceeded credit available as determined by Union from time to time,

   then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). The Security plus the Initial Financial Assurances shall not exceed twelve (12) months of Monthly demand charges (in accordance with Article IX herein) multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security within such fourteen (14) day period, Union may deem a default under the Default and Termination provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

~~*The following paragraphs 3 and/or 4 are only applicable if indicated in Schedule 1 of the Contract.*~~

~~3. Point of Consumption Warranty: Shipper represents and warrants that, throughout the term of this Contract, all quantities of gas received by Union hereunder at the Receipt Point and/or all Loaned Quantities will be consumed in the U.S.A. Should any quantities of gas hereunder be directed to an end user in Canada, Shipper shall immediately notify Union that such quantities of gas will be consumed in Canada, as failure to do so will make Shipper liable to Union for any Taxes and related interest and penalties thereon, made as a result of such change.~~

~~4. Tax Registration re GST: Shipper warrants and represents that it is unregistered and a Non-Resident for purposes of the Excise Tax Act. Shipper agrees to notify Union within ten (10) working days if it becomes registered. "GST/HST" shall mean the Government of Canada's Goods and Services Tax or Harmonized Sales Tax as legislated under The Excise Tax Act, as may be amended from time to time.~~

XX. MISCELLANEOUS PROVISIONS

1. Permanent Assignment: Shipper may assign the Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.

2. Temporary Assignment: Shipper may, upon notice to Union, assign all or a part of its service entitlement under the Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee on a temporary basis for not less than one calendar month. Such assignment shall not be unreasonably withheld and shall be conditional upon the Assignee executing the Facilitating Agreement as per Article XXI herein. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned

Quantity to the extent that Assignee fails to do so.

3. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. The obligations of Union to provide Transportation Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Transportation Services; and,

   b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the transportation Services; and,

   c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

   d. Shipper and Union shall have entered into the Interruptible Service HUB ~~Service~~ Contract or equivalent (the "**Facilitating Agreement**") with Union.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

   b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

   c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, and d and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

SCHEDULE “A 2013”

RATE M13
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

“Aid to Construction” shall include any and all costs, expenses, amounts, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred before or after the date of the Contract) actually paid by Union (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the OEB) in connection with or in respect of satisfying the conditions precedent set out in Article XXI herein (including without limitation the cost of construction, installation and connection of any required meter station as described in Article IX, Section 6, the obtaining of all governmental, regulatory and other third party approvals, and the obtaining of rights of way) whether resulting from Union’s negligence or not, except for any costs that have arisen from the gross negligence, fraud, or wilful misconduct of Union;

“Average Local Producer Heat” (“ALPH”) shall mean the heat content value as set by Union, and shall be determined by volumetrically averaging the gross heat content of all produced gas delivered to the Union system by Ontario Local Producers. The ALPH shall be expressed in GJ/10^3m^3 and may be adjusted from time to time by Union;

"Business Day" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

“Contract Year” shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“Dawn Quantity” shall mean the total daily quantity of gas in GJ delivered at Dawn (Facilities), which is equal to the total energy of all gas supplied daily to Union at the Receipt Point(s). The Dawn Quantity shall be calculated utilizing the following factor equation: Dawn Quantity = Produced Volume x ALPH;

“Day” shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

“Delivery Point” shall mean the point where Union shall deliver the Dawn Quantity and/or Market Quantity to Shipper and as further defined in Schedule 1 of the Contract;

“Distribution Demand” shall mean the varying demand for the supply of gas, as determined by Union, on Union's pipeline and distribution system for users of gas who are supplied or delivered gas by Union's pipeline and distribution system;

“Eastern Clock Time” shall mean the local clock time in the Eastern Time Zone on any Day;

"firm" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

“Firm Daily Variability Demand” shall mean the established quantity set forth in Schedule 2 of the Contract, which is the permitted difference between the Dawn Quantity and the Market Quantity;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interruptible Service HUB ~~Service~~ Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline and distribution system;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**m^3**" shall mean cubic metre of gas and "**10^3m^3**" shall mean 1,000 cubic metres of gas;

"**MAOP**" shall mean the maximum allowable operating pressure of Union's pipeline and distribution system and as further defined in Schedule 1 of the Contract;

"**Market Quantity**" shall mean the daily quantity in GJ nominated for Name Change Service that Day by Shipper at Dawn (Facilities);

"**Maximum Daily Quantity**" shall mean the maximum quantity of gas Shipper may deliver to Union at a Receipt Point on any Day, as further defined in Schedule 1;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**Name Change Service**" shall mean an interruptible administrative service whereby Union acknowledges for Shipper a change in title of a gas quantity from Shipper to a third party at the Delivery Point;

"**OEB**" means the Ontario Energy Board;

"**pascal**" "(Pa)" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "**kilopascal**" "**(kPa)**" shall mean 1,000 pascals;

"**Produced Volume**" shall mean the aggregate of all actual volumes of gas in 10^3m^3, delivered by Shipper to Union at all Receipt Points on any Day;

"**Producer Balancing Account**" shall mean the gas balance held by Union for Shipper, or owed by Shipper to Union, at the Delivery Point. Where the Producer Balancing Account is zero or a positive number, the account is in a credit position, and where the Producer Balancing Account is less than zero, the account is in a debit position;

"**Producer Balancing Service**" shall mean a Service whereby Union either calculates a credit or debit to the Producer Balancing Account by subtracting the Market Quantity from the Dawn Quantity. Where such amount is greater than zero, Union will credit the Producer Balancing Account, or where such amount is less than zero, Union will debit the Producer Balancing Account. This Service shall be performed on a retroactive basis on the terms and conditions contained in Schedule 2 of the Contract, as may be revised from time to time by Union;

"**Receipt Point**" shall mean the point(s) where Union shall receive gas from Shipper;

"**Sales Agreement**" shall mean the Ontario Gas Purchase Agreement(s) entered into between Shipper and Union;

“**Shipper**” shall have the meaning as defined in the Contract, and shall also include Shipper’s agent(s);

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“**System Capacity**” shall mean the volumetric capacity that exists from time to time within Union's pipeline and distribution system which determines Union's ability to accept volumes of gas into Union's pipeline and distribution system hereunder. System Capacity shall be determined by Union and such determination, in addition to the physical characteristics of Union's pipeline and distribution system Distribution Demand, shall also include consideration of Union's local Distribution Demand, Union's total system Distribution Demand, availability of Union's gas storage capacity, and other gas being purchased and/or delivered into Union's pipeline and distribution system;

“**Taxes**” shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper’s gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,

   a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

   b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,

   c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

   d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

   e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

   f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

   g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

   h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

   i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

   j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

k. shall not exceed forty-three degrees Celsius (43ºC), and,

l. shall not be odourized by Shipper.

3. Non-conforming Gas:

a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.

b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out therein.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

III. MEASUREMENTS

1. Service Unit: The unit of the gas delivered to Union shall be a quantity of 10^3m^3. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "Act") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "Regulations"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

IV. RECEIPT POINT AND DELIVERY POINT

The point(s) of receipt and point of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in Schedule 1 of the Contract, where possession of the gas changes from one party to the other.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

1. Union shall provide, at the Receipt Point(s), according to the terms hereunder, the meter station required to receive and measure the Produced Volume of gas received by Union from Shipper. Shipper agrees, if requested by Union, to provide Union with sufficient detailed information regarding Shipper's current and expected operations in order to aid Union in Union's design of the meter station.

2. Pursuant to Article VI. Section 1 herein, Union shall purchase, install and maintain, at the Receipt Point(s):

   a. a meter and any associated recording gauges as are necessary; and,

   b. a suitable gas odourizing injection facility where Union deems such facility to be necessary.

3. All equipment installed by Union at the Receipt Point(s) shall remain the property of Union at all times, notwithstanding the fact that it may be affixed to Shipper's property. Union shall be entitled to remove said equipment at any time within a period of sixty (60) days from any termination or expiry of the Contract. Shipper shall take all necessary steps to ensure Union may enter onto the Receipt Point(s) to remove such equipment for a period of sixty (60) days after termination or expiry of the Contract or the Sales Agreement.

4. Upon Union's request Shipper shall, at Shipper's own cost and expense:

   a. obtain a registered lease or freehold ownership at the Receipt Point(s) sufficient to provide Union with free uninterrupted access to, from, under and above the Receipt Point(s), for a term (and extended terms) identical to the Contract, plus sixty (60) days, and shall provide Union with a bona fide copy of such lease agreement prior to Union commencing the construction of the meter station;

   b. furnish, install, set, and maintain suitable pressure and volume control equipment and such additional equipment as required on Shipper's delivery system, to protect against the overpressuring of Union's facilities, and to limit the daily flow of gas to the corresponding Maximum Daily Quantity applicable to the Receipt Point(s);

   c. supply, install and maintain a gravel or cut stone covering on each Receipt Point and shall maintain such Receipt Point(s) in a safe and workmanlike manner; and,

   d. install and maintain a fence satisfactory to Union around the perimeter of each Receipt Point which will adequately secure and protect Union's equipment therein.

5. Shipper shall within thirty (30) days of the delivery of an invoice by Union, reimburse Union for any actual costs reasonably incurred by Union for any repair, replacement, relocation, or upgrading of any meter station requested by Shipper, or as required by law, or by duly constituted regulatory body, or through good engineering practice. Union shall be responsible for any costs incurred by Union to correct an error made by Union.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas received or delivered hereunder is measured by a meter that is owned and operated by an upstream or downstream transporter (the "**Transporter**") whose facilities may or may not interconnect with Union's, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas received or delivered on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union pursuant to this Article VII, Section 2 shall be in accordance with the general terms and conditions as incorporated in that Transporter's gas tariff as approved by Transporter's regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Receipt Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Receipt Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

5. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the companies, that transport the gas contemplated herein for Union and Shipper, retain the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill next following" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off: If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

6. Station and Connection Costs: In the event that a meter station must be constructed and/or installed in order to give effect to this Contract, Shipper agrees to pay Union for a portion, as determined by Union, of Union's actual cost, as hereinafter defined, for constructing and installing such station. Shipper also agrees to pay the actual costs to connect such station to Union's pipeline and distribution system. Union shall advise Shipper as to the need for a meter station and shall provide Shipper with an estimate of the Aid to Construction. Such Aid to Construction shall include the costs of all pipe, fittings and materials, third party labour costs and Union's direct labour, labour saving devices, vehicles and mobile equipment, but shall exclude the purchase costs of gas pressure control equipment and gas meters installed by Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the

Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union’s system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union’s system shall not relieve Shipper of any payment obligations.

7. Delay of Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union’s system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Firm Daily Variability Demand Charge Relief: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union’s system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the Firm Daily Variability Demand for that Contract, then for that Day the Monthly charge shall be reduced by an amount equal to the applicable Firm Daily Variability Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term “**Firm Daily Variability Demand Rate**” shall mean the monthly Firm Daily Variability Demand charge as provided in Schedule 2 of the Contract, divided by the number of days in the month for which such rate is being calculated.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

In the event that this Contract is terminated pursuant to this Article XII, the parties hereto agree that they shall continue to be bound only by the terms and conditions set forth in the Contract but only for the purpose of determining the actual quantities in Shipper's Producer Balancing Account with such determination being subject to Article X. Such extended period of time shall not exceed one (1) year from the date of termination of this Contract.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. RESERVED FOR FUTURE USE

N/A

XVII. RENEWALS

The Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, subject to notice in writing by either party of termination at least three (3) months prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Excepting instances of emergency, Shipper and Union agree to give at least twenty-four (24) hours verbal notice before a

planned curtailment of receipt or delivery, shut-down or start-up.

2. Shipper shall complete and maintain a plan which depicts all of the Shipper's gas production facilities including all emergency shut off valves and emergency equipment and provide a copy to Union upon Union's request. Shipper shall provide to Union the names and telephone numbers of those persons whom Union may contact in the event of an emergency situation arising within the Shipper's facilities.

3. In the event that Union is notified by a third party or if Union becomes aware of an emergency situation in which Shipper's gas production site, pipeline or associated equipment is involved, Union shall immediately notify Shipper or Shipper's representative of such emergency condition.

4. Union shall have the right, at all times, to reconstruct or modify Union's pipeline and distribution system and the pressure carried therein, notwithstanding that such reconstruction or modification may reduce the System Capacity available to receive Shipper's gas, or Shipper's ability to deliver gas to Union. Should Union expect any such reconstruction or modification to reduce the delivery or receipt of gas by either party, Union will, where able, provide Shipper with six (6) months' notice or as much notice as is reasonably practical in the circumstances. Union shall use reasonable efforts to assist the Shipper in meeting its Market Quantity in these circumstances.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security), if any, shall remain in place throughout the term hereof unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances (including the Initial Financial Assurances and Security), if any, throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract for any reason (a "**Material Event**"), then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). In the event that Shipper does not provide to Union such Security, Union may deem a default in accordance with the provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

3. Licence: Shipper represents and warrants to Union that Shipper possesses a licence to produce gas in the Province of Ontario.

XX. MISCELLANEOUS PROVISIONS

1. Assignment: Shipper may assign the Contract to a third party ("**Assignee**"), up to the Maximum Daily Quantity, (the "**Capacity Assigned**"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.

2. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO SERVICES

1. The obligations of Union to provide Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Services; and,

   b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Services; and,

   c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

   d. Shipper and Union shall have entered into the Interruptible Service HUB ~~Service~~ Contract or equivalent (the "**Facilitating Agreement**") with Union; and,

   e. Union shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations required to construct any facilities necessary to provide the Services hereunder, which approvals and authorizations, if granted upon conditions, shall be conditions satisfactory to Union; and,

   f. Union shall, where applicable, have completed and placed into service those facilities necessary to provide the Services hereunder; and,

   g. Further to Article IX Section 6 herein, Shipper shall pay to Union a payment ("**First Prepayment**") towards the Aid to Construction at the time of the execution of this Agreement. Shipper shall pay a payment prior to installation of the meter station ("**Second Prepayment**"). The foregoing payments are specified in the attached Schedule 1 for the first meter station ("**Receipt Point #1**") to be installed under this contract. Payments for additional meter stations will be handled by written mutual agreement between the parties. Shipper shall pay Union the difference if the actual Aid to Construction is more than the Prepayments, within thirty (30) days of the delivery of an invoice from Union on which the actual costs for construction and installation of facilities are stated. Union shall pay Shipper the difference if the actual Aid to Construction is less than the Prepayments. In the event Shipper terminates this Agreement prior to Union incurring any costs related to the construction, installation or connection of the meter station, Shipper's Prepayments shall be returned to Seller, without interest, within fifteen (15) days notice to Union of such termination by Shipper. In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the meter station prior to being notified by Shipper of Shipper's intention to terminate the Agreement, Union shall deduct such actual costs from Union's return of Shipper's Prepayments. "**Prepayments**" shall mean the sum of the First Prepayment and the Second Prepayment.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and,

   b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

   c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract; and,

d. Shipper shall have cancelled or renegotiated its Sales Agreement, on terms satisfactory to Union, as applicable.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, d, e, f, g, and Section 2 a, b, and d. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, or if any of the Shipper payments required under the condition precedent in this Article XXI Section 1 g have not been paid as required in such section, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

RATE M16
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

“**Aid to Construction**” shall include any and all costs, expenses, amounts, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred before or after the date of the Contract) actually paid by Union (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the OEB) in connection with or in respect of satisfying the conditions precedent set out in Article XXI herein (including without limitation the construction and placing into service of the Union Expansion Facilities, the obtaining of all governmental, regulatory and other third party approvals, and the obtaining of rights of way) whether resulting from Union’s negligence or not, except for any costs that have arisen from the gross negligence, fraud, or wilful misconduct of Union;

“**Authorized Overrun**” shall mean the amount by which Shipper’s Authorized Quantity exceeds the firm and interruptible contract demands;

“**Authorized Quantity**” shall have the meaning given thereto in Schedule “B 2010” of the C1 Rate Schedule;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

“**Contract Year**” shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the Commencement Date or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“**Custody Transfer Point**” That point on the piping system at the Pool Station which is at the Shipper side of the insulating flange on the Union Expansion Facilities, and which point shall serve as the point of custody transfer;

“**Day**” shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

“**Dehydration Contract**” shall mean the contract for Dehydration Service between Union and the Shipper as detailed in Schedule 1 of the Contract;

“**Delivery Point**” shall mean the point(s) where Union shall deliver gas to Shipper as defined in Schedule 1 of the Contract;

“**Eastern Clock Time**” shall mean the local clock time in the Eastern Time Zone on any Day;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline system;

"**Interruptible Service HUB Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible**" shall mean service subject to curtailment or interruption, after notice, at any time;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**m^3**" shall mean cubic metre of gas and "**10^3m^3**" shall mean 1,000 cubic metres of gas;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**OEB**" means the Ontario Energy Board;

"**pascal**" "(Pa)" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "**kilopascal**" "(kPa) " shall mean 1,000 pascals;

"**Pool Quantity**" shall mean the actual daily quantity of gas delivered to or received from Shipper at the Custody Transfer Point;

"**Pool Station**" shall mean the physical location of Union's measurement and control facilities to the pool; the pool name as detailed in Schedule 1 of the Contract;

"**Receipt Point**" shall mean any one of the points where Union shall receive gas from Shipper as detailed in Schedule 1 of the Contract;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**Shipper Quantity**" shall, on any Day, be equal to the greater of: (i) the Authorized Quantity for that Day; and (ii) the nomination duly made by Shipper in good faith prior to the nomination deadline for the first nomination window applicable for that Day; provided that in no event shall the Shipper Quantity exceed the firm contract demand;

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**TCPL**" means TransCanada PipeLines Limited;

"**Union Expansion Facilities**" shall mean any facilities necessary for Union to provide the Services, including without limiting the generality of the foregoing:

a. a meter and any associated recording gauges as are necessary;

b. pressure and/or flow control devices, over pressure protection and telemetry equipment as are necessary;

c. a suitable gas odourizing injection facility if Union deems such a facility to be necessary

d. piping, fittings, material, filtration facilities, cathodic protection and insulating flanges;

e. gas chromatograph, moisture analyzer, piping, fittings, material, filtration facilities, cathodic protection and insulating flanges;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,

a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,

c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

k. shall not exceed forty-three degrees Celsius (43ºC), and,

l. shall not be odourized by Shipper.

3. Non-conforming Gas:

a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.

b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.

c. With respect to Article II 2. h. herein, Union may accept the gas subject to Shipper's obligations under the Dehydration Contract, if applicable.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

6. Odourization of Gas:

a. Union may odourize or deliver odourized gas under the Contract,

b. Shipper shall if requested by Union monitor the mercaptan sulphur content of the gas delivered to Union under the Contract and shall provide at no cost to Union a continuous signal quantifying the mercaptan sulphur content in milligrams per cubic metre.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. Determination of Volume and Energy:

a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "Act") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "Regulations"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

The point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in Schedule 1 of the Contract, where possession of the gas changes from one party to the other.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

1. All of the Union Expansion Facilities shall remain the property of Union. Union shall be entitled to remove said equipment at any time within a period of sixty (60) days from any termination or expiry of the Contract. Shipper shall take all necessary steps to ensure Union may enter the Pool Station to remove such equipment for a period of sixty (60) days after termination or expiry of the Contract.

2. Shipper shall, at Shipper's own cost and expense:

   a. obtain the Pool Station Land Rights; and

   b. furnish, install, set, and maintain suitable pressure and quantity control equipment and such additional equipment as required on Shipper's delivery system, to protect against the over pressuring of Union's facilities as set out in Article VI of the Contract and Schedule 1 of the Contract, protect Union from receiving gas not meeting the quality specification as set out in Article II herein, and to limit the daily flow of gas to the corresponding parameters as set out in the Article II of the Contract.

3. Shipper shall within thirty (30) days of the delivery of an invoice by Union, reimburse Union for any actual costs reasonably incurred by Union for any repair, replacement, relocation, or upgrading of any meter station or any Union Expansion Facilities requested by Shipper, or as required by law or by duly constituted regulatory body, or through good engineering practice. Union shall be responsible for any costs incurred by Union to correct an error made by

Union.

4. Operation and Maintenance: Subject to this Article VI Section 3, each party shall be fully responsible for the continued operation, maintenance, repair and replacement of its respective facilities. Both parties agree to maintain cathodic protection on their respective facilities.

5. Inspection: Each party shall inspect its facilities as required by industry standards or by the appropriate regulatory body.

6. Each party shall decide, in its sole discretion, whether its facilities need to be repaired or replaced. In the event that repair or replacement is needed, the party undertaking such work will, to the extent possible, give the other party sixty (60) days' notice and will ensure that the work be done in a manner so as to minimize the amount of time the pipeline has restricted flows.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Custody Transfer Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Custody Transfer Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled under the Contract, Union shall have the right to amend its statements for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

   b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

   If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

   Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any

form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off: If Shipper shall, at any time, be in arrears under any of its payment obligations to Union under the Contract, then Union shall be entitled to reduce the amount payable by Union to Shipper under the Contract or any other contract by an amount equal to the amount of such arrears or other indebtedness to Union. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

6. Aid to Construction: Shipper agrees to reimburse Union for the Aid to Construction.

   In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the gas metering station prior to being notified by Shipper of Shipper's intention to terminate the Contract, Shipper shall promptly remit to Union such actual costs on presentation to Shipper of an invoice for same from Union.

   All applicable Taxes will be applied to all amounts to be paid under this Section. Shipper warrants and represents that no payment to be made by Shipper under the Contract is subject to any withholding tax.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and

any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm contract demand for the Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "Daily Demand Rate" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. In addition to the definition of force majeure in Article XI, Section 1 herein, for the purposes of the Contract, it shall also include the unforeseen reduction in natural gas usage and/or capacity of the local transmission system as described in Schedule 1 of the Contract, regardless of the duration of such unforeseen reduction, or any other cause, whether of the kind herein enumerated or otherwise, not within the reasonable control of the party claiming relief hereunder and which, by the exercise of due diligence, such party is unable to prevent or overcome.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in

Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. RESERVED FOR FUTURE USE

N/A

XVII. RENEWALS

The Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper or Union may reduce the contract demands or terminate the Contract, with notice in writing to the other party, at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Capacity Sharing: Where requests for interruptible service hereunder exceed the capacity available for such Service, Union will authorize nominations from shippers and allocate capacity as per Union's procedures and policies and shippers shall be so advised. Any interruptible service provided herein are subordinate to any and all firm service supplied by Union, and subordinate to Union's own operational or system requirements.

2. Capacity Procedures: Union reserves the right to change its procedures and policies for sharing interruptible capacity and will provide Shipper with two (2) months' notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. In the event that such event occurs and in Union's sole opinion, acting reasonably, may impact its ability to meet Shipper's requirements, Union shall provide at least ten (10) days' notice to the Shipper, except in the case of emergencies. In the event the maintenance impacts Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed to be in breach of the Contract. To the extent that Union's ability to receive or deliver gas is impaired, Demand Charge Relief shall be calculated and credited to Shipper's invoice in accordance with Article XI, Section 8 herein. Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, that can be scheduled and completed, and which would normally be expected to impact on Union's ability to meet its obligations of any Contract Year, during the period from April 1 through to October 31.

4. Shipper's Facilities: Shipper shall complete and maintain a plan which depicts all of Shipper's production storage facilities including all emergency shut off valves and emergency equipment and provide a copy to Union upon Union's request. Shipper shall provide to Union the names and telephone numbers of those persons whom Union may contact in the event of an emergency situation arising within the Shipper's facilities.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security), if any, shall remain in place throughout the term hereof unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances (including the Initial Financial Assurances and Security), if any, throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract for any reason (a "**Material Event**"), then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). In the event that Shipper does not provide to Union such Security, Union may deem a default in accordance with the provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

3. Regulatory Approval: Shipper represents and warrants to Union that Shipper possesses all licenses and permits needed to inject gas into, store gas in, and remove gas from the pool.

XX. MISCELLANEOUS PROVISIONS

1. Assignment: Shipper may not assign the Contract without the written consent of Union and, if required, the approval of the OEB. Should Union consent to the assignment, and if OEB approval is needed, Union will apply for OEB approval with all costs of the application to be paid by Shipper.

2. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. The obligations of Union to provide Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Services; and,

   b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Services; and,

   c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

   d. Shipper and Union shall have entered into the Interruptible Service HUB ~~Service~~ Contract or equivalent (the "**Facilitating Agreement**") with Union; and,

   e. Shipper shall have paid any amounts owing pursuant to Schedule 1 Aid to Construction; and,

   f. With regard to the Union Expansion Facilities:

      i. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations required to construct the Union Expansion Facilities;

      ii. Union shall have obtained all internal approvals that are necessary or appropriate to construct the Union Expansion Facilities;

      iii. Union shall have completed and placed into service the Union Expansion Facilities; and,

   g. Shipper shall, at Shipper's own cost and expense, have obtained a registered lease or freehold ownership in Union's favour for the Union Expansion Facilities located at the Pool Station satisfactory to Union and sufficient to provide Union with free uninterrupted access to, from, under and above the Pool Station for a term (and extended terms) identical to the Contract, plus sixty (60) days (such land rights being referred to as the "**Pool Station Land Rights**"), and shall provide Union with a bona fide copy of such agreements prior to Union commencing the construction of the Union Expansion Facilities.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

   b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

   c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, d, e, f i., f iii., and g and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

SCHEDULE “A 2010”

RATE C1
GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

“**Authorized Overrun**” shall mean the amount by which Shipper’s Authorized Quantity exceeds the Contract Demand;

“**Available Capacity**” shall mean at any time, Union’s remaining available capacity to provide Transportation Services;

"**Business Day**" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"**Contract**" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

“**Contract Year**” shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"**cricondentherm hydrocarbon dewpoint**" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"**cubic metre**" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

“**Day**” shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"**delivery**" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

“Eastern Clock Time” shall mean the local clock time in the Eastern Time Zone on any Day;

“**Expansion Facilities**” shall mean any new facilities to be constructed by Union in order to provide Transportation Services;

"**firm**" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m^3) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

“**Interruptible** Service HUB ~~Service~~ **Contract**” shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible service**" or "**Interruptible**" shall mean service subject to curtailment or interruption, after notice, at any time;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline system;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**Limited Firm**" shall mean gas service subject to interruption or curtailment on a limited number of Days as specified in the Contract;

"**Loaned Quantities**" shall mean those quantities of gas loaned to Shipper under the Facilitating Agreement;

"**m^3**" shall mean cubic metre of gas and "10^3m^3" shall mean 1,000 cubic metres of gas;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**NAESB**" shall mean North American Energy Standards Board;

"**OEB**" means the Ontario Energy Board;

"**Open Season**" or "**open season**" shall mean an open access auction or bidding process held by Union as a method of allocating capacity;

"**pascal**" "(Pa)" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" "**(kPa)**" shall mean 1,000 pascals;

"**receipt**" shall mean any gas that is delivered into Union's possession, or the possession of Union's agent;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**TCPL**" means TransCanada PipeLines Limited;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. <u>Freedom from objectionable matter</u>: The gas to be delivered to/by Union hereunder,

   a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

   b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,

   c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

   d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,

   e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,

   f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,

   g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,

   h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

   i. shall not have a cricondentherm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,

   j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. <u>Non-conforming Gas</u>: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

4. <u>Quality of Gas Received</u>: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's C1 Rate Schedule.

III. <u>MEASUREMENTS</u>

1. <u>Storage, Transportation, and/or Sales Unit:</u> The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m^3) or one thousand cubic metres (10^3m^3) at Union's discretion.

2. <u>Determination of Volume and Energy:</u>

   a. The volume and energy amounts determined under the Contract shall be determined in accordance with the <u>Electricity and Gas Inspection Act (Canada)</u>, RSC 1985, c E-4- (the "Act") and the <u>Electricity and Gas Inspection Regulations</u>, SOR 86/131 (the "Regulations"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

   b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where possession of the gas changes from one party to the other, and as per Schedule “C 2010”.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

2. Shipper agrees that Union is not a common carrier and is not an insurer of Shipper’s gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union’s possession, except to the extent such loss is caused entirely by Union’s negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER’S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Parkway (TCPL), or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.

2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.

3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company’s gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Transportation Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.

2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.

2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

   a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,

   b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

   If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

   Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes:

   In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

5. Set Off:

   If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract or any enhancement to the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.

4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.

8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "Daily Demand Rate" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.

9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. ALLOCATION OF CAPACITY

1. A potential shipper may request transportation service on Union's system at any time. Any request for C1 transportation service must include: potential shipper's legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, Contract Demand, proposed payment, and type of transportation service requested.

2. If requests for firm transportation services cannot be met through existing capacity such that the only way to satisfy the requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.

3. If requests for long-term transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "Long-term", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.

4. Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("NPV").

5. Union may at any time allocate capacity to respond to any C1 transportation service request through an open season. If a potential shipper requests C1 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:

    a. Any such request must conform to the requirements of Section 1 of this Article XVI;

    b. Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form C1 transportation contract;

    c. Union may reject a request for C1 transportation service for any of the following reasons:

        i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper;

        ii) if the proposed monthly payment is less than Union's Monthly demand charge plus fuel requirements for the applicable service;

        iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5 d hereof;

        iv) if Union does not provide the type of transportation service requested; or

        v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

    d. Union will advise the potential shipper in writing whether Union accepts or rejects the request for service, subject to Article XVI 5(c) within 5 calendar days of receiving a request for C1 transportation service. If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected; and

    e. If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:

        i) Reject all the pending requests for transportation service and conduct an open season; or

        ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

Contracts with an Initial Term of five (5) years or greater, with Receipt Points and Delivery Points of Parkway or Kirkwall or Dawn (Facilities), will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof.

For all other contracts, the Contract will continue in full force and effect until the end of the Initial Term, but shall not renew.

XVIII. SERVICE CURTAILMENT

1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

   The Priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

   1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 1)
   2. In-franchise Interruptible Distribution services
   3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
   4. Balancing (Hub Activity) < = 100 GJ/d; Balancing (Direct Purchase) < = 500 GJ/d; In-franchise distribution authorized overrun (Note 3)
   5. C1/M12 IT Transport and IT Exchanges at premium rates
   6. C1/M12 Overrun < = 20% of CD (Note 4)
   7. Balancing (Direct Purchase) > 500 GJ/d
   8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
   9. C1/M12 Overrun > 20% of CD
   10. C1/M12 IT Transport and IT Exchanges at a discount
   11. Late Nominations

   Notes:
   1. Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be late nomination and are therefore interruptible.
   2. Higher value or more reliable IT is contemplated in the service and contract, when purchase at market competitive prices.
   3. Captures the majority of customers that use Direct Purchase balancing transactions.
   4. Captures the majority of customers that use overrun.

2. Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. If such maintenance or construction is required, and in Union's sole opinion, acting reasonably, such maintenance or construction may impact

Union's ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper, except in the case of an emergency. In the event the maintenance impacts on Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of the Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the Monthly demand charge shall be reduced in accordance with Article XI Section 8 and available capacity allocated in accordance with Article XI Section 9 herein.

Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, which would normally be expected to impact on Union's ability to meet Shipper's requirements, during the period from April 1 through to November 1.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.

2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security) (if any) shall remain in place throughout the term hereof, unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract as a result of one of the following events ("**Material Event**");

   a. Shipper is in default, which default has not been remedied, of the Contract or is in default of any other material contract with Union or another party; or,

   b. Shipper's corporate or debt rating falls below investment grade according to at least one nationally recognized rating agency; or,

   c. Shipper ceases to be rated by a nationally recognized agency; or,

   d. Shipper has exceeded credit available as determined by Union from time to time,

   then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). The Security plus the Initial Financial Assurances shall not exceed twelve (12) months of Monthly demand charges (in accordance with Article IX herein) multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security within such fourteen (14) day period, Union may deem a default under the Default and Termination provisions of Article XII herein.

   In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

~~*The following paragraphs 3 and/or 4 are only applicable if indicated in Schedule 1 of the Contract.*~~

~~3. Point of Consumption Warranty: Shipper represents and warrants that, throughout the term of this Contract, all quantities of gas received by Union hereunder at the Receipt Point and/or all Loaned Quantities will be consumed in the U.S.A. Should any quantities of gas hereunder be directed to an end user in Canada, Shipper shall immediately notify Union that such quantities of gas will be consumed in Canada, as failure to do so will make Shipper liable to Union for any Taxes and related interest and penalties thereon, made as a result of such change.~~

~~4. Tax Registration re GST: Shipper warrants and represents that it is unregistered and a Non-Resident for purposes of the Excise Tax Act. Shipper agrees to notify Union within ten (10) working days if it becomes registered. "GST/HST" shall mean the Government of Canada's Goods and Services Tax or Harmonized Sales Tax as legislated under The~~

~~Excise Tax Act, as may be amended from time to time.~~

XX. MISCELLANEOUS PROVISIONS

1. Permanent Assignment: Shipper may assign the Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.

2. Temporary Assignment: Shipper may, upon notice to Union, assign all or a part of its service entitlement under the Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee on a temporary basis for not less than one calendar month. Such assignment shall not be unreasonably withheld and shall be conditional upon the Assignee executing the Facilitating Agreement as per Article XXI herein. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.

3. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. The obligations of Union to provide Transportation Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Transportation Services; and,

   b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Transportation Services; and,

   c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,

   d. Shipper and Union shall have entered into the Interruptible Service HUB ~~Service~~ Contract or equivalent (the "**Facilitating Agreement**") with Union.

2. The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:

   a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

   b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.

3. Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, and d and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.

4. If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

2014 Rates
Overview of Working Papers

Schedule 1	**Calculation of Price Cap Index** – This schedule provides the calculation of the average annual percentage change in the GDP IPI FDD over the four quarters ending June 2013.
Schedule 2	**Calculation of Price Cap Adjustment** – This schedule takes the 2014 PCI and applies it to 2013 approved revenue adjusted for DSM costs, Upstream Transportation costs and One-Time Adjustments per the Settlement Agreement to arrive at the overall price cap adjustment.
Schedule 3	**Summary of 2014 Proposed Rates** – This schedule summarizes the proposed changes to rates for 2014 by rate class.
Schedule 4	**Detailed In-franchise and Ex-franchise Rates** – This schedule provides detailed support for the proposed rate changes summarized in Schedule 3.
Schedule 5	**Rate Impact Continuity** – This schedule provides the rate class-specific impacts of each of the adjustments to the 2013 revenue to arrive at the final 2014 revenue.
Schedule 6	**Percentage Change in Average Unit Price – In-franchise Rate Classes** – This schedule identifies average unit price changes for in-franchise rate classes.
Schedule 7	**General Service Customer Bill Impacts** – This schedule provides illustrative customer bill impacts for general service customers in Rates M1, M2, R01, and R10.
Schedule 8	**Summary of Approved 2013 Revenue Changes –** This schedule shows the approved revenue changes that occurred during the 2013 year.
Schedule 9	**Allocation of 2014 One-Time Adjustments** – This schedule shows the allocation of the 2014 One-time Adjustments by rate class per the Settlement Agreement, specifically a Deferred Tax Drawdown adjustment and an Administrative & General O&M Expense adjustment.
Schedule 10	**Summary of 2014 Capital Pass Through Adjustments** – This schedule summarizes the 2014 capital pass-through adjustments by rate class related to Union's Parkway West project.

Schedule 11	**Calculation of 2014 DSM Budget –** This schedule shows the calculation of the 2014 DSM budget included in 2014 rates.
Schedule 12	**Calculation of 2014 NAC Target Percentage Change –** This schedule shows the calculation of the NAC target percentage change used to adjust billing units for General Service classes M1, M2, R01 and R10.
Schedule 13	**Summary of S&T Transactional Margin Included in 2014 Rates** – This schedule shows the approved reference amounts included in 2014 rates.
Schedule 14	**Summary of Gas Supply Optimization Margin Included in 2014 Rates** – This schedule summarizes the gas supply optimization margin amounts included in 2014 rates and shows the allocation of the ratepayer portion of the margin to rate classes.
Schedule 15	**Total Upstream Transportation Costs in Union North Rates** – This schedule provides the upstream transportation costs by rate class. Adjustments to upstream transportation costs are managed through the QRAM and will not be adjusted as part of the price cap formula.
Schedule 16	**Calculation of 2014 Gas Supply Admin Charge –** This schedule shows the calculation of the 2014 Gas Supply Administration charge included in Union's Commodity & Fuel rate.
Schedule 17	**Calculation of 2014 Tax Rate Change Adjustment** – This schedule provides the calculation of the ratepayer portion of the tax rate changes compared to 2013 Board-approved rates. This schedule also calculates the revenue adjustment required in 2014.
Schedule 18	**2012 Lost Revenue Adjustment Mechanism ("LRAM") Volumes for 2014 Rate Calculations** – This schedule provides the 2012 audited LRAM-related volume adjustments by contract rate class for 2014 rate calculation.
Schedule 19	**Calculation of Supplemental Service Charges** – This schedule provides the calculation of Union's charges for supplemental services.
Schedule 20	**Unbundled Delivery Rate Detail - Southern Operations Area** – This schedule provides the derivation of the Rate U2 delivery rates.

UNION GAS LIMITED
Calculation of Price Cap Index
For the Year Ended December 31, 2014

Line No.	Particulars	
	Annual % Change in GDP IPI FDD (1)	
1	July - September 2012	1.58%
2	October - December 2012	1.11%
3	January - March 2013	1.29%
4	April - June 2013	1.10%
5	Inflation Factor (Average % Change)	1.27%

		Inflation Factor (a)	X Factor (2) (b)	2014 PCI (c) = (a-b)
6	2014 Price Cap Index	1.27%	0.76%	0.51%

Notes:

(1) Gross Domestic Product Implicit Price Index Final Domestic Demand, sourced from Statistics Canada CanSim Table 380-0066.

(2) Equal to 60% of the Inflation factor in column (a) per EB-2013-0202 Settlement Agreement, Page 12.

UNION GAS LIMITED
Calculation of Price Cap Adjustment
For the Year Ended December 31, 2014

Line No.	Particulars ($000's)	General Service (a)	In-franchise Contract (b)	Total In-franchise (c) = (a+b)	Ex-franchise (d)	Total Company (e) = (c+d)	
	Calculation of Price Cap Base Revenue						
1	2013 Approved Revenue (1)	719,353	130,036	849,390	166,244	1,015,633	
	Current year's pre-cap adjustments:						
2	2013 DSM	(19,264)	(12,377)	(31,641)	-	(31,641)	(2)
3	Upstream Transportation	(84,878)	(8,415)	(93,293)	-	(93,293)	(3)
4	One-Time Adjustments - Settlement Agreement	(1,888)	(123)	(2,011)	703	(1,308)	(4)
5	Price Cap Base Revenue	613,322	109,121	722,444	166,947	889,391	
6	2014 Price Cap Adjustment (Line 5 * PCI %)	3,128	557	3,684	851	4,536	
7	2014 PCI %	0.51% (5)					

Notes:

(1) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f). Rates per Board-approved October 1, 2013 QRAM (EB-2013-0316), excluding Gas Supply Admin charge revenue, C1 Market based Storage Services, Short-term Transporation, Exchanges and Other Transactional revenue not subject to escalation.

(2) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).

(3) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).

(4) EB-2013-0365, Rate Order, Working Papers, Schedule 9. Excludes $0.038 million related to Gas Supply Admin charge adjustment.

(5) EB-2013-0365, Rate Order, Working Papers, Schedule 1, column (c).

UNION GAS LIMITED

Summary of 2014 Proposed Rates

				Adjustments to 2013 Base Rates													
Line No.	Particulars	Current Approved Revenue ($000's)	Current Approved Rates (cents / m^3)	2013 DSM (1) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (2) ($000's)	One-Time Adjustments Settlement Agreement (3) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)	2014 Tax Related Adjustments (4) ($000's)	2014 DSM (5) ($000's)	2014 Capital Pass-Throughs (6) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Rate Change (%)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
	North Delivery																
1	Rate 01	160,443	18.1410	(3,732)	-	(1,836)	(840)	154,037	786	0.51%	132	3,780	(229)	1,836	160,341	17.2975	-4.6%
2	Rate 10	19,736	6.1124	(1,186)	-	(485)	(59)	18,007	92	0.51%	18	1,202	(30)	485	19,773	5.7557	-5.8%
3	Rate 20	13,415	2.1300	(974)	-	(132)	(47)	12,262	63	0.51%	15	987	(22)	132	13,436	2.1571	1.3%
4	Rate 25	4,473	2.8033	-	-	-	(18)	4,454	23	0.51%	4	-	(7)	-	4,475	2.8045	0.0%
5	Rate 100	15,479	0.8166	(1,798)	-	(9)	(51)	13,621	69	0.51%	13	1,821	(19)	9	15,514	0.8264	1.2%
6	Total North Delivery	213,545		(7,690)	-	(2,461)	(1,014)	202,380	1,032		182	7,789	(307)	2,461	213,538		
	South Delivery & Storage																
7	Rate M1	387,669	13.1881	(10,451)	-	-	(1,045)	376,174	1,918	0.51%	329	10,585	(481)	-	388,526	13.3470	1.2%
8	Rate M2	49,736	5.0981	(3,896)	-	-	1	45,841	234	0.51%	50	3,946	(57)	-	50,014	4.4677	-12.4%
9	Rate M4	12,145	3.0011	(1,607)	-	-	(16)	10,522	54	0.51%	12	1,628	(13)	-	12,203	3.1159	3.8%
10	Rate M5A	13,090	2.4461	(2,683)	-	-	(47)	10,360	53	0.51%	11	2,717	(17)	-	13,124	2.4925	1.9%
11	Rate M7	4,069	2.7655	(906)	-	-	(3)	3,161	16	0.51%	4	917	(4)	-	4,095	2.8357	2.5%
12	Rate M9	702	1.1550	-	-	-	1	703	4	0.51%	1	-	(0)	-	707	1.1637	0.8%
13	Rate M10	10	5.1133	-	-	-	(0)	9	0	0.51%	0	-	(0)	-	9	4.8957	-4.3%
14	Rate T1	10,612	1.9329	(1,801)	-	-	(10)	8,801	45	0.51%	9	1,824	(9)	-	10,671	1.9759	2.2%
15	Rate T2	42,076	0.8622	(2,609)	-	-	59	39,526	202	0.51%	38	2,642	(31)	-	42,377	0.8784	1.9%
16	Rate T3	4,400	1.6133	-	-	-	16	4,416	23	0.51%	5	-	(1)	-	4,443	1.6291	1.0%
17	Total South Delivery & Storage	524,508		(23,951)	-	-	(1,045)	499,513	2,548		459	24,260	(612)	-	526,167		
18	Total In-Franchise Delivery	738,053		(31,641)	-	(2,461)	(2,059)	701,893	3,580		641	32,049	(919)	2,461	739,706		

Notes:
(1) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(3) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 10.

UNION GAS LIMITED
Summary of 2014 Proposed Rates

				Adjustments to 2013 Base Rates													
Line No.	Particulars	Current Approved Revenue ($000's)	Current Approved Rates (cents / m^3)	2013 DSM ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation ($000's)	One-Time Adjustments Settlement Agreement ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)	2014 Tax-Related Adjustments ($000's)	2014 DSM ($000's)	2014 Capital Pass-Throughs ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Rate Change (%)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
	North Transportation & Storage																
19	Rate 01	77,377	8.7489	-	-	(62,211)	42	15,209	78	0.51%	18	-	10	62,211	77,525	8.3633	-4.4%
20	Rate 10	24,392	7.5544	-	-	(20,347)	12	4,057	21	0.51%	5	-	1	20,347	24,432	7.1120	-5.9%
21	Rate 20	7,944	6.5149	-	-	(6,775)	(2)	1,167	6	0.51%	1	-	0	6,775	7,949	6.5194	0.1%
22	Rate 25	1,458	3.3972	-	-	(1,436)	(3)	19	0	0.51%	0	-	(0)	1,436	1,455	3.3906	-0.2%
23	Rate 100	166	-	-	-	(64)	(2)	101	1	0.51%	0	-	0	64	165	-	
24	Total North Transportatiion & Storage	111,337		-	-	(90,832)	48	20,552	105		25	-	11	90,832	111,526		
25	Gas Supply Admin Charge	6,830		-	-	-	(38)	6,792	-		0	-	(1)	-	6,791		
26	Total In-Franchise	856,219		(31,641)	-	(93,293)	(2,049)	729,237	3,684		667	32,049	(908)	93,293	858,023		
	Ex-Franchise																
27	Rate M12	157,532		-	-	-	674	158,206	807	0.51%	172	-	629	-	159,813		1.4%
28	Rate M13	- 409		-	-	-	1	410	2	0.51%	0	-	(0)	-	412		0.7%
29	Rate M16	- 733		-	-	-	1	735	4	0.51%	0	-	(0)	-	739		0.7%
30	Rate C1	- 45,015		-	-	-	28	45,043	39		10	-	4	-	45,095		0.2%
31	Total Ex-Franchise	203,690		-	-	-	703	204,393	851		182	-	633	-	206,060		
32	Total Company	1,059,909		(31,641)	-	(93,293)	(1,346)	933,630	4,536		848	32,049	(276)	93,293	1,064,082		

Notes:
(1) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(3) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 10.

UNION GAS LIMITED
Union North
In-Franchise Customers
Effective January 1, 2014

						Adjustments to 2013 Base Rates						
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	Rate 01 General Service											
1	Monthly Charge	bills	3,839,732	80,634	$21.00	-	-	-	(709)	79,925	408	
	Monthly Delivery Charge - All Zones											
2	First 100 m^3	10^3m^3	260,791	25,149	9.6435	(1,176)	-	(578)	(41)	23,354	119	
3	Next 200 m^3	10^3m^3	296,122	27,003	9.1190	(1,263)	-	(621)	(44)	25,076	128	
4	Next 200 m^3	10^3m^3	129,180	11,299	8.7463	(528)	-	(260)	(18)	10,492	54	
5	Next 500 m^3	10^3m^3	88,231	7,415	8.4043	(347)	-	(171)	(12)	6,886	35	
6	Over 1,000 m^3	10^3m^3	110,097	8,942	8.1218	(418)	-	(206)	(15)	8,304	42	
7	Delivery Commodity charge - 01		884,421	79,809	9.0238	(3,732)	-	(1,836)	(130)	74,111	378	
8	Total Delivery - 01		884,421	160,443	18.1410	(3,732)	-	(1,836)	(839)	154,037	786	0.51%
	Gas Transportation											
9	Fort Frances	10^3m^3	12,297	534	4.3403	-	-	(533)	(0)	1	0	
10	Western	10^3m^3	171,280	7,345	4.2882	-	-	(7,329)	(2)	13	0	
11	Northern	10^3m^3	384,941	21,422	5.5650	-	-	(21,377)	(7)	38	0	
12	Eastern	10^3m^3	315,903	19,993	6.3288	-	-	(19,951)	(6)	36	0	
13	Transportation - 01		884,421	49,293	5.5735	-	-	(49,190)	(15)	88	0	0.51%
	Storage											
14	Fort Frances	10^3m^3	12,297	264	2.1507	-	-	(123)	1	142	1	
15	Western	10^3m^3	171,280	4,095	2.3910	-	-	(1,899)	8	2,205	11	
16	Northern	10^3m^3	384,941	12,415	3.2252	-	-	(5,756)	25	6,684	34	
17	Eastern	10^3m^3	315,903	11,309	3.5799	-	-	(5,243)	23	6,089	31	
18	Storage - 01		884,421	28,084	3.1754	-	-	(13,021)	57	15,120	77	0.51%
19	Total Rate 01		884,421	237,820	-	(3,732)	-	(64,046)	(797)	169,245	863	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

UNION GAS LIMITED
Union North
In-Franchise Customers
Effective January 1, 2014

							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	Rate 01 General Service															
1	Monthly Charge	bills	94	-	(168)	-	80,259	$20.90	80,634	$21.00	-	-	3,839,732	80,634	$21.00	
	Monthly Delivery Charge - All Zones															
2	First 100 m^3	10^3m^3	12	1,191	(19)	578	25,236	9.6766	24,860	9.5326	12,544	-	273,335	24,860	9.0951	
3	Next 200 m^3	10^3m^3	13	1,279	(21)	621	27,096	9.1503	27,096	9.1503	14,244	-	310,365	27,096	8.7304	
4	Next 200 m^3	10^3m^3	5	535	(9)	260	11,337	8.7763	11,337	8.7763	6,214	-	135,394	11,337	8.3735	
5	Next 500 m^3	10^3m^3	4	351	(6)	171	7,441	8.4332	7,441	8.4332	4,244	-	92,475	7,441	8.0461	
6	Over 1,000 m^3	10^3m^3	4	423	(7)	206	8,973	8.1497	8,973	8.1497	5,296	-	115,393	8,973	7.7757	
7	Delivery Commodity charge - 01		39	3,780	(61)	1,836	80,082	9.0548	79,707	9.0123	42,542	-	926,963	79,707	8.5987	
8	Total Delivery - 01		132	3,780	(229)	1,836	160,341	18.1295	160,341	18.1295	42,542	-	926,963	160,341	17.2975	-4.6%
	Gas Transportation															
9	Fort Frances	10^3m^3	(0)	-	0	533	534	4.3392			591	-	12,888	534	4.1401	
10	Western	10^3m^3	(0)	-	1	7,329	7,343	4.2871			8,239	-	179,519	7,343	4.0903	
11	Northern	10^3m^3	(1)	-	2	21,377	21,416	5.5636			18,516	-	403,458	21,416	5.3082	
12	Eastern	10^3m^3	(1)	-	2	19,951	19,988	6.3271			15,195	-	331,099	19,988	6.0368	
13	Transportation - 01		(3)	-	5	49,190	49,281	5.5721			42,542	-	926,963	49,281	5.3164	-4.6%
	Storage															
14	Fort Frances	10^3m^3	0	-	0	123	266	2.1630			591	-	12,888	266	2.0637	
15	Western	10^3m^3	3	-	1	1,899	4,119	2.4046			8,239	-	179,519	4,119	2.2943	
16	Northern	10^3m^3	9	-	2	5,756	12,486	3.2436			18,516	-	403,458	12,486	3.0947	
17	Eastern	10^3m^3	8	-	2	5,243	11,374	3.6003			15,195	-	331,099	11,374	3.4351	
18	Storage - 01		21	-	5	13,021	28,244	3.1935			42,542	-	926,963	28,244	3.0470	-4.0%
19	Total Rate 01		151	3,780	(219)	64,046	237,866	-			42,542	-	926,963	237,866	-	

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

UNION GAS LIMITED
Union North
In-Franchise Customers
Effective January 1, 2014

						Adjustments to 2013 Base Rates					
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	Rate 10 General Service											
1	Monthly Charge	bills	24,629	1,724	$70.00	-	-	-	(19)	1,705	9	
	Monthly Delivery Charge - All Zones											
2	First 1 000 m^3	10^3m^3	23,682	1,807	7.6318	(119)	-	(49)	(4)	1,636	8	
3	Next 9 000 m^3	10^3m^3	127,854	7,950	6.2182	(524)	-	(214)	(18)	7,195	37	
4	Next 20 000 m^3	10^3m^3	81,326	4,401	5.4120	(290)	-	(118)	(10)	3,983	20	
5	Next 70 000 m^3	10^3m^3	61,664	3,019	4.8959	(199)	-	(81)	(7)	2,732	14	
6	Over 100 000 m^3	10^3m^3	28,362	834	2.9407	(55)	-	(22)	(2)	755	4	
7	Delivery Commodity charge - 10		322,887	18,012	5.5784	(1,186)	-	(485)	(40)	16,301	83	
8	Total Delivery - 10		322,887	19,736	6.1124	(1,186)	-	(485)	(59)	18,007	92	0.51%
	Gas Transportation											
9	Fort Frances	10^3m^3	2,654	103	3.8695	-	-	(103)	(0)	0	0	
10	Western	10^3m^3	45,232	1,727	3.8173	-	-	(1,725)	(0)	1	0	
11	Northern	10^3m^3	130,990	6,673	5.0941	-	-	(6,667)	(1)	5	0	
12	Eastern	10^3m^3	144,011	8,436	5.8579	-	-	(8,428)	(1)	6	0	
13	Transportation - 10		322,887	16,938	5.2459	-	-	(16,923)	(3)	13	0	0.51%
	Storage											
14	Fort Frances	10^3m^3	2,654	32	1.2015	-	-	(15)	0	17	0	
15	Western	10^3m^3	45,232	652	1.4418	-	-	(300)	1	354	2	
16	Northern	10^3m^3	130,990	2,981	2.2760	-	-	(1,370)	6	1,617	8	
17	Eastern	10^3m^3	144,011	3,788	2.6307	-	-	(1,741)	8	2,055	10	
18	Storage - 10		322,887	7,454	2.3085	-	-	(3,425)	15	4,044	21	0.51%
19	Total Rate 10		322,887	44,128	-	(1,186)	-	(20,832)	(46)	22,064	113	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

UNION GAS LIMITED
Union North
In-Franchise Customers
Effective January 1, 2014

							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	Rate 10 General Service															
1	Monthly Charge	bills	6	-	(10)	-	1,709	$69.40	1,724	$70.00	-	-	24,629	1,724	$70.00	
	Monthly Delivery Charge - All Zones															
2	First 1 000 m^3	10^3m^3	1	121	(2)	49	1,812	7.6536	1,810	7.6420	1,514	-	25,196	1,810	7.1828	
3	Next 9 000 m^3	10^3m^3	5	530	(9)	214	7,973	6.2360	7,961	6.2266	8,174	-	136,028	7,961	5.8524	
4	Next 20 000 m^3	10^3m^3	3	294	(5)	118	4,414	5.4275	4,414	5.4275	5,199	-	86,525	4,414	5.1013	
5	Next 70 000 m^3	10^3m^3	2	201	(3)	81	3,028	4.9099	3,028	4.9099	3,942	-	65,606	3,028	4.6148	
6	Over 100 000 m^3	10^3m^3	1	56	(1)	22	836	2.9491	836	2.9491	1,813	-	30,175	836	2.7719	
7	Delivery Commodity charge - 10		12	1,202	(19)	485	18,063	5.5943	18,049	5.5898	20,643	-	343,530	18,049	5.2539	
8	Total Delivery - 10		18	1,202	(30)	485	19,773	6.1237	19,773	6.1237	20,643	-	343,530	19,773	5.7557	-5.8%
	Gas Transportation															
9	Fort Frances	10^3m^3	(0)	-	0	103	103	3.8689			170	-	2,824	103	3.6364	
10	Western	10^3m^3	(0)	-	0	1,725	1,726	3.8168			2,892	-	48,124	1,726	3.5874	
11	Northern	10^3m^3	(0)	-	0	6,667	6,672	5.0934			8,375	-	139,364	6,672	4.7873	
12	Eastern	10^3m^3	(0)	-	0	8,428	8,435	5.8571			9,207	-	153,218	8,435	5.5051	
13	Transportation - 10		(0)	-	0	16,923	16,936	5.2451			20,643	-	343,530	16,936	4.9299	-6.0%
	Storage															
14	Fort Frances	10^3m^3	0	-	0	15	32	1.2083			170	-	2,824	32	1.1357	
15	Western	10^3m^3	0	-	0	300	656	1.4500			2,892	-	48,124	656	1.3628	
16	Northern	10^3m^3	2	-	1	1,370	2,998	2.2889			8,375	-	139,364	2,998	2.1514	
17	Eastern	10^3m^3	3	-	1	1,741	3,810	2.6456			9,207	-	153,218	3,810	2.4866	
18	Storage - 10		5	-	1	3,425	7,496	2.3216			20,643	-	343,530	7,496	2.1821	-5.5%
19	Total Rate 10		23	1,202	(28)	20,832	44,205	-			20,643	-	343,530	44,205	-	

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

UNION GAS LIMITED
Union North
In-Franchise Customers
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						Adjustments to 2013 Base Rates						
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	Rate 20 Medium Volume Firm Service											
1	Monthly Charge	bills	748	748	$1,000.00	-	-	-	(11)	737	4	
	Monthly Demand Charge											
2	First 70,000 m^3	10^3m^3/d	23,260	6,470	27.8179	(423)	-	-	(16)	6,032	31	
3	All over 70,000 m^3	10^3m^3/d	19,701	3,223	16.3583	(211)	-	-	(8)	3,004	15	
	Monthly Commodity Charge											
4	First 852,000 m^3	10^3m^3	331,197	1,738	0.5246	(206)	-	(80)	(8)	1,444	7	
5	All over 852,000 m^3	10^3m^3	298,605	1,135	0.3803	(135)	-	(52)	(5)	944	5	
6	Delivery (Commodity/Demand)		629,802	12,566	1.9952	(974)	-	(132)	(36)	11,424	58	
7	Transportation Account Charge	10^3m^3	460	101	$219.43	-	-	-	-	101	1	
8	Total Delivery - 20		629,802	13,415	2.1300	(974)	-	(132)	(47)	12,262	63	0.51%
	Gas Supply Demand Charge											
9	Fort Frances		-	-	21.9979	-	-	-	-	-	-	
10	Western	10^3m^3	2,650	658	24.8397	-	-	(640)	(0)	18	0	
11	Northern	10^3m^3	702	440	62.6121	-	-	(427)	(0)	12	0	
12	Eastern	10^3m^3	3,521	2,900	82.3684	-	-	(2,819)	(2)	80	0	
	Commodity Transportation 1											
13	Fort Frances	10^3m^3	-	-	3.0513	-	-	-	-	-	-	
14	Western	10^3m^3	24,899	778	3.1266	-	-	(778)	-	-	-	
15	Northern	10^3m^3	7,775	309	3.9709	-	-	(309)	-	-	-	
16	Eastern	10^3m^3	40,782	1,802	4.4184	-	-	(1,802)	-	-	-	
	Commodity Transportation 2											
17	Fort Frances		-	-	-	-	-	-	-	-	-	
18	Western	10^3m^3	10,903	-	-	-	-	-	-	-	-	
19	Northern	10^3m^3	6,194	-	-	-	-	-	-	-	-	
20	Eastern	10^3m^3	31,381	-	-	-	-	-	-	-	-	
	Storage (GJ's)											
21	Demand	GJ/d	99,288	957	9.643	-	-	-	-	957	5	
22	Commodity	GJ	639,477	100	0.156	-	-	-	-	100	1	
23	Gas Supply Transportation - 20		121,935	7,944	6.5149	-	-	(6,775)	(2)	1,167	6	0.51%
24	Total Rate 20		629,802	21,359	-	(974)	-	(6,907)	(49)	13,429	68	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

UNION GAS LIMITED
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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	Rate 20 Medium Volume Firm Service															
1	Monthly Charge	bills	2	-	(3)	-	739	$988.37			-	-	748	739	$988.37	
	Monthly Demand Charge															
2	First 70,000 m^3	$10^3m^3/d$	6	428	(8)	-	6,488	27.8954			-	-	23,260	6,488	27.8954	
3	All over 70,000 m^3	$10^3m^3/d$	3	213	(4)	-	3,232	16.4039			-	-	19,701	3,232	16.4039	
	Monthly Commodity Charge			-												
4	First 852,000 m^3	10^3m^3	3	209	(4)	80	1,739	0.5250			-	(3,654)	327,543	1,739	0.5308	
5	All over 852,000 m^3	10^3m^3	2	137	(3)	52	1,136	0.3805			-	(3,295)	295,310	1,136	0.3847	
6	Delivery (Commodity/Demand)		13	987	(19)	132	12,595	1.9998			-	(6,949)	622,853	12,595	2.0221	1.3%
7	Transportation Account Charge	10^3m^3	-	-	-	-	101	$220.55			-	-	460	101	$220.55	
8	Total Delivery - 20		15	987	(22)	132	13,436	2.1333			-	(6,949)	622,853	13,436	2.1571	1.3%
	Gas Supply Demand Charge															
9	Fort Frances		-	-	-	-	-	21.9979			-	-	-	-	21.9979	
10	Western	10^3m^3	0	-	0	640	658	24.8403			-	-	2,650	658	24.8403	
11	Northern	10^3m^3	0	-	0	427	440	62.6137			-	-	702	440	62.6137	
12	Eastern	10^3m^3	1	-	0	2,819	2,900	82.3705			-	-	3,521	2,900	82.3705	
	Commodity Transportation 1															
13	Fort Frances	10^3m^3	-	-	-	-	-	3.0513			-	-	-	-	3.0513	
14	Western	10^3m^3	-	-	-	778	778	3.1266			-	-	24,899	778	3.1266	
15	Northern	10^3m^3	-	-	-	309	309	3.9709			-	-	7,775	309	3.9709	
16	Eastern	10^3m^3	-	-	-	1,802	1,802	4.4184			-	-	40,782	1,802	4.4184	
	Commodity Transportation 2															
17	Fort Frances		-	-	-	-	-	-			-	-	-	-	-	
18	Western	10^3m^3	-	-	-	-	-	-			-	-	10,903	-	-	
19	Northern	10^3m^3	-	-	-	-	-	-			-	-	6,194	-	-	
20	Eastern	10^3m^3	-	-	-	-	-	-			-	-	31,381	-	-	
	Storage (GJ's)															
21	Demand	GJ/d	-	-	-	-	962	9.692			-	-	99,288	962	9.692	
22	Commodity	GJ	-	-	-	-	100	0.157			-	-	639,477	100	0.157	
23	Gas Supply Transportation - 20		1	-	0	6,775	7,949	6.5194			-	-	121,935	7,949	6.5194	0.1%
24	Total Rate 20		16	987	(22)	6,907	21,385	-			-	(6,949)	622,853	21,385	-	

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1) (a)	Current Approved Revenue (2) ($000's) (b)	Current Approved Rates (3) (cents / m^3) (c)	Adjustments to 2013 Base Rates: 2013 DSM (4) ($000's) (d)	2013 Capital Pass-Throughs ($000's) (e)	Upstream Transportation (5) ($000's) (f)	One-Time Adjustments Settlement Agreement (6) ($000's) (g)	Adjusted Revenue ($000's) (h) = (b+d+e+f+g)	Price Cap Index ($000's) (i)	Price Cap Index (%) (j)
	Rate 25 Large Volume Interruptible Service											
1	Monthly Charge	bills	842	316	$375.00	-	-	-	(12)	304	2	
2	Monthly Delivery Charge	10^3m^3	159,555	4,149	2.6004	-	-	-	(6)	4,143	21	
3	Transportation Account Charge	bills	36	8	$219.43	-	-	-	-	8	0	
4	Total Delivery - 25		159,555	4,473	2.8033	-	-	-	(18)	4,454	23	0.51%
5	Gas Supply Transportation	10^3m^3	42,913	1,458	3.3972	-	-	(1,436)	(3)	19	0	
6	Total Rate 25		159,555	5,931	-	-	-	(1,436)	(21)	4,474	23	0.51%
	Rate 100 Large Volume Firm Service											
7	Monthly Charge	bills	226	339	$1,500.00	-	-	-	(6)	333	2	
8	Demand	$10^3m^3/d$	71,975	11,042	15.3415	(1,349)	-	-	(34)	9,660	49	
9	Commodity	10^3m^3	1,895,488	4,048	0.2136	(450)	-	(9)	(11)	3,578	18	
10	Delivery (Commodity/Demand)		1,895,488	15,090	0.7961	(1,798)	-	(9)	(45)	13,238	68	
11	Transportation Account Charge	bills	226	50	$219.43	-	-	-	-	50	0	
12	Total Delivery - 100		1,895,488	15,479	0.8166	(1,798)	-	(9)	(51)	13,621	69	0.51%
	Gas Supply Demand Charge											
13	Fort Frances	$10^3m^3/d$	-	-	59.0298	-	-	-	-	-	-	
14	Western	$10^3m^3/d$	-	-	62.3453	-	-	-	-	-	-	
15	Northern	$10^3m^3/d$	-	-	106.4130	-	-	-	-	-	-	
16	Eastern	$10^3m^3/d$	-	-	129.4620	-	-	-	-	-	-	
	Commodity Transportation 1											
17	Fort Frances	-	-	-	5.4887	-	-	-	-	-	-	
18	Western	10^3m^3	-	-	5.5452	-	-	-	-	-	-	
19	Northern	10^3m^3	-	-	6.1784	-	-	-	-	-	-	
20	Eastern	10^3m^3	-	-	6.5140	-	-	-	-	-	-	
	Commodity Transportation 2											
21	Fort Frances	-	-	-	-	-	-	-	-	-	-	
22	Western	10^3m^3	-	-	-	-	-	-	-	-	-	
23	Northern	10^3m^3	-	-	-	-	-	-	-	-	-	
24	Eastern	10^3m^3	-	-	-	-	-	-	-	-	-	
	Storage (GJ's)											
25	Demand	GJ/d	15,600	150	9.643	-	-	(64)	(1)	85	0	
26	Commodity	GJ	100,000	16	0.156	-	-	-	(0)	15	0	
27	Gas Supply - 100		-	166	-	-	-	(64)	(2)	101	1	0.51%
28	Total Rate 100		1,895,488	15,645	-	(1,798)	-	(73)	(52)	13,722	70	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	Rate 25 Large Volume Interruptible Service															
1	Monthly Charge	bills	1	-	(1)	-	304	$361.46			-	-	842	304	$361.46	
2	Monthly Delivery Charge	10^3m^3	4	-	(5)	-	4,162	2.6088			-	-	159,555	4,162	2.6088	
3	Transportation Account Charge	bills	-	-	-	-	8	$220.55			-	-	36	8	$220.55	
4	Total Delivery - 25		4	-	(7)	-	4,475	2.8045			-	-	159,555	4,475	2.8045	0.0%
5	Gas Supply Transportation	10^3m^3	0	-	(0)	1,436	1,455	3.3906			-	-	42,913	1,455	3.3906	
6	Total Rate 25		4	-	(7)	1,436	5,930	-			-	-	159,555	5,930	-	
	Rate 100 Large Volume Firm Service															
7	Monthly Charge	bills	0	-	(1)	-	334	$1,478.93			-	-	226	334	$1,478.93	
8	Demand	$10^3m^3/d$	9	1,366	(13)	-	11,071	15.3816			-	-	71,975	11,071	15.3816	
9	Commodity	10^3m^3	3	455	(4)	9	4,059	0.2142			-	(18,093)	1,877,394	4,059	0.2162	
10	Delivery (Commodity/Demand)		12	1,821	(18)	9	15,130	0.7982			-	(18,093)	1,877,394	15,130	0.8059	1.2%
11	Transportation Account Charge	bills	-	-	-	-	50	$220.55			-	-	226	50	$220.55	
12	Total Delivery - 100		13	1,821	(19)	9	15,514	0.8185			-	(18,093)	1,877,394	15,514	0.8264	1.2%
	Gas Supply Demand Charge															
13	Fort Frances	$10^3m^3/d$	-	-	-	-	-	59.0298			-	-	-	-	59.0298	
14	Western	$10^3m^3/d$	-	-	-	-	-	62.3453			-	-	-	-	62.3453	
15	Northern	$10^3m^3/d$	-	-	-	-	-	106.4130			-	-	-	-	106.4130	
16	Eastern	$10^3m^3/d$	-	-	-	-	-	129.4620			-	-	-	-	129.4620	
	Commodity Transportation 1															
17	Fort Frances	-	-	-	-	-	-	5.4887			-	-	-	-	5.4887	
18	Western	10^3m^3	-	-	-	-	-	5.5452			-	-	-	-	5.5452	
19	Northern	10^3m^3	-	-	-	-	-	6.1784			-	-	-	-	6.1784	
20	Eastern	10^3m^3	-	-	-	-	-	6.5140			-	-	-	-	6.5140	
	Commodity Transportation 2															
21	Fort Frances	-	-	-	-	-	-	-			-	-	-	-	-	
22	Western	10^3m^3	-	-	-	-	-	-			-	-	-	-	-	
23	Northern	10^3m^3	-	-	-	-	-	-			-	-	-	-	-	
24	Eastern	10^3m^3	-	-	-	-	-	-			-	-	-	-	-	
	Storage (GJ's)															
25	Demand	GJ/d	0	-	0	64	150	9.692			-	-	15,600	150	9.692	
26	Commodity	GJ	0	-	0	-	16	0.157			-	-	100,000	16	0.157	
27	Gas Supply - 100		0	-	0	64	165	-			-	-	-	165	-	
28	Total Rate 100		13	1,821	(19)	73	15,679	-			-	(18,093)	1,877,394	15,679	-	-

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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						Adjustments to 2013 Base Rates						
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	M1											
1	Monthly Charge	bills	12,706,802	266,843	$21.00	-	-	-	(1,178)	265,665	1,355	
	Monthly Delivery Commodity Charge											
2	First 100 m^3	10^3m^3	885,353	33,011	3.7286	(3,479)	-	-	21	29,553	151	
3	Next 150 m^3	10^3m^3	786,168	27,689	3.5221	(2,918)	-	-	18	24,789	126	
4	All over 250 m^3	10^3m^3	1,268,023	38,466	3.0336	(4,054)	-	-	24	34,437	176	
5	Total Delivery - M1		2,939,543	366,010	12.4512	(10,451)	-	-	(1,115)	354,444	1,808	0.51%
6	Storage	10^3m^3	2,939,543	21,660	0.7368	-	-	-	71	21,730	111	0.51%
7	Total Rate M1		2,939,543	387,669	-	(10,451)	-	-	(1,045)	376,174	1,918	0.51%
	M2											
8	Monthly Charge	bills	81,451	5,702	$70.00	-	-	-	(36)	5,665	29	
	Monthly Delivery Commodity Charge											
9	First 1 000 m^3	10^3m^3	53,047	2,170	4.0899	(230)	-	-	1	1,940	10	
10	Next 6 000 m^3	10^3m^3	258,156	10,361	4.0136	(1,101)	-	-	4	9,264	47	
11	Next 13 000 m^3	10^3m^3	291,703	11,044	3.7862	(1,173)	-	-	4	9,875	50	
12	All over 20 000 m^3	10^3m^3	372,665	13,093	3.5133	(1,391)	-	-	5	11,707	60	
13	Total Delivery - M2		975,571	42,370	4.3431	(3,896)	-	-	(23)	38,451	196	0.51%
14	Storage	10^3m^3	975,571	7,366	0.7550	-	-	-	24	7,390	38	0.51%
15	Total Rate M2		975,571	49,736	-	(3,896)	-	-	1	45,841	234	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	M1															
1	Monthly Charge	bills	207	-	(361)	-	266,866	$21.00	266,843	$21.00	-	-	12,706,802	266,843	$21.00	
	Monthly Delivery Commodity Charge															
2	First 100 m^3	10^3m^3	29	3,524	(18)	-	33,238	3.7542	33,261	3.7568	(8,605)	-	876,748	33,261	3.7937	
3	Next 150 m^3	10^3m^3	24	2,956	(15)	-	27,880	3.5463	27,880	3.5463	(7,641)	-	778,527	27,880	3.5811	
4	All over 250 m^3	10^3m^3	33	4,106	(21)	-	38,731	3.0544	38,731	3.0544	(12,324)	-	1,255,698	38,731	3.0844	
5	Total Delivery - M1		293	10,585	(416)	-	366,714	12.4752	366,714	12.4752	(28,570)	-	2,910,973	366,714	12.5977	1.2%
6	Storage	10^3m^3	36	-	(66)	-	21,811	0.7420			(28,570)	-	2,910,973	21,811	0.7493	1.7%
7	Total Rate M1		329	10,585	(481)	-	388,526	-			(28,570)	-	2,910,973	388,526	-	
	M2															
8	Monthly Charge	bills	6	-	(11)	-	5,689	$69.85	5,702	$70.00	-	-	81,451	5,702	$70.00	
	Monthly Delivery Commodity Charge															
9	First 1 000 m^3	10^3m^3	2	233	(1)	-	2,184	4.1165	2,182	4.1125	7,824	-	60,871	2,182	3.5839	
10	Next 6 000 m^3	10^3m^3	9	1,115	(7)	-	10,429	4.0397	10,419	4.0358	38,074	-	296,230	10,419	3.5170	
11	Next 13 000 m^3	10^3m^3	9	1,189	(7)	-	11,116	3.8109	11,116	3.8109	43,021	-	334,725	11,116	3.3211	
12	All over 20 000 m^3	10^3m^3	11	1,409	(8)	-	13,178	3.5362	13,178	3.5362	54,962	-	427,626	13,178	3.0817	
13	Total Delivery - M2		38	3,946	(34)	-	42,596	4.3663	42,596	4.3663	143,881	-	1,119,452	42,596	3.8051	-12.4%
14	Storage	10^3m^3	12	-	(22)	-	7,417	0.7603			143,881	-	1,119,452	7,417	0.6626	-12.2%
15	Total Rate M2		50	3,946	(57)	-	50,014	-			143,881	-	1,119,452	50,014	-	

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m³)	Adjustments to 2013 Base Rates 2013 DSM (4) ($000's)	Adjustments to 2013 Base Rates 2013 Capital Pass-Throughs ($000's)	Adjustments to 2013 Base Rates Upstream Transportation (5) ($000's)	Adjustments to 2013 Base Rates One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	M4 Firm Commercial/Industrial Contract Rate											
	Monthly Demand Charge											
1	First 8 450 m³	10³m³/d	12,905	6,017	46.6239	(686)	-	-	(7)	5,324	27	
2	Next 19 700 m³	10³m³/d	7,864	1,644	20.9050	(188)	-	-	(2)	1,454	7	
3	All over 28 150 m³	10³m³/d	4,507	792	17.5631	(90)	-	-	(1)	700	4	
	Monthly Delivery Commodity Charge											
4	First Block	10³m³	396,153	3,659	0.9238	(637)	-	-	(6)	3,016	15	
5	All remaining use	10³m³	8,525	33	0.3860	(6)	-	-	(0)	27	0	
6	Total Delivery - M4		404,678	12,145	3.0011	(1,607)	-	-	(16)	10,522	54	0.51%
7	Total Rate M4		404,678	12,145	-	(1,607)	-	-	(16)	10,522	54	0.51%
	M5A Interruptible Commercial/Industrial Contract Rate											
	Firm contracts											
8	Monthly Demand Charge	10³m³/d	626	179	28.6252	(31)	-	-	(2)	146	1	
9	Monthly Delivery Commodity Charge	10³m³	17,385	330	1.9007	(57)	-	-	(4)	269	1	
10	Total Delivery - Firm M5A		17,385	510	2.9308	(87)	-	-	(7)	415	2	0.51%
	Interruptible contracts											
11	Monthly Charge	bills	1,692	1,167	$690.00	-	-	-	(14)	1,153	6	
12	Delivery Commodity Charge (Avg Price)	10³m³	517,747	11,413	2.2043	(2,595)	-	-	(26)	8,792	45	
13	Total Delivery -Interruptible M5A		517,747	12,580	2.4298	(2,595)	-	-	(40)	9,945	51	0.51%
14	Total Rate M5A		535,132	13,090	-	(2,683)	-	-	(47)	10,360	53	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	M4 Firm Commercial/Industrial Contract Rate															
	Monthly Demand Charge															
1	First 8 450 m^3	$10^3m^3/d$	5	695	(5)	-	6,046	46.8485			-	-	12,905	6,046	46.8485	
2	Next 19 700 m^3	$10^3m^3/d$	1	190	(1)	-	1,652	21.0057			-	-	7,864	1,652	21.0057	
3	All over 28 150 m^3	$10^3m^3/d$	1	91	(1)	-	795	17.6477			-	-	4,507	795	17.6477	
	Monthly Delivery Commodity Charge															
4	First Block	10^3m^3	5	645	(5)	-	3,677	0.9281			-	(12,773)	383,380	3,677	0.9590	
5	All remaining use	10^3m^3	0	6	(0)	-	33	0.3878			-	(275)	8,250	33	0.4007	
6	Total Delivery - M4		12	1,628	(13)	-	12,203	3.0154			-	(13,048)	391,630	12,203	3.1159	3.8%
7	Total Rate M4		12	1,628	(13)	-	12,203	-			-	(13,048)	391,630	12,203	-	
	M5A Interruptible Commercial/Industrial Contract Rate															
	Firm contracts															
8	Monthly Demand Charge	$10^3m^3/d$	0	31	(0)	-	178	28.4168			-	-	626	178	28.4168	
9	Monthly Delivery Commodity Charge	10^3m^3	0	57	(0)	-	328	1.8872			-	(279)	17,106	328	1.9180	
10	Total Delivery - Firm M5A		0	89	(0)	-	506	2.9098			-	(279)	17,106	506	2.9572	0.9%
	Interruptible contracts															
11	Monthly Charge	bills	1	-	(2)	-	1,158	$684.51			-	-	1,692	1,158	$684.51	
12	Delivery Commodity Charge (Avg Price)	10^3m^3	9	2,629	(14)	-	11,460	2.2135			-	(8,310)	509,437	11,460	2.2496	
13	Total Delivery -Interruptible M5A		10	2,629	(16)	-	12,618	2.4372			-	(8,310)	509,437	12,618	2.4769	1.9%
14	Total Rate M5A		11	2,717	(17)	-	13,124	-			-	(8,589)	526,543	13,124	-	

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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						Adjustments to 2013 Base Rates						
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	M7 Special Large Volume Contract Rate											
	Firm Contracts											
1	Monthly Demand Charge	$10^3m^3/d$	14,220	3,611	25.3924	(789)	-	-	(1)	2,820	14	
2	Monthly Delivery Commodity Charge	10^3m^3	142,488	401	0.2814	(88)	-	-	(0)	313	2	
3	Total Delivery - Firm M7		142,488	4,012	2.8155	(877)	-	-	(2)	3,133	16	0.51%
	Interruptible / Seasonal Contracts											
4	Monthly Delivery Commodity Charge	10^3m^3	4,655	58	1.2356	(29)	-	-	(1)	28	0	0.51%
5	Total Rate M7		147,143	4,069	-	(906)	-	-	(3)	3,161	16	0.51%
	M9 Large Wholesale Service											
6	Monthly Demand Charge	$10^3m^3/d$	3,993	606	15.1688	-	-	-	1	607	3	
7	Monthly Delivery Commodity Charge	10^3m^3	60,750	96	0.1580	-	-	-	0	96	0	
8	Total Rate M9		60,750	702	1.1550	-	-	-	1	703	4	0.51%
	M10 Small Wholesale Service											
9	Monthly Delivery Commodity Charge	10^3m^3	189	10	5.1133	-	-	-	(0)	9	0	0.51%
10	Total Rate M10		189	10	5.1133	-	-	-	(0)	9	0	0.51%

Notes:

(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	M7 Special Large Volume Contract Rate															
	Firm Contracts															
1	Monthly Demand Charge	$10^3m^3/d$	4	799	(4)	-	3,634	25.5589			-	-	14,220	3,634	25.5589	
2	Monthly Delivery Commodity Charge	10^3m^3	0	89	(0)	-	404	0.2832			-	(2,650)	139,838	404	0.2886	
3	Total Delivery - Firm M7		4	888	(4)	-	4,038	2.8339			-	(2,650)	139,838	4,038	2.8876	2.6%
	Interruptible / Seasonal Contracts															
4	Monthly Delivery Commodity Charge	10^3m^3	0	29	(0)	-	57	1.2222			-	(87)	4,569	57	1.2454	0.8%
5	Total Rate M7		4	917	(4)	-	4,095	-			-	(2,737)	144,407	4,095	-	
	M9 Large Wholesale Service															
6	Monthly Demand Charge	$10^3m^3/d$	1	-	(0)	-	610	15.2848			-	-	3,993	610	15.2848	
7	Monthly Delivery Commodity Charge	10^3m^3	0	-	(0)	-	97	0.1591			-	-	60,750	97	0.1591	
8	Total Rate M9		1	-	(0)	-	707	1.1637			-	-	60,750	707	1.1637	0.8%
	M10 Small Wholesale Service															
9	Monthly Delivery Commodity Charge	10^3m^3	0	-	(0)	-	9	4.8957			-	-	189	9	4.8957	-4.3%
10	Total Rate M10		0	-	(0)	-	9	4.8957			-	-	189	9	4.8957	

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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						Adjustments to 2013 Base Rates						
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	T1 Storage and Transportation											
	Storage ($/GJ's)											
	Demand:											
	Firm injection / withdrawal											
1	Union provides deliverability inventory	GJ/d/mo.	492,360	770	1.563	-	-	-	5	775	4	
2	Customer provides deliverability inventory	GJ/d/mo.	166,800	200	1.197	-	-	-	1	201	1	
3	Incremental firm injection right	GJ/d/mo.	-	-	1.197	-	-	-	-	-	-	
4	Interruptible	GJ/d/mo.	62,244	75	1.197	-	-	-	-	75	0	
5	Space	GJ/d/mo.	22,396,680	253	0.011	-	-	-	0	253	1	
6	Commodity (Customer Provides)	GJ	2,750,300	21	0.008	-	-	-	(0)	21	0	
7	Commodity (Union Provides)	GJ	-	-	0.026	-	-	-	-	-	-	
8	Customer supplied fuel	GJ	16,442	52	-	-	-	-	-	52	0	
	Transportation (cents/ m^3)											
	Demand											
9	First 28 150 m^3	10^3m^3/d/mo.	12,448	3,978	31.9554	(1,004)	-	-	(3)	2,972	15	
10	Next 112 720 m^3	10^3m^3/d/mo.	13,002	2,871	22.0775	(724)	-	-	(2)	2,144	11	
	Commodity											
	Firm											
11	All Volumes	10^3m^3	485,700	346	0.0712	-	-	-	(3)	343	2	
12	Interruptible	10^3m^3	63,286	781	1.2341	(73)	-	-	(3)	705	4	
13	Monthly Charges	Meter/mo.	528	1,022	$1,936.13	-	-	-	(6)	1,016	5	
14	Customer supplied fuel	10^3m^3	2,979	244	-	-	-	-	-	244	1	
15	Total Rate T1		548,986	10,612	1.9329	(1,801)	-	-	(10)	8,801	45	0.51%
	T2 Storage and Transportation											
	Storage ($/GJ's)											
	Demand:											
	Firm injection / withdrawal											
16	Union provides deliverability inventory	GJ/d/mo.	1,516,920	2,372	1.563	-	-	-	16	2,388	12	
17	Customer provides deliverability inventory	GJ/d/mo.	1,336,556	1,600	1.197	-	-	-	11	1,611	8	
18	Incremental firm injection right	GJ/d/mo.	-	-	1.197	-	-	-	-	-	-	
19	Interruptible	GJ/d/mo.	415,704	498	1.197	-	-	-	-	498	3	
20	Space	GJ/d/mo.	106,645,056	1,204	0.011	-	-	-	2	1,207	6	
21	Commodity (Customer Provides)	GJ	7,869,782	60	0.008	-	-	-	(1)	59	0	
22	Commodity (Union Provides)	GJ	-	-	0.026	-	-	-	-	-	-	
23	Customer supplied fuel	GJ	47,061	150	-	-	-	-	-	150	1	
	Transportation (cents/ m^3)											
	Demand											
24	First 140 870 m^3	10^3m^3/d/mo.	49,971	10,090	20.1911	(905)	-	-	15	9,200	47	
25	All Over 140 870 m^3	10^3m^3/d/mo.	167,088	17,845	10.6802	(1,600)	-	-	26	16,271	83	
	Commodity											
	Firm											
26	All Volumes	10^3m^3	4,521,813	353	0.0078	-	-	-	(4)	349	2	
27	Interruptible	10^3m^3	358,485	3,387	0.9447	(104)	-	-	(6)	3,277	17	
28	Monthly Charges	Meter/mo.	444	2,664	$6,000.00	-	-	-	(1)	2,663	14	
29	Customer supplied fuel	10^3m^3	23,922	1,854	-	-	-	-	-	1,854	9	
30	Total Rate T2		4,880,298	42,076	0.8622	(2,609)	-	-	59	39,526	202	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	T1 Storage and Transportation															
	Storage ($/GJ's)															
	Demand:															
	Firm injection / withdrawal															
1	Union provides deliverability inventory	GJ/d/mo.	1	-	(1)	-	778	1.581			-	-	492,360	778	1.581	
2	Customer provides deliverability inventory	GJ/d/mo.	0	-	(0)	-	202	1.210			-	-	166,800	202	1.210	
3	Incremental firm injection right	GJ/d/mo.	-	-	-	-	-	1.210			-	-	-	-	1.210	
4	Interruptible	GJ/d/mo.	-	-	-	-	75	1.210			-	-	62,244	75	1.210	
5	Space	GJ/d/mo.	0	-	(1)	-	254	0.011			-	-	22,396,680	254	0.011	
6	Commodity (Customer Provides)	GJ	0	-	(0)	-	21	0.008			-	-	2,750,300	21	0.008	
7	Commodity (Union Provides)	GJ	-	-	-	-	-	0.026			-	-	-	-	0.026	
8	Customer supplied fuel	GJ	-	-	-	-	53	-			-	-	16,442	53	-	
	Transportation (cents/ m^3)															
	Demand															
9	First 28 150 m^3	10^3m^3/d/mo.	4	1,017	(3)	-	4,004	32.1640			-	-	12,448	4,004	32.1640	
10	Next 112 720 m^3	10^3m^3/d/mo.	3	734	(2)	-	2,889	22.2217			-	-	13,002	2,889	22.2217	
	Commodity															
	Firm															
11	All Volumes	10^3m^3	0	-	(0)	-	344	0.0709			-	(7,913)	477,787	344	0.0721	
12	Interruptible	10^3m^3	1	74	0	-	784	1.2390			-	(1,031)	62,255	784	1.2595	
13	Monthly Charges	Meter/mo.	1	-	(1)	-	1,021	$1,933.45			-	-	528	1,021	$1,933.45	
14	Customer supplied fuel	10^3m^3	-	-	-	-	245	-			-	-	2,979	245	-	
15	Total Rate T1		9	1,824	(9)	-	10,671	1.9437			-	(8,944)	540,042	10,671	1.9759	2.2%
	T2 Storage and Transportation															
	Storage ($/GJ's)															
	Demand:															
	Firm injection / withdrawal															
16	Union provides deliverability inventory	GJ/d/mo.	2	-	(4)	-	2,398	1.581			-	-	1,516,920	2,398	1.581	
17	Customer provides deliverability inventory	GJ/d/mo.	2	-	(3)	-	1,618	1.210			-	-	1,336,556	1,618	1.210	
18	Incremental firm injection right	GJ/d/mo.	-	-	-	-	-	1.210			-	-	-	-	1.210	
19	Interruptible	GJ/d/mo.	-	-	-	-	500	1.210			-	-	415,704	500	1.210	
20	Space	GJ/d/mo.	1	-	(3)	-	1,212	0.011			-	-	106,645,056	1,212	0.011	
21	Commodity (Customer Provides)	GJ	0	-	(0)	-	59	0.008			-	-	7,869,782	59	0.008	
22	Commodity (Union Provides)	GJ	-	-	-	-	-	0.026			-	-	-	-	0.026	
23	Customer supplied fuel	GJ	-	-	-	-	151	-			-	-	47,061	151	-	
	Transportation (cents/ m^3)															
	Demand															
24	First 140 870 m^3	10^3m^3/d/mo.	9	916	(2)	-	10,169	20.3500			-	-	49,971	10,169	20.3500	
25	All Over 140 870 m^3	10^3m^3/d/mo.	15	1,621	(4)	-	17,986	10.7643			-	-	167,088	17,986	10.7643	
	Commodity															
	Firm															
26	All Volumes	10^3m^3	0	-	(0)	-	351	0.0078			-	(51,673)	4,470,141	351	0.0079	
27	Interruptible	10^3m^3	3	105	(5)	-	3,397	0.9475			-	(4,097)	354,388	3,397	0.9585	
28	Monthly Charges	Meter/mo.	6	-	(10)	-	2,673	$6,019.58			-	-	444	2,673	$6,019.58	
29	Customer supplied fuel	10^3m^3	-	-	-	-	1,864	-			-	-	23,922	1,864	-	
30	Total Rate T2		38	2,642	(31)	-	42,377	0.8683			-	(55,769)	4,824,529	42,377	0.8784	1.9%

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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						Adjustments to 2013 Base Rates						
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) (cents / m^3)	2013 DSM (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation (5) ($000's)	One-Time Adjustments Settlement Agreement (6) ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b+d+e+f+g)	(i)	(j)
	T3											
	Storage ($/GJ's)											
	Demand											
	Firm injection / withdrawal											
1	Union provides deliverability inventory	GJ/d/mo.	-	-	1.563	-	-	-	-	-	-	
2	Customer provides deliverability inventory	GJ/d/mo.	679,320	813	1.197	-	-	-	7	820	4	
3	Incremental firm injection right	GJ/d/mo.	-	-	1.197	-	-	-	-	-	-	
4	Interruptible	GJ/d/mo.	-	-	1.197	-	-	-	-	-	-	
5	Space	GJ/d/mo.	36,614,256	414	0.011	-	-	-	1	414	2	
6	Commodity (Customer Provides)	GJ	4,459,672	34	0.008	-	-	-	(0)	34	0	
7	Commodity (Union Provides)	GJ	-	-	0.026	-	-	-	-	-	-	
8	Customer supplied fuel	GJ	26,668	85	-	-	-	-	-	85	0	
	Transportation (cents/ m^3)											
9	Demand	10^3m^3/d/mo.	28,200	2,639	9.3582	-	-	-	11	2,650	14	
10	Commodity	10^3m^3	272,712	29	0.0107	-	-	-	(0)	29	0	
11	Monthly Charges	Meter/mo.	12	244	$20,371.35	-	-	-	(1)	243	1	
12	Customer supplied fuel	10^3m^3	1,972	141	-	-	-	-	-	141	1	
13	Total Rate T3		272,712	4,400	1.6133	-	-	-	16	4,416	23	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013 (Excludes Price Adjustments).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (a).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 15, column (d).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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							Prior to MCC Change (10)		MCC Change (10)		Volume Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax-Related Adjustments (7) ($000's)	2014 DSM (8) ($000's)	2014 Capital Pass-Throughs (9) ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	Proposed Revenue ($000's)	Proposed Rates (cents / m^3)	NAC Adjustment (11) (10^3m^3)	LRAM Adjustment (12) (10^3m^3)	Usage including NAC & LRAM	Revenue ($000's)	Rates (cents / m^3)	Rate Change (%)
			(k)	(l)	(m)	(n) = (-f)	(o) = (h+i+k+l+m+n)	(p) = (o / a)	(q)	(r) = (q / a)	(s)	(t)	(u) = (a + s + t)	(v)	(w) = (v / u)	(x)
	T3															
	Storage ($/GJ's)															
	Demand															
	Firm injection / withdrawal															
1	Union provides deliverability inventory	GJ/d/mo.	-	-	-	-	-	1.581			-	-	-	-	1.581	
2	Customer provides deliverability inventory	GJ/d/mo.	1	-	(2)	-	823	1.210			-	-	679,320	823	1.210	
3	Incremental firm injection right	GJ/d/mo.	-	-	-		-	1.210			-	-	-	-	1.210	
4	Interruptible	GJ/d/mo.	-	-	-		-	1.210			-	-	-	-	1.210	
5	Space	GJ/d/mo.	0	-	(1)	-	416	0.011			-	-	36,614,256	416	0.011	
6	Commodity (Customer Provides)	GJ	0	-	(0)	-	34	0.008			-	-	4,459,672	34	0.008	
7	Commodity (Union Provides)	GJ	-	-	-	-	-	0.026			-	-	-	-	0.026	
8	Customer supplied fuel	GJ	-	-	-	-	85	-			-	-	26,668	85	-	
	Transportation (cents/ m^3)															
9	Demand	10^3m^3/d/mo.	3	-	2	-	2,669	9.4648			-	-	28,200	2,669	9.4648	
10	Commodity	10^3m^3	0	-	(0)	-	29	0.0107			-	-	272,712	29	0.0107	
11	Monthly Charges	Meter/mo.	0	-	(0)	-	244	$20,367.45			-	-	12	244	$20,367.45	
12	Customer supplied fuel	10^3m^3	-	-	-	-	142	-			-	-	1,972	142		
13	Total Rate T3		5	-	(1)	-	4,443	1.6291			-	-	272,712	4,443	1.6291	1.0%

Notes:
(7) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(8) EB-2013-0365, Rate Order, Working Papers, Schedule 11, column (f).
(9) EB-2013-0365, Rate Order, Working Papers, Schedule 10.
(10) MCC = Monthly Customer Charge.
(11) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Pages 2 & 3.
(12) EB-2013-0365, Rate Order, Working Papers, Schedule 18.

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Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1) (a)	Current Approved Revenue (2) ($000's) (b)	Current Approved Rates (3) ($/ GJ) (c)	Adjustments to 2013 Base Rates: One-Time Adjustments Settlement Agreement (4) ($000's) (d)	Adjustments to 2013 Base Rates: 2013 Capital Pass-Throughs ($000's) (e)	Adjustments to 2013 Base Rates: Upstream Transportation ($000's) (f)	Adjusted Revenue ($000's) (g) = (b+d+e+f)	Price Cap Index ($000's) (h)	Price Cap Index (%) (i)
	M12 Transportation Service										
	Demand:										
	Dawn to Kirkwall										
1	- 12 months	GJ/d/mo	419,318	11,312	2.011	56	-	-	11,368	58	
2	- 10 months	GJ/d/mo	304,563	6,124	2.011	31	-	-	6,154	31	
3	- 2 months	GJ/d/mo	18,365	74	2.011	0	-	-	74	0	
4	- F24-T - 12 months	GJ/d/mo	49,500	40	0.068	-	-	-	40	0	
	Dawn to Parkway										
5	- 12 months	GJ/d/mo	3,226,050	101,007	2.382	506	-	-	101,513	518	
6	- 10 months	GJ/d/mo	65,000	1,549	2.382	8	-	-	1,556	8	
7	- 3 months	GJ/d/mo	2,000	14	2.382	0	-	-	14	0	
8	- F24-T - 12 months	GJ/d/mo	307,000	319	0.068	-	-	-	319	2	
	M12-X Easterly (between Dawn, Kirkwall and Parkway)										
9	- 12 months	GJ/d/mo	391,011	11,179	2.382	56	-	-	11,235	57	
	M12-X Westerly (between Dawn, Kirkwall and Parkway)										
10	- 12 months	GJ/d/mo	391,011	2,717	0.579	14	-	-	2,731	14	
	Kirkwall to Parkway										
11	- 12 months	GJ/d/mo	88,497	395	0.372	2	-	-	397	2	
12	- 2 months	GJ/d/mo	174,752	130	0.372	1	-	-	131	1	
	Commodity:										
13	Easterly - Providing Own Fuel	GJ	705,499,899	22,625		-	-	-	22,625	115	
	Westerly - Providing Own Fuel	GJ									
14	Parkway to Kirkwall/Dawn		905,475	12		-	-	-	12	0	
15	Kirkwall to Dawn		5,031,274	37		-	-	-	37	0	
16	**Total Rate M12**		711,436,648	157,532		674	-	-	158,206	807	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a). Conversion factor of 37.75 GJ per 10^3m^3.
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, Page 2, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013.
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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Line No.	Particulars	Billing Units	2014 Tax Related Adjustments ($000's) (j)	2014 DSM ($000's) (k)	2014 Capital Pass-Throughs ($000's) (l)	Add Back Upstream Transportation ($000's) (m) = (-f)	Proposed Revenue ($000's) (n) = (g+h+j+k+l+m)	Proposed Rates ($/ GJ) (o) = (n / a)	Billing Unit Adjustments Demand Adjustment (p)	Billing Unit Adjustments LRAM Adjustment (q)	Proposed Usage including Demand & LRAM (r) = (a + p + q)	Proposed Revenue ($000's) (s)	Proposed Rates ($/ GJ) (t) = (s / r)	Rate Change (%) (u)
	M12 Transportation Service													
	Demand:													
	Dawn to Kirkwall													
1	- 12 months	GJ/d/mo	14	-	51	-	11,492				419,318	11,492	2.043	
2	- 10 months	GJ/d/mo	8	-	28	-	6,221				304,563	6,221	2.043	
3	- 2 months	GJ/d/mo	0	-	0	-	75				18,365	75	2.043	
4	- F24-T - 12 months	GJ/d/mo	-	-	-	-	40				49,500	40	0.068	
	Dawn to Parkway													
5	- 12 months	GJ/d/mo	129	-	472	-	102,632				3,226,050	102,632	2.421	
6	- 10 months	GJ/d/mo	2	-	7	-	1,573				65,000	1,573	2.421	
7	- 3 months	GJ/d/mo	0	-	0	-	15				2,000	15	2.421	
8	- F24-T - 12 months	GJ/d/mo	-	-	-	-	321				307,000	321	0.068	
	M12-X Easterly (between Dawn, Kirkwall and Parkway)													
9	- 12 months	GJ/d/mo	14	-	52	-	11,358				391,011	11,358	2.421	
	M12-X Westerly (between Dawn, Kirkwall and Parkway)													
10	- 12 months	GJ/d/mo	4	-	15	-	2,763				391,011	2,763	0.589	
	Kirkwall to Parkway													
11	- 12 months	GJ/d/mo	1	-	2	-	402				88,497	402	0.378	
12	- 2 months	GJ/d/mo	0	-	1	-	132				174,752	132	0.378	
	Commodity:													
13	Easterly - Providing Own Fuel	GJ	-	-	-	-	22,740				705,499,899	22,740		
	Westerly - Providing Own Fuel	GJ												
14	Parkway to Kirkwall/Dawn						12				905,475	12		
15	Kirkwall to Dawn						37				5,031,274	37		
16	**Total Rate M12**		172	-	629	-	159,813	-	-	-	716,873,715	159,813		1.45%

Notes:
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 10.

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						Adjustments to 2013 Base Rates					
Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) ($/ GJ)	One-Time Adjustments Settlement Agreement (4) ($000's)	2013 Capital Pass-Throughs ($000's)	Upstream Transportation ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g) = (b+d+e+f)	(h)	(i)
	M13 Transportation of Locally Produced Gas										
1	Monthly Fixed Charge	monthly	15	167	$926.60	-	-	-	167	1	
2	Transmission Commodity Charge	GJ	5,934,507	200	0.034	1	-	-	201	1	
3	Commodity	GJ	5,934,507	42	0.007	-	-	-	42	0	
4	**Total Rate M13**		5,934,507	409		1	-	-	410	2	0.51%
	M16 Transportation Service										
5	Monthly Fixed Charge	monthly	4	71	$1,474.12	-	-	-	71	0	
6	Transmission Commodity Charge	GJ	6,236,394	211	0.034	1	-	-	212	1	
	Charges West of Dawn:										
7	Firm Demand Charge	GJ/d	17,846	227	1.059	0	-	-	227	1	
8	Fuel & UFG to Dawn	GJ	4,098,775	29	0.007	-	-	-	29	0	
9	Fuel & UFG to Pool	GJ	4,098,775	86	0.021	-	-	-	86	0	
	Charges East of Dawn:										
10	Firm Demand Charge	GJ/d	9,067	81	0.741	-	-	-	81	0	
11	Fuel & UFG to Dawn	GJ	2,137,619	15	0.007	-	-	-	15	0	
12	Fuel & UFG to Pool	GJ	2,137,619	15	0.007	-	-	-	15	0	
13	**Total Rate M16**		12,472,788	733		1	-	-	735	4	0.51%

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a). Conversion factor of 37.75 GJ per 10^3m^3.
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, Page 2, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013.
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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									Billing Unit Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax Related Adjustments ($000's)	2014 DSM ($000's)	2014 Capital Pass-Throughs ($000's)	Add Back Upstream Transportation ($000's)	Proposed Revenue ($000's)	Proposed Rates ($/ GJ)	Demand Adjustment	LRAM Adjustment	Usage including Demand & LRAM	Revenue ($000's)	Rates ($/ GJ)	Rate Change (%)
			(j)	(k)	(l)	(m) = (-f)	(n) = (g+h+j+k+l+m)	(o) = (n / a)	(p)	(q)	(r) = (a + p + q)	(s)	(t) = (s / r)	(u)
	M13 Transportation of Locally Produced Gas													
1	Monthly Fixed Charge	monthly	-	-	-		168				15	168	$931.32	
2	Transmission Commodity Charge	GJ	0	-	(0)		202				5,934,507	202	0.034	
3	Commodity	GJ	-	-	-		42				5,934,507	42	0.007	
4	**Total Rate M13**		0	-	(0)	-	412	-	-	-	5,934,507	412		0.71%
	M16 Transportation Service													
5	Monthly Fixed Charge	monthly	-	-	-		71				4	71	$1,481.63	
6	Transmission Commodity Charge	GJ	0	-	(0)		213				6,236,394	213	0.034	
	Charges West of Dawn:													
7	Firm Demand Charge	GJ/d	0	-	(0)		228				17,846	228	1.065	
8	Fuel & UFG to Dawn	GJ	-	-	-		29				4,098,775	29	0.007	
9	Fuel & UFG to Pool	GJ	-	-	-		87				4,098,775	87	0.021	
	Charges East of Dawn:													
10	Firm Demand Charge	GJ/d	-	-	-		82				9,067	82	0.753	
11	Fuel & UFG to Dawn	GJ	-	-	-		15				2,137,619	15	0.007	
12	Fuel & UFG to Pool	GJ	-	-	-		15				2,137,619	15	0.007	
13	**Total Rate M16**		0	-	(0)	-	739	-	-	-	12,472,788	739		0.74%

Notes:

(5) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).

(6) EB-2013-0365, Rate Order, Working Papers, Schedule 10.

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Line No.	Particulars	Billing Units	Current Approved Forecast Usage (1)	Current Approved Revenue (2) ($000's)	Current Approved Rates (3) ($/ GJ)	Adjustments to 2013 Base Rates One-Time Adjustments Settlement Agreement (4) ($000's)	Adjustments to 2013 Base Rates 2013 Capital Pass-Throughs ($000's)	Adjustments to 2013 Base Rates Upstream Transportation ($000's)	Adjusted Revenue ($000's)	Price Cap Index ($000's)	Price Cap Index (%)
			(a)	(b)	(c)	(d)	(e)	(f)	(g) = (b+d+e+f)	(h)	(i)
	C1 Cross Franchise Transportation Service										
	Storage Service:										
1	Peak Storage(Short-term)	GJ	22,489,337	7,883		17	-	-	7,900		
	Commodity										
2	Off Peak Storage/ Balancing /Loans	GJ	-	2,500		-	-	-	2,500		
	Transportation Service:										
	Demand:										
	St.Clair & Dawn, Ojibway & Dawn										
3	- 12 months	GJ/mo	85,460	3,197	1.059	3	-	-	3,200	16	
	Parkway to Dawn/Kirkwall										
4	- 12 months	GJ/mo	347,371	2,414	0.579	12	-	-	2,426	12	
5	- 3 months	GJ/mo	54,357	94	0.579	0	-	-	95	0	
6	Kirkwall to Dawn	GJ/mo	-	-	1.021	-	-	-	-	-	
	Dawn to Parkway										
7	- 12 months	GJ/mo	7,065	413	2.382	-	-	-	413	2	
8	Kirkwall to Parkway	GJ/mo	-		0.372	-	-	-	-	-	
	Dawn to Dawn Vector					-	-	-			
9	- 12 months	GJ/mo	92,845	32	0.029	-	-	-	32	0	
	Dawn to Dawn TCPL					-	-				
10	- 12 months	GJ/mo	500,000	805	0.134	-	-	-	805	4	
	Firm Commodity										
	Easterly										
	Union Providing Fuel										
11	Dawn to Parkway (TCPL)	GJ	2,423,295	84		-	-	-	84	0	
	Providing Own Fuel										
12	Dawn to Dawn TCPL	GJ	5,000,000	83		-	-	-	83	0	
13	Dawn to Dawn Vector	GJ	18,280,703	244		-	-	-	244	1	
14	Ojibway to Dawn	GJ	9,968,577	165		-	-	-	165	1	
	Westerly - Providing Own Fuel										
15	Parkway to Kirkwall	GJ	0								
16	Parkway to Dawn	GJ	3,990,264	51		-	-	-	51	0	
17	Short-term Transportation	GJ	177,529,686	11,067		(6)	-	-	11,061		
18	Exchanges			14,918		-	-	-	14,918		
19	Other Transactional			1,067		-	-	-	1,067		
20	**Total Rate C1**		217,192,525	45,015		28	-	-	45,043	39	
21	**Total Ex-Franchise**			203,690		703	-	-	204,393	851	

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a). Conversion factor of 37.75 GJ per 10^3m^3.
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 8, Page 2, column (f).
(3) EB-2013-0316, Appendix A, rates effective October 1, 2013.
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 9, column (e).

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									Billing Unit Adjustments		Proposed			
Line No.	Particulars	Billing Units	2014 Tax Related Adjustments (5) ($000's) (j)	2014 DSM ($000's) (k)	2014 Capital Pass-Throughs (6) ($000's) (l)	Add Back Upstream Transportation ($000's) (m) = (-f)	Proposed Revenue ($000's) (n) = (g+h+j+k+l+m)	Proposed Rates ($/ GJ) (o) = (n / a)	Demand Adjustment (p)	LRAM Adjustment (q)	Usage including Demand & LRAM (r) = (a + p + q)	Revenue ($000's) (s)	Rates ($/ GJ) (t) = (s / r)	Rate Change (%) (u)
	C1 Cross Franchise Transportation Service													
	Storage Service:													
1	Peak Storage(Short-term)	GJ	5	-	(9)	-	7,896				22,489,337	7,896		
	Commodity													
2	Off Peak Storage/ Balancing /Loans	GJ	-	-	-	-	2,500					2,500		
	Transportation Service:													
	Demand:													
	St.Clair & Dawn, Ojibway & Dawn													
3	- 12 months	GJ/mo	1	-	-	-	3,217				85,460	3,217	1.065	
	Parkway to Dawn/Kirkwall													
4	- 12 months	GJ/mo	3	-	13	-	2,455				347,371	2,455	0.589	
5	- 3 months	GJ/mo	0	-	1	-	96				54,357	96	0.589	
6	Kirkwall to Dawn	GJ/mo	-	-	-	-	-				-	-	1.039	
	Dawn to Parkway													
7	- 12 months	GJ/mo	-	-	-	-	415				7,065	415	2.421	
8	Kirkwall to Parkway	GJ/mo	-	-	-	-	-				-	-		
	Dawn to Dawn Vector		-	-	-	-								
9	- 12 months	GJ/mo	-	-	-	-	32				92,845	32	0.029	
	Dawn to Dawn TCPL		-	-	-	-								
10	- 12 months	GJ/mo	-	-	-	-	809				500,000	809	0.135	
	Firm Commodity													
	Easterly													
	Union Providing Fuel													
11	Dawn to Parkway (TCPL)	GJ	-	-	-	-	84				2,423,295	84		
	Providing Own Fuel													
12	Dawn to Dawn TCPL	GJ	-	-	-	-	83				5,000,000	83		
13	Dawn to Dawn Vector	GJ	-	-	-	-	245				18,280,703	245		
14	Ojibway to Dawn	GJ	-	-	-	-	165				9,968,577	165		
	Westerly - Providing Own Fuel													
15	Parkway to Kirkwall	GJ												
16	Parkway to Dawn	GJ	-	-	-	-	52				3,990,264	52		
17	Short-term Transportation	GJ	0	-	(1)	-	11,061				177,529,686	11,061		
18	Exchanges		-	-	-	-	14,918					14,918		
19	Other Transactional		-	-	-	-	1,067					1,067		
20	**Total Rate C1**		10	-	4	-	45,095	-	-	-	240,768,960	45,095		0.18%
21	**Total Ex-Franchise**		182	-	633	-	206,060	-	-	-		206,059		

Notes:
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 2, column (b).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 10.

UNION GAS LIMITED
Rate Impact Continuity
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Line No.	Particulars		2013 Current Approved Revenue (a)	One-Time Adjustments Settlement Agreement (b)	Application of Price Cap Index (c)	2014 Tax-Related Adjustments (d)	2014 DSM (e)	2014 Capital Pass Throughs (f)	Total Excluding Volume Adjustments (g) = sum (a to f)	Volume Adjustments (h)	Total Including Volume Adjustments (i) = (g + h)
	In-Franchise North Delivery										
1	R01	Revenue ($000's)	160,443	(839)	786	132	48	(229)	160,341		160,341
2		Volumes (10^3m^3)	884,421	884,421	884,421	884,421	884,421	884,421	884,421	42,542	926,963
3		Average rate (cents / m^3)	18.1410	(0.0949)	0.0888	0.0150	0.0054	(0.0259)	18.1295	(0.8320)	17.2975
4		Average rate change (1)		-0.5%	0.5%	0.1%	0.0%	-0.1%	-0.1%	-4.6%	-4.6%
5	R10	Revenue ($000's)	19,736	(59)	92	18	15	(30)	19,773		19,773
6		Volumes (10^3m^3)	322,887	322,887	322,887	322,887	322,887	322,887	322,887	20,643	343,530
7		Average rate (cents / m^3)	6.1124	(0.0181)	0.0284	0.0055	0.0047	(0.0092)	6.1237	(0.3680)	5.7557
8		Average rate change (1)		-0.3%	0.5%	0.1%	0.1%	-0.2%	0.2%	-6.0%	-5.8%
9	R20	Revenue ($000's)	13,415	(47)	63	15	13	(22)	13,436		13,436
10		Volumes (10^3m^3)	629,802	629,802	629,802	629,802	629,802	629,802	629,802	(6,949)	622,853
11		Average rate (cents / m^3)	2.1300	(0.0074)	0.0099	0.0024	0.0020	(0.0036)	2.1333	0.0238	2.1571
12		Average rate change (1)		-0.3%	0.5%	0.1%	0.1%	-0.2%	0.2%	1.1%	1.3%
13	R25	Revenue ($000's)	4,473	(18)	23	4	-	(7)	4,475		4,475
14		Volumes (10^3m^3)	159,555	159,555	159,555	159,555	159,555	159,555	159,555	-	159,555
15		Average rate (cents / m^3)	2.8033	(0.0116)	0.0142	0.0028	-	(0.0042)	2.8045	-	2.8045
16		Average rate change (1)		-0.4%	0.5%	0.1%	0.0%	-0.2%	0.0%	0.0%	0.0%
17	R100	Revenue ($000's)	15,479	(51)	69	13	23	(19)	15,514		15,514
18		Volumes (10^3m^3)	1,895,488	1,895,488	1,895,488	1,895,488	1,895,488	1,895,488	1,895,488	(18,093)	1,877,394
19		Average rate (cents / m^3)	0.8166	(0.0027)	0.0037	0.0007	0.0012	(0.0010)	0.8185	0.0079	0.8264
20		Average rate change (1)		-0.3%	0.4%	0.1%	0.1%	-0.1%	0.2%	1.0%	1.2%
	In-franchise South Delivery and Storage										
21	M1 - Delivery	Revenue ($000's)	366,010	(1,115)	1,808	293	135	(416)	366,714		366,714
22		Volumes (10^3m^3)	2,939,543	2,939,543	2,939,543	2,939,543	2,939,543	2,939,543	2,939,543	(28,570)	2,910,973
23		Average rate (cents / m^3)	12.4512	(0.0379)	0.0615	0.0100	0.0046	(0.0141)	12.4752	0.1224	12.5977
24	M1 - Storage	Revenue ($000's)	21,660	71	111	36	-	(66)	21,811		21,811
25		Volumes (10^3m^3)	2,939,543	2,939,543	2,939,543	2,939,543	2,939,543	2,939,543	2,939,543	(28,570)	2,910,973
26		Average rate (cents / m^3)	0.7368	0.0024	0.0038	0.0012	-	(0.0022)	0.7420	0.0073	0.7493
27	M1	Total Revenue ($000's)	387,669	(1,045)	1,918	329	135	(481)	388,526		388,526
28		Total Average rate (cents / m^3)	13.1881	(0.0355)	0.0653	0.0112	0.0046	(0.0164)	13.2172	0.1297	13.3469
29		Average rate change (1)		-0.3%	0.5%	0.1%	0.0%	-0.1%	0.2%	1.0%	1.2%
30	M2 - Delivery	Revenue ($000's)	42,370	(23)	196	38	50	(34)	42,596		42,596
31		Volumes (10^3m^3)	975,571	975,571	975,571	975,571	975,571	975,571	975,571	143,881	1,119,452
32		Average rate (cents / m^3)	4.3431	(0.0024)	0.0201	0.0039	0.0052	(0.0035)	4.3663	(0.5612)	3.8051
33	M2 - Storage	Revenue ($000's)	7,366	24	38	12	-	(22)	7,417		7,417
34		Volumes (10^3m^3)	975,571	975,571	975,571	975,571	975,571	975,571	975,571	143,881	1,119,452
35		Average rate (cents / m^3)	0.7550	0.0025	0.0039	0.0012	-	(0.0023)	0.7603	(0.0977)	0.6626
36	M2	Total Revenue ($000's)	49,736	1	234	50	50	(57)	50,014		50,014
37		Total Average rate (cents / m^3)	5.0981	0.0001	0.0240	0.0051	0.0052	(0.0058)	5.1266	(0.6589)	4.4677
38		Average rate change (1)		0.0%	0.5%	0.1%	0.1%	-0.1%	0.6%	-12.9%	-12.4%
39	M4	Revenue ($000's)	12,145	(16)	54	12	21	(13)	12,203		12,203
40		Volumes (10^3m^3)	404,678	404,678	404,678	404,678	404,678	404,678	404,678	(13,048)	391,630
41		Average rate (cents / m^3)	3.0011	(0.0040)	0.0133	0.0031	0.0051	(0.0031)	3.0154	0.1005	3.1159
42		Average rate change (1)		-0.1%	0.4%	0.1%	0.2%	-0.1%	0.5%	3.3%	3.8%
43	M5	Revenue ($000's)	13,090	(47)	53	11	35	(17)	13,124		13,124
44		Volumes (10^3m^3)	535,132	535,132	535,132	535,132	535,132	535,132	535,132	(8,589)	526,543
45		Average rate (cents / m^3)	2.4461	(0.0088)	0.0099	0.0020	0.0065	(0.0031)	2.4525	0.0400	2.4925
46		Average rate change (1)		-0.4%	0.4%	0.1%	0.3%	-0.1%	0.3%	1.6%	1.9%

Notes:
(1) Average rate change is compared to column (a).

UNION GAS LIMITED
Rate Impact Continuity
Effective January 1, 2014

Line No.	Particulars		2013 Current Approved Revenue	One-Time Adjustments Settlement Agreement	Application of Price Cap Index	2014 Tax-Related Adjustments	2014 DSM	2014 Capital Pass Throughs	Total Excluding Volume Adjustments	Volume Adjustments	Total Including Volume Adjustments
			(a)	(b)	(c)	(d)	(e)	(f)	(g) = sum (a to f)	(h)	(i) = (g + h)
	In-franchise South Delivery and Storage (Con't)										
1	M7	Revenue ($000's)	4,069	(3)	16	4	12	(4)	4,095		4,095
2		Volumes (10^3m^3)	147,143	147,143	147,143	147,143	147,143	147,143	147,143	(2,737)	144,407
3		Average rate (cents / m^3)	2.7655	(0.0018)	0.0110	0.0029	0.0079	(0.0026)	2.7830	0.0527	2.8357
4		Average rate change (1)		-0.1%	0.4%	0.1%	0.3%	-0.1%	0.6%	1.9%	2.5%
5	M9	Revenue ($000's)	702	1	4	1	-	(0)	707		707
6		Volumes (10^3m^3)	60,750	60,750	60,750	60,750	60,750	60,750	60,750	-	60,750
7		Average rate (cents / m^3)	1.1550	0.0019	0.0059	0.0013	-	(0.0005)	1.1637	-	1.1637
8		Average rate change (1)		0.2%	0.5%	0.1%	0.0%	0.0%	0.8%	0.0%	0.8%
9	M10	Revenue ($000's)	10	(0)	0	0	-	(0)	9		9
10		Volumes (10^3m^3)	189	189	189	189	189	189	189	-	189
11		Average rate (cents / m^3)	5.1133	(0.2472)	0.0248	0.0166	-	(0.0118)	4.9221	-	4.9221
12		Average rate change (1)		-4.8%	0.5%	0.3%	0.0%	-0.2%	-3.7%	0.0%	-3.7%
13	T1	Revenue ($000's)	10,612	(10)	45	9	23	(9)	10,670		10,670
14		Volumes (10^3m^3)	548,986	548,986	548,986	548,986	548,986	548,986	548,986	(8,944)	540,042
15		Average rate (cents / m^3)	1.9329	(0.0018)	0.0082	0.0017	0.0042	(0.0016)	1.9435	0.0322	1.9757
16		Average rate change (1)		-0.1%	0.4%	0.1%	0.2%	-0.1%	0.5%	1.7%	2.2%
17	T2	Revenue ($000's)	42,076	59	202	38	34	(31)	42,376		42,376
18		Volumes (10^3m^3)	4,880,298	4,880,298	4,880,298	4,880,298	4,880,298	4,880,298	4,880,298	(55,769)	4,824,529
19		Average rate (cents / m^3)	0.8622	0.0012	0.0041	0.0008	0.0007	(0.0006)	0.8683	0.0100	0.8783
20		Average rate change (1)		0.1%	0.5%	0.1%	0.1%	-0.1%	0.7%	1.2%	1.9%
21	T3	Revenue ($000's)	4,400	16	23	5	-	(1)	4,443		4,443
22		Volumes (10^3m^3)	272,712	272,712	272,712	272,712	272,712	272,712	272,712	-	272,712
23		Average rate (cents / m^3)	1.6133	0.0060	0.0083	0.0018	-	(0.0002)	1.6291	-	1.6291
24		Average rate change (1)		0.4%	0.5%	0.1%	0.0%	0.0%	1.0%	0.0%	1.0%
	Northern Transportation and Storage										
25	R01	Revenue ($000's)	77,377	42	78	18	-	10	77,525		77,525
26		Volumes (10^3m^3)	884,421	884,421	884,421	884,421	884,421	884,421	884,421	42,542	926,963
27		Average rate (cents / m^3)	8.7489	0.0048	0.0088	0.0021	-	0.0011	8.7656	(0.4023)	8.3633
28		Average rate change (1)		0.1%	0.1%	0.0%	0.0%	0.0%	0.2%	-4.6%	-4.4%
29	R10	Revenue ($000's)	24,392	12	21	5	-	1	24,432		24,432
30		Volumes (10^3m^3)	322,887	322,887	322,887	322,887	322,887	322,887	322,887	20,643	343,530
31		Average rate (cents / m^3)	7.5544	0.0038	0.0064	0.0017	-	0.0004	7.5667	(0.4547)	7.1120
32		Average rate change (1)		0.1%	0.1%	0.0%	0.0%	0.0%	0.2%	-6.0%	-5.9%
33	R20	Revenue ($000's)	7,944	(2)	6	1	-	0	7,949		7,949
34		Volumes (10^3m^3)	121,935	121,935	121,935	121,935	121,935	121,935	121,935	-	121,935
35		Average rate (cents / m^3)	6.5149	(0.0018)	0.0049	0.0012	-	0.0002	6.5194	-	6.5194
36		Average rate change (1)		0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
37	R25	Revenue ($000's)	1,458	(3)	0	0	-	(0)	1,455		1,455
38		Volumes (10^3m^3)	42,913	42,913	42,913	42,913	42,913	42,913	42,913	-	42,913
39		Average rate (cents / m^3)	3.3972	(0.0068)	0.0002	0.0000	-	(0.0001)	3.3906	-	3.3906
40		Average rate change (1)		-0.2%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.0%	-0.2%
41	R100	Revenue ($000's)	166	(2)	1	0	-	0	165		165
42		Change (1)		-1.0%	0.3%	0.1%	0.0%	0.0%	-0.6%	0.0%	-0.6%
	Ex-franchise - Cost Based										
43	M12	Revenue ($000's)	157,532	674	807	172	-	629	159,813		159,813
44		Change (1)		0.4%	0.5%	0.1%	0.0%	0.4%	1.4%	0.0%	1.4%
45	M13	Revenue ($000's)	409	1	2	0	-	(0)	412		412
46		Change (1)		0.3%	0.5%	0.0%	0.0%	-0.1%	0.7%	0.0%	0.7%
47	M16	Revenue ($000's)	733	1	4	0	-	(0)	739		739
48		Change (1)		0.2%	0.5%	0.0%	0.0%	0.0%	0.7%	0.0%	0.7%
49	C1	Revenue ($000's)	45,015	28	39	10	-	4	45,095		45,095
50		Change (1)		0.1%	0.1%	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%

Notes:
(1) Average rate change is compared to column (a).

UNION GAS LIMITED
Union North
Percentage Change in Average Unit Price
Effective January 1, 2014

Line No.	Particulars (cents/m^3)	Rate Classification	Current Approved Rates (1) (cents / m^3)	Rate Change	Proposed Rates (2) (cents / m^3)	Percent Change (3) (%)
			(a)	(b) = (c - a)	(c)	(d) = (b / a)
	Small Volume General Service	01				
1	Delivery		18.1410	(0.8436)	17.2975	-4.6%
2	Gas Supply Transportation		5.5735	(0.2571)	5.3164	-4.6%
3	Storage		3.1754	(0.1284)	3.0470	-4.0%
4	Total		26.8899	(1.2291)	25.6608	-4.6%
	Large Volume General Service	10				
5	Delivery		6.1124	(0.3567)	5.7557	-5.8%
6	Gas Supply Transportation		5.2459	(0.3159)	4.9299	-6.0%
7	Storage		2.3085	(0.1264)	2.1821	-5.5%
8	Total		13.6667	(0.7990)	12.8677	-5.8%
	Medium Volume Firm Service	20				
9	Delivery		2.1300	0.0271	2.1571	1.3%
10	Gas Supply Transportation		6.5149	0.0045	6.5194	0.1%
11	Total		8.6449	0.0316	8.6765	0.4%
	Large Volume High Load Factor	100				
12	Delivery		0.8166	0.0098	0.8264	1.2%
	Large Volume Interruptible	25				
13	Delivery		2.8033	0.0012	2.8045	0.0%

Notes:
(1) EB-2013-0365, Rate Order, Working Papers, Schedule 4, column (c).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 4, column (w).
(3) Excludes Gas Supply Commodity related costs.

UNION GAS LIMITED
Union South
Percentage Change in Average Unit Price
Effective January 1, 2014

Line No.	Particulars (cents/m^3)	Rate Classification	Current Approved Rates (1) (cents / m^3)	Rate Change	Proposed Rates (2) (cents / m^3)	Percent Change (3) (%)
			(a)	(b) = (c - a)	(c)	(d) = (b / a)
	General Service	M1				
1	Delivery		12.4512	0.1464	12.5977	1.2%
2	Storage		0.7368	0.0125	0.7493	1.7%
3	Total		13.1881	0.1589	13.3470	1.2%
	General Service	M2				
4	Delivery		4.3431	(0.5380)	3.8051	-12.4%
5	Storage		0.7550	(0.0924)	0.6626	-12.2%
6	Total		5.0981	(0.6304)	4.4677	-12.4%
	Firm Contract Commercial / Industrial	M4				
7	Delivery		3.0011	0.1148	3.1159	3.8%
	Firm Contract Commercial / Industrial	M5 (F)				
8	Delivery		2.9308	0.0265	2.9572	0.9%
	Interruptible Contract Commercial / Industrial	M5 (I)				
9	Delivery		2.4298	0.0471	2.4769	1.9%
	Firm Special Large Volume Contract	M7 (F)				
10	Delivery		2.8155	0.0721	2.8876	2.6%
	Interruptible Special Large Volume Contract	M7 (I)				
11	Delivery		1.2356	0.0098	1.2454	0.8%
	Large Wholesale Service	M9				
12	Delivery		1.1550	0.0087	1.1637	0.8%
	Small Wholesale Service	M10				
13	Delivery		5.1133	(0.2176)	4.8957	-4.3%
	Storage and Transportation	T1 (F/I)				
14	Delivery		1.9329	0.0429	1.9759	2.2%
15	Delivery excluding fuel		1.8789	0.0417	1.9207	2.2%
	Storage and Transportation	T2 (F/I)				
16	Delivery		0.8622	0.0162	0.8784	1.9%
17	Delivery excluding fuel		0.8211	0.0155	0.8366	1.9%
18	Storage and Transportation Distributor	T3	1.6133	0.0159	1.6291	1.0%

Notes:
(1) EB-2013-0365, Rate Order, Working Papers, Schedule 4, column (c).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 4, column (w).
(3) Excludes Gas Supply Commodity related costs.

UNION GAS LIMITED
Union South
General Service Customer Bill Impacts

Line No.		Rate M1 - Residential (Annual Consumption of 2,200 m^3)				Rate M2 - Commercial (Annual Consumption of 73,000 m^3)			
		EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)		EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)	
		(a)	(b)	(c) = (b) - (a)		(d)	(e)	(f) = (e) - (d)	
	Delivery Charges								
1	Monthly Charge	252.00	252.00	-		840.00	840.00	-	
2	Delivery Commodity Charge	77.55	78.87	1.32		2,898.34	2,540.34	(358.00)	
3	Storage Services	16.23	16.49	0.26		551.15	483.69	(67.46)	
4	Total Delivery Charge	345.78	347.36	1.58	0.5%	4,289.49	3,864.03	(425.46)	-9.9%
	Gas Supply Charges								
5	Transportation to Union	86.69	86.69	-		2,876.35	2,876.35	-	
6	Commodity & Fuel	274.81	274.78	(0.03)		9,118.28	9,117.48	(0.80)	
7	Total Gas Supply Charges	361.50	361.47	(0.03)		11,994.63	11,993.83	(0.80)	
8	Total Bill	707.28	708.83	1.55	0.2%	16,284.12	15,857.86	(426.26)	-2.6%
9	Impact - Sales Service (line 8)			1.55				(426.26)	
10	Impact - Direct Purchase (line 4)			1.58				(425.46)	

Notes:
(1) Excludes temporary charges/(credits) and prospective recovery.

UNION GAS LIMITED
Union North
General Service Customer Bill Impacts

		(Fort Frances) Rate 01 - Residential (Annual Consumption of 2,200 m³)				(Western) Rate 01 - Residential (Annual Consumption of 2,200 m³)			
Line No.		EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)		EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)	
		(a)	(b)	(c) = (b) - (a)		(d)	(e)	(f) = (e) - (d)	
	Delivery Charges								
1	Monthly Charge	252.00	252.00	-		252.00	252.00	-	
2	Delivery Commodity Charge	205.52	195.34	(10.18)		205.52	195.34	(10.18)	
3	Total Delivery Charge	457.52	447.34	(10.18)	-2.2%	457.52	447.34	(10.18)	-2.2%
	Supply Charges								
4	Transportation to Union	95.49	91.07	(4.42)		94.37	89.98	(4.39)	
5	Storage Services	47.32	45.40	(1.92)		52.60	50.48	(2.12)	
6	Subtotal	142.81	136.47	(6.34)	-4.4%	146.97	140.46	(6.51)	-4.4%
7	Commodity & Fuel	269.91	269.89	(0.02)		271.34	271.31	(0.02)	
8	Total Gas Supply Charge	412.72	406.36	(6.36)		418.31	411.77	(6.53)	
9	Total Bill	870.24	853.70	(16.54)	-1.9%	875.83	859.11	(16.71)	-1.9%
10	Impact - Sales Service (line 9)			(16.54)				(16.71)	
11	Impact - Direct Purchase (line 3 + line 6)			(16.52)				(16.69)	

Notes:
(1) Excludes temporary charges/(credits) and prospective recovery.

UNION GAS LIMITED
Union North
General Service Customer Bill Impacts

Line No.		(Northern) Rate 01 - Residential (Annual Consumption of 2,200 m³)				(Eastern) Rate 01 - Residential (Annual Consumption of 2,200 m³)			
		EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)		EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)	
		(a)	(b)	(c) = (b) - (a)		(d)	(e)	(f) = (e) - (d)	
	Delivery Charges								
1	Monthly Charge	252.00	252.00	-		252.00	252.00	-	
2	Delivery Commodity Charge	205.46	195.27	(10.19)		205.16	195.03	(10.13)	
3	Total Delivery Charge	457.46	447.27	(10.19)	-2.2%	457.16	447.03	(10.13)	-2.2%
	Supply Charges								
4	Transportation to Union	122.43	116.79	(5.64)		139.25	132.82	(6.43)	
5	Storage Services	70.97	68.09	(2.88)		78.75	75.57	(3.18)	
6	Subtotal	193.40	184.88	(8.52)	-4.4%	218.00	208.39	(9.61)	-4.4%
7	Commodity & Fuel	273.20	273.18	(0.02)		274.82	274.79	(0.02)	
8	Total Gas Supply Charge	466.60	458.06	(8.54)		492.82	483.18	(9.63)	
9	Total Bill	924.06	905.33	(18.73)	-2.0%	949.98	930.21	(19.76)	-2.1%
10	Impact - Sales Service (line 9)			(18.73)				(19.76)	
11	Impact - Direct Purchase (line 3 + line 6)			(18.71)				(19.74)	

Notes:
(1) Excludes temporary charges/(credits) and prospective recovery.

UNION GAS LIMITED
Union North
General Service Customer Bill Impacts

Line No.		(Fort Frances) Rate 10 - Commercial / Industrial (Annual Consumption of 93,000 m³) EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)		(Western) Rate 10 - Commercial / Industrial (Annual Consumption of 93,000 m³) EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1)	Impact ($)	
		(a)	(b)	(c) = (b) - (a)		(d)	(e)	(f) = (e) - (d)	
	Delivery Charges								
1	Monthly Charge	840.00	840.00	-		840.00	840.00	-	
2	Delivery Commodity Charge	5,857.15	5,513.48	(343.67)		5,857.15	5,513.48	(343.67)	
3	Total Delivery Charge	6,697.15	6,353.48	(343.67)	-5.1%	6,697.15	6,353.48	(343.67)	-5.1%
	Supply Charges								
4	Transportation to Union	3,598.64	3,381.84	(216.80)		3,550.09	3,336.29	(213.80)	
5	Storage Services	1,117.39	1,056.20	(61.19)		1,340.88	1,267.40	(73.48)	
6	Subtotal	4,716.03	4,438.04	(277.99)	-5.9%	4,890.97	4,603.69	(287.28)	-5.9%
7	Commodity & Fuel	11,409.80	11,408.77	(1.02)		11,470.15	11,469.13	(1.02)	
8	Total Gas Supply Charge	16,125.83	15,846.81	(279.01)		16,361.12	16,072.82	(288.30)	
9	Total Bill	22,822.98	22,200.29	(622.68)	-2.7%	23,058.27	22,426.30	(631.97)	-2.7%
10	Impact - Sales Service (line 9)			(622.68)				(631.97)	
11	Impact - Direct Purchase (line 3 + line 6)			(621.66)				(630.95)	

Notes:

(1) Excludes temporary charges/(credits) and prospective recovery.

UNION GAS LIMITED
Union North
General Service Customer Bill Impacts

Line No.		(Northern) Rate 10 - Commercial / Industrial (Annual Consumption of 93,000 m³) EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1) (a)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1) (b)	Impact ($) (c) = (b) - (a)		(Eastern) Rate 10 - Commercial / Industrial (Annual Consumption of 93,000 m³) EB-2013-0316 Approved 01-Oct-13 Total Bill ($) (1) (d)	EB-2013-0365 Proposed 01-Jan-14 Total Bill ($) (1) (e)	Impact ($) (f) = (e) - (d)	
	Delivery Charges								
1	Monthly Charge	840.00	840.00	-		840.00	840.00	-	
2	Delivery Commodity Charge	5,851.56	5,508.28	(343.28)		5,865.91	5,521.65	(344.26)	
3	Total Delivery Charge	6,691.56	6,348.28	(343.28)	-5.1%	6,705.91	6,361.65	(344.26)	-5.1%
	Supply Charges								
4	Transportation to Union	4,737.51	4,452.18	(285.33)		5,447.86	5,119.75	(328.11)	
5	Storage Services	2,116.67	2,000.79	(115.88)		2,446.53	2,312.54	(133.99)	
6	Subtotal	6,854.18	6,452.97	(401.21)	-5.9%	7,894.39	7,432.29	(462.10)	-5.9%
7	Commodity & Fuel	11,549.02	11,548.00	(1.02)		11,617.19	11,616.17	(1.02)	
8	Total Gas Supply Charge	18,403.20	18,000.97	(402.23)		19,511.58	19,048.46	(463.12)	
9	Total Bill	25,094.76	24,349.25	(745.51)	-3.0%	26,217.49	25,410.11	(807.38)	-3.1%
10	Impact - Sales Service (line 9)			(745.51)				(807.38)	
11	Impact - Direct Purchase (line 3 + line 6)			(744.49)				(806.36)	

Notes:
(1) Excludes temporary charges/(credits) and prospective recovery.

UNION GAS LIMITED
Summary of Approved 2013 Revenue Changes

Line No.	Particulars ($000's)	Approved 2013 Revenue per EB-2011-0210 (1)	Revenue change per EB-2011-0210 (2)	Revenue change per EB-2013-0033 (3)	Revenue change per EB-2013-0215 (4)	Revenue change per EB-2013-0316 (5)	2013 Revenue per EB-2013-0365 (6)
		(a)	(b)	(c)	(d)	(e)	(f) = (a+b+c+d+e)
	In-Franchise North Delivery						
1	R01	160,467	782	(91)	495	(1,210)	160,443
2	R10	19,743	235	(28)	149	(364)	19,736
3	R20	13,417	79	(9)	50	(122)	13,415
4	R25	4,473	-	-	-	-	4,473
5	R100	15,478	2	(0)	2	(5)	15,477
6	Total In-Franchise North Delivery	213,579	1,099	(129)	696	(1,701)	213,544
	In-franchise South Delivery and Storage						
7	M1	387,717	1,451	(170)	920	(2,248)	387,670
8	M2	49,752	488	(57)	310	(757)	49,735
9	M4	12,149	151	(18)	95	(233)	12,145
10	M5	13,096	192	(22)	122	(297)	13,090
11	M7	4,071	56	(7)	35	(86)	4,069
12	M9	702	24	(3)	15	(37)	702
13	M10	10	0	(0)	0	(0)	10
14	T1	10,614	28	(5)	18	(43)	10,612
15	T2	42,082	87	(14)	54	(133)	42,076
16	T3	4,400	-	-	-	-	4,400
17	Total In-Franchise South Delivery and Storage	524,592	2,477	(295)	1,570	(3,836)	524,508
18	Total In-franchise Delivery	738,171	3,576	(424)	2,266	(5,536)	738,052

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 13, column (f).
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 24. Update to January 2013 QRAM WACOG (EB-2012-0437).
(3) EB-2013-0033, Tab 2, Schedule 4.
(4) EB-2013-0215, Tab 2, Schedule 4.
(5) EB-2013-0316, Tab 2, Schedule 4
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 3, column (a).

UNION GAS LIMITED
Summary of Approved 2013 Revenue Changes

Line No.	Particulars ($000's)	Approved 2013 Revenue per EB-2011-0210 (1) (a)	Revenue change per EB-2011-0210 (2) (b)	Revenue change per EB-2013-0033 (3) (c)	Revenue change per EB-2013-0215 (4) (d)	Revenue change per EB-2013-0316 (5) (e)	2013 Revenue per EB-2013-0365 (6) (f) = (a+b+c+d+e)
	Northern Transportation and Storage						
1	R01	94,442	-	-	-	(17,065) (7)	77,377
2	R10	30,338	-	-	-	(5,946) (7)	24,392
3	R20	10,055	-	-	-	(2,111) (7)	7,944
4	R25	2,010	-	-	-	(552) (7)	1,458
5	R100	166	-	-	-	-	166
6	Total Northern Transportation and Storage	137,011	-	-	-	(25,674)	111,337
7	Gas Supply Admin Charge	6,830	-	-	-	-	6,830
8	Total In-franchise	882,011	3,576	(424)	2,266	(31,210)	856,218
	Ex-franchise - Cost Based						
9	M12	157,532	-	-	-	-	157,532
10	M13	411	7	(1)	4	(10)	409
11	M16	736	23	(4)	14	(35)	733
12	C1	45,015	13	(2)	8	(20)	45,015
13	Total Ex-franchise	203,695	43	(7)	27	(65)	203,690
14	Total Union Gas	1,085,705	3,618	(431)	2,293	(31,275)	1,059,908

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 13, column (f).
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 24. Update to January 2013 QRAM WACOG (EB-2012-0437).
(3) EB-2013-0033, Tab 2, Schedule 4.
(4) EB-2013-0215, Tab 2, Schedule 4.
(5) EB-2013-0316, Tab 2, Schedule 4
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 3, column (a).
(7) EB-2013-0316, Working Papers, Schedule 4, Page 2.

UNION GAS LIMITED
Allocation of 2014 One-time Adjustments

Line No.	Particulars ($000's)	Deferred Tax Drawdown 2013 Approved Allocation (1)	Deferred Tax Drawdown Adjustment (2)	Administrative & General O&M Expense 2013 Approved Allocation (3)	Administrative & General O&M Expense Adjustment (4)	Total Adjustment
		(a)	(b)	(c)	(d)	(e) = (b + d)
	Union North In-Franchise					
1	R01	(478)	99	18,086	(904)	(804)
2	R10	(125)	26	1,524	(74)	(48)
3	R20	(33)	7	1,206	(56)	(49)
4	R100	(2)	0	1,092	(53)	(52)
5	R25	-	-	480	(22)	(22)
6	Total Union North In-Franchise	(639)	133	22,387	(1,108)	(976)
	Union South In-Franchise					
7	Rate M1	(5,973)	1,242	46,272	(2,311)	(1,069)
8	Rate M2	(995)	207	4,279	(210)	(3)
9	Rate M4	(268)	56	1,482	(72)	(16)
10	Rate M5	(151)	31	1,627	(79)	(47)
11	Rate M7	(96)	20	450	(23)	(3)
12	Rate M9	(20)	4	59	(3)	1
13	Rate M10	(1)	0	13	(1)	(0)
14	Rate T1	(215)	45	1,118	(55)	(11)
15	Rate T2	(1,067)	222	3,239	(163)	59
16	Rate T3	(167)	35	364	(18)	16
17	Total Union South In-Franchise	(8,952)	1,861	58,904	(2,934)	(1,073)
	Ex-Franchise					
18	Excess Utility Space	(172)	36	363	(18)	17
19	Rate C1	(32)	7	182	(9)	(3)
20	Rate M12	(5,365)	1,115	8,447	(429)	686
21	Rate M13	(3)	1	0	(0)	1
22	Rate M16	(6)	1	12	(1)	1
23	Total Ex-franchise	(5,578)	1,160	9,004	(457)	703
24	Grand Total (line 6 + 17 + 23)	(15,169)	3,154	90,295	(4,500)	(1,346)

Notes:

(1) EB-2011-0210, Exhibit G3, Tab 2, Schedule 2, Updated for the EB-2011-0210 Board Decision (2013 Board-approved allocation of the Deferred Tax Drawdown).
(2) Allocated using column (a).
(3) EB-2011-0210, Exhibit G3, Tab 2, Schedule 2, Updated for the EB-2011-0210 Board Decision (2013 Board-approved allocation of Administrative O&M expenses).
(4) Allocated using column (c).

Filed: 2013-10-31
EB-2013-0365
Rate Order
Working Papers
Schedule 10

UNION GAS LIMITED
Summary of 2014 Capital Pass Through Adjustments

Line No.	Particulars ($000's)	2014 Capital Pass Through Adjustments (a)
	Union North In-Franchise	
1	Rate 01	(219)
2	Rate 10	(28)
3	Rate 20	(22)
4	Rate 25	(7)
5	Rate 100	(19)
6	Total Union North In-Franchise	(295)
	Union South In-Franchise	
7	Rate M1	(482)
8	Rate M2	(57)
9	Rate M4	(13)
10	Rate M5A	(17)
11	Rate M7	(4)
12	Rate M9	(0)
13	Rate M10	(0)
14	Rate T1	(9)
15	Rate T2	(32)
16	Rate T3	(1)
17	Total Union South In-Franchise	(614)
	Ex-Franchise	
18	Excess Utility Space	(9)
19	Rate M12	643
20	Rate M13	(0)
21	Rate M16	0
22	Rate C1	(0)
23	Total Ex-Franchise	633
24	Grand Total (line 6 + 17 + 23)	(276)

Filed: 2013-10-31
EB-2013-0365
Rate Order
Working Papers
Schedule 11

UNION GAS LIMITED
Calculation of 2014 DSM Budget
Allocation by Rate Class

Line No.	Particulars ($000's)	2013 Approved DSM Budget (1)	2014 DSM Program Budget	Low Income Program Budget	Inflation Factor (2)	Inflation Factor	DSM Budget
		(a)	(b)	(c)	(d)	(e) = (b+c) x (d)	(f) = (b+c+e)
	Union North						
1	Rate 01	3,732	1,998	1,734	1.29%	48	3,780
2	Rate 10	1,186	890	296	1.29%	15	1,202
3	Rate 20	974	883	92	1.29%	13	987
4	Rate 100	1,798	1,607	191	1.29%	23	1,821
5	Total Union North	7,690	5,378	2,312		99	7,789
	Union South						
6	Rate M1	10,451	6,228	4,223	1.29%	135	10,585
7	Rate M2	3,896	3,321	575	1.29%	50	3,946
8	Rate M4	1,607	1,464	143	1.29%	21	1,628
9	Rate M5A	2,683	2,582	101	1.29%	35	2,717
10	Rate M7	906	836	69	1.29%	12	917
11	Rate T1	1,801	1,697	104	1.29%	23	1,824
12	Rate T2	2,609	2,053	555	1.29%	34	2,642
13	Total Union South	23,951	18,181	5,770		309	24,260
14	Total Union (line 5 + line 13)	31,641	23,559	8,082		408	32,049

Notes:
(1) Per EB-2011-0210 Board approved Cost Study.
(2) Per Statistics Canada CanSim Table 380-0066 - Annual percentage change in the Gross Domestic Product Implicit Price Index (GDP IPI) for the four quarters ending Q2 2013.

Annual % Change in GDP IPI	
July - September 2012	1.67%
October - December 2012	1.01%
January - March 2013	1.19%
April - June 2013	1.28%
Average % Change	1.29%

UNION GAS LIMITED
Calculation of 2014 NAC Target Percentage Change to General Service Rate Classes

Line No.	Particulars (m^3)	2013 Forecast NAC (1)	2012 Actual NAC (1)(2)	NAC Variance	2014 NAC Target % Change
		(a)	(b)	(c) = (b - a)	(d) = (c / b)
1	Rate 01	2,765	2,898	133	4.8%
2	Rate 10	157,381	167,443	10,062	6.4%
3	Rate M1	2,778	2,751	(27)	-1.0%
4	Rate M2	143,867	165,085	21,218	14.7%

Notes:
(1) NAC based on 2013 Board-approved 50/50 weather methodology.
(2) 2012 Actual NAC calculated using 2014 weather normal.

UNION GAS LIMITED
Calculation of 2014 NAC Target Percentage Change
Volumetric Adjustments to Union North General Service Rate Classes

Line No.	Particulars (10^3m^3)	Approved 2013 Billing Units (1)	2014 NAC Target % Change (2)	Change in Billing Units	Proposed 2014 Billing Units
		(a)	(b)	(c) = (a x b)	(d) = (a + c)
	Rate 01 Delivery				
1	First 100 m^3	260,791	4.8%	12,544	273,335
2	Next 200 m^3	296,122	4.8%	14,244	310,365
3	Next 200 m^3	129,180	4.8%	6,214	135,394
4	Next 500 m^3	88,231	4.8%	4,244	92,475
5	All Over 100 m^3	110,097	4.8%	5,296	115,393
6	Total Rate 01 Delivery	884,421		42,542	926,963
	Rate 01 Transportation & Storage				
7	Fort Frances Zone	12,297	4.8%	591	12,888
8	Western Zone	171,280	4.8%	8,239	179,519
9	Northern Zone	384,941	4.8%	18,516	403,458
10	Eastern Zone	315,903	4.8%	15,195	331,099
11	Total Rate 01 Transportation & Storage	884,421		42,542	926,963
	Rate 10 Delivery				
12	First 1,000 m^3	23,682	6.4%	1,514	25,196
13	Next 9,000 m^3	127,854	6.4%	8,174	136,028
14	Next 20,000 m^3	81,326	6.4%	5,199	86,525
15	Next 70,000 m^3	61,664	6.4%	3,942	65,606
16	All Over 100,000 m^3	28,362	6.4%	1,813	30,175
17	Total Rate 10	322,887		20,643	343,530
	Rate 10 Transportation & Storage				
18	Fort Frances Zone	2,654	6.4%	170	2,824
19	Western Zone	45,232	6.4%	2,892	48,124
20	Northern Zone	130,990	6.4%	8,375	139,364
21	Eastern Zone	144,011	6.4%	9,207	153,218
22	Total Rate 10 Transportation & Storage	322,887		20,643	343,530

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Page 1, column (d).

UNION GAS LIMITED
Calculation of 2014 NAC Target Percentage Change
Volumetric Adjustments to Union South General Service Rate Classes

Line No.	Particulars (10^3m^3)	Approved 2013 Billing Units (1) (a)	2014 NAC Target % Change (2) (b)	Change in Billing Units (c) = (a x b)	Proposed 2014 Billing Units (d) = (a + c)
	Rate M1 Delivery				
1	First 100 m^3	885,353	-1.0%	(8,605)	876,748
2	Next 150 m^3	786,168	-1.0%	(7,641)	778,527
3	All Over 250 m^3	1,268,023	-1.0%	(12,324)	1,255,698
4	Total Rate M1 Delivery	2,939,543		(28,570)	2,910,973
5	Rate M1 Storage	2,939,543	-1.0%	(28,570)	2,910,973
	Rate M2 Delivery				
6	First 1,000 m^3	53,047	14.7%	7,824	60,871
7	Next 6,000 m^3	258,156	14.7%	38,074	296,230
8	Next 13,000 m^3	291,703	14.7%	43,021	334,725
9	All Over 20,000 m^3	372,665	14.7%	54,962	427,626
10	Total Rate M2 Delivery	975,571		143,881	1,119,452
11	Rate M2 Storage	975,571	14.7%	143,881	1,119,452

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 12, Page 1, column (d).

UNION GAS LIMITED
Summary of S&T Transactional Margin Included In 2014 In-Franchise Rates

Line No.	Particulars ($000's)	Total Revenue (1)	Allocated Cost (2)	Total Margin	Shareholder Portion of Margin	Margin Included in 2013 In-Franchise Rates	Margin Included in 2014 In-Franchise Rates	Variance
		(a)	(b)	(c) = (a - b)	(d) = (c) * 10%	(e) = (c - d)	(f)	(g) = (f - e)
	Long-Term Transportation							
1	M12 Long-term Transportation	120,604	125,384	(4,781)				
2	M12-X	13,896	11,623	2,272				
3	F24-T	359	359	0				
4	M12 Fuel	22,674	22,673	1				
5	C1 Long-term Transportation	6,954	1,669	5,286				
6	C1 Fuel	626	632	(6)				
7	M13	411	211	200				
8	M16	736	451	286				
9	Heritage Pool M16 Transmission Charge (3)			56				
10	Total Long-Term Transportation	166,260	163,002	3,314	-	3,314	3,314	-
	Short-Term Transportation							
11	Short-term Transportation	11,067	5,843	5,224				
12	Other Transactional	1,067	-	1,067				
13	Total Short-Term Transportation	12,134	5,843	6,291	-	6,291	6,291	-
	Short-term Storage and Other Balancing Services Acct. 179-70							
14	Short Term Peak Storage Services	7,883	5,626	2,257				
15	Less: Non-utility System Integrity Costs (4)	-	(300)	300				
16	Off Peak Storage/Balancing/Loans Services	2,500	-	2,500				
17	Total Short-term Storage and Other Balancing Services	10,383	5,327	5,056	506	4,551	4,551	-
18	Total S&T Transactional Margin Included in Rates	188,777	174,171	14,661	506	14,156	14,156	-

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, Page 9 - 11, column (g).
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 14, Page 9 - 11, column (e).
(3) EB-2011-0210, Rate Order, Working Papers, Schedule 39, line 4.
(4) Excludes the non-utility portion of system integrity costs of $0.300 million as per EB-2011-0210 Board Decision.

UNION GAS LIMITED

Summary of Gas Supply Optimization Margin Included In 2014 Gas Supply Transportation Rates

Line No.	Particulars ($000's)	Total Revenue (1)	Allocated Cost	Total Margin	Shareholder Portion of Margin	Margin Included in 2013 Gas Supply Transportation Rates	Margin Included in 2014 Gas Supply Transportation Rates	Variance
		(a)	(b)	(c) = (a - b)	(d) = (c) * 10%	(e) = (c - d)	(f)	(g) = (f - e)
	Exchanges (2)							
1	Base Exchanges	9,118	-	9,118	912	8,206	8,206	-
2	FT-RAM Related Exchanges	5,800	-	5,800	580	5,220	5,220	-
3	Total Exchanges Revenue	14,918	-	14,918	1,492	13,426	13,426	-

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, Page 11, Line 18, column (g).
(2) EB-2011-0210, Board Decision, page 40.

UNION GAS LIMITED
Total Upstream Transportation Costs in Union North Rates
Effective January 1, 2014

Line No.	Particulars ($000's)	Upstream Transportation Costs per EB-2011-0210 (1)	Change in Upstream Transportation Costs per EB-2013-0316 (2)	Gas Supply Optimization Credit Included in Rates (3)	Upstream Transportation Costs per EB-2013-0365 (4)
		(a)	(b)	(c)	(d) = (a+b+c)
1	Rate 01	85,031	(17,065)	(3,920)	64,046
2	Rate 10	28,119	(5,946)	(1,342)	20,832
3	Rate 20	9,495	(2,111)	(477)	6,907
4	Rate 25	2,105	(552)	(117)	1,436
5	Rate 100	73	-	-	73
6	Total Union North	124,823	(25,674)	(5,856)	93,293

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 46, column (b).
Excludes FT Transportation fuel of $1.463 million and Black Creek Storage of $0.042 million.
(2) EB-2013-0316, Working Papers, Schedule 4, Page 2, line 7.
(3) EB-2011-0210, Rate Order, Working Papers, Schedule 44, Page 1, lines 1 to 6, column (e).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 3, column (e).

UNION GAS LIMITED
Calculation of 2014 Gas Supply Admin Charge

Line No.	Particulars	EB-2011-0210 2013 Board Approved	Adjustments: One-Time Adjustments Settlement Agreement (3)	Adjustments: 2014 Tax-Related Adjustments (4)	Adjustments: 2014 Capital Pass Throughs (5)	EB-2013-0365 2014 Proposed
		(a)	(b)	(c)	(d)	(e) = (a+b+c+d)
1	Costs ($000's)	6,830 (1)	(38)	0	(1)	6,792
2	2013 Approved Sales Volumes (10^3m^3)	3,533,863 (2)				3,533,863
3	Gas Supply Admin Charge Unit Rate (cents/m^3) (6)	0.1933				0.1922

Notes:
(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (g).
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 14, column (a).
(3) EB-2013-0365, Rate Order, Working Papers, Schedule 3, Page 2, line 25, column (f).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 3, Page 2, line 25, column (j).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 3, Page 2, line 25, column (l).
(6) Line 1 / Line 2 x 100.

UNION GAS LIMITED
Calculation of 2014 Tax Rate Change Adjustment
Effective January 1, 2014

Line No.	Particulars ($000's)	2014
	Tax Amounts Related to Income Tax Rate Changes	
1	2013 Board-Approved Taxable Income for Income Tax Expense Calculation (1)	124,591
2	2013 Board-Approved Tax Rate (2)	25.50%
3	Forecast Income Tax Rate	26.50%
4	Tax Rate Variance (Line 3 - Line 2)	1.00%
5	Cumulative Annual Income Tax Increase vs. 2013 Board-Approved (Line 1 x Line 4)	1,246
6	Grossed-up Tax Increase (Line 5 / (1 - Line 3))	1,695
7	50% of Grossed-up Tax increase (Line 6 x 50%)	848

Notes:

(1) EB-2011-0210, Rate Order, Working Papers, Schedule 4, line 11, column (f), excluding $1.998 million related to shareholder portion of Short-term Storage and Optimization activity.

(2) EB-2011-0210, Rate Order, Working Papers, Schedule 4, line 18, column (a).

UNION GAS LIMITED
Allocation of 2014 Tax Rate Change Adjustment to Rate Classes
Effective January 1, 2014

Line No.	Particulars ($000's)	2013 Approved Allocation (1) (a)	2014 Tax Change Adjustment (2) (b)	
	In-Franchise North			
1	Rate 01	659,805	151	
2	Rate 10	101,689	23	
3	Rate 20	72,027	16	
4	Rate 25	19,712	4	
5	Rate 100	55,496	13	
6	Total In-Franchise North	908,729	207	
	In-Franchise South			
7	Rate M1	1,441,171	329	
8	Rate M2	218,198	50	
9	Rate M4	54,282	12	
10	Rate M5A	46,034	11	
11	Rate M7	18,903	4	
12	Rate M9	3,583	1	
13	Rate M10	138	0	
14	Rate T1	37,645	9	
15	Rate T2	166,379	38	
16	Rate T3	21,976	5	
17	Total In-Franchise South	2,008,309	458	
	Ex-Franchise			
18	Excess Utility Storage Space	21,463	5	
19	Rate M12	765,897	175	
20	Rate M13	521	0	
21	Rate M16	947	0	
22	Rate C1	6,894	2	
23	Total Ex-Franchise	795,722	182	
24	Total Union Gas (lines 6 + 17 + 23)	3,712,759	848	(3)

Notes:
(1) Rate Base per EB-2011-0210, Exhibit G3, Tab 2, Schedule 2, Updated for Board Decision.
(2) Allocated using column (a).
(3) EB-2013-0365, Rate Order, Working Papers, Schedule 17, Page 1, line 7.

UNION GAS LIMITED
2012 Lost Revenue Adjustment Mechanism ("LRAM")
Volumes for 2014 Rate Calculations

Line No.	Particulars (10^3m^3)	Audited 2012 DSM Volumes by Rate Class
		(a)
	Union South	
	Contract	
1	Rate M4	(13,048)
2	Rate M5A	(8,589)
3	Rate M7	(2,737)
4	Rate T1	(8,944)
5	Rate T2	(55,769)
6	Total Union South	(89,087)
	Union North	
	Contract	
7	Rate 20	(6,949)
8	Rate 100	(18,093)
9	Total Union North	(25,043)
10	Total (line 6 + line 9)	(114,130)

UNION GAS LIMITED
Calculation of Supplemental Service Charges
Commissioning and Decommissioning Rates
Effective January 1, 2014

Line No.	Particulars	Ft. Frances	Western	Northern	Eastern
		(a)	(b)	(c)	(d)
	Union North				
	Rate 20 - At 50% Load Factor				
	Delivery (cents / m^3)				
1	Monthly Demand (1)	27.8954	27.8954	27.8954	27.8954
2	Line 1 x 12 months	334.7448	334.7448	334.7448	334.7448
3	Line 2 / 365 days	0.9171	0.9171	0.9171	0.9171
4	Line 3 @ 50% Load Factor	1.8342	1.8342	1.8342	1.8342
5	Commodity Charge (1)	0.5308	0.5308	0.5308	0.5308
6	Total Delivery Commissioning	2.3650	2.3650	2.3650	2.3650
	Gas Supply (cents / m^3)				
7	Monthy Demand (1)	21.9979	24.8403	62.6137	82.3705
8	Gas Supply Demand - Price Adjustment (1)	0.0000	0.0000	0.0000	0.0000
9	(Line 7 + Line 8) x 12 months	263.9743	298.0837	751.3644	988.4462
10	Line 9 / 365 days	0.7232	0.8167	2.0585	2.7081
11	Line 10 @ 50% Load Factor	1.4464	1.6333	4.1171	5.4161
12	Commodity Transportation 1 (1)	3.0513	3.1266	3.9709	4.4184
13	Commodity Transportation 1 - Price Adjustment	(0.8304)	(0.8304)	(0.8304)	(0.8304)
14	(Line 12 + Line 13) x (4/5)	1.7767	1.8369	2.5124	2.8704
15	Commodity Transportation 2 (1)	0.0000	0.0000	0.0000	0.0000
16	Line 15 * (1/5)	0.0000	0.0000	0.0000	0.0000
17	Total Commodity Transportation Charge for Commissioning Rate	3.2231	3.4703	6.6294	8.2865
	Rate 100 - At 70% Load Factor				
	Delivery (cents / m^3)				
18	Monthly Demand (2)	15.3816	15.3816	15.3816	15.3816
19	Line 18 x 12 months	184.5792	184.5792	184.5792	184.5792
20	Line 19 / 365 days	0.5057	0.5057	0.5057	0.5057
21	Line 20 @ 70% Load Factor	0.7224	0.7224	0.7224	0.7224
22	Commodity Charge (2)	0.2162	0.2162	0.2162	0.2162
23	Total Delivery Commissioning	0.9386	0.9386	0.9386	0.9386
	Gas Supply (cents / m^3)				
24	Monthy Demand (2)	59.0298	62.3453	106.4130	129.4620
25	Line 24 x 12 months	708.3576	748.1436	1,276.9560	1,553.5440
26	Line 25 / 365 days	1.9407	2.0497	3.4985	4.2563
27	Line 26 @ 70% Load Factor	2.7724	2.9282	4.9979	6.0804
28	Commodity Transportation 1 (2)	5.4887	5.5452	6.1784	6.5140
29	Line 28 * (3/7)	2.3523	2.3765	2.6479	2.7917
30	Commodity Transportation 2 (2)	0.0000	0.0000	0.0000	0.0000
31	Line 30 * (4/7)	0.0000	0.0000	0.0000	0.0000
32	Total Commodity Transportation Charge for Commissioning Rate	5.1247	5.3047	7.6458	8.8721

Notes:
(1) Appendix A, Page 3.
(2) Appendix A, Page 4.

UNION GAS LIMITED
Union South
Calculation of Supplemental Service Charges
Effective January 1, 2014

Line No.	Particulars	cents / m^3 (a)	$ / GJ (b)
	Minimum annual gas supply commodity charge - Rate M4, Rate M5A		
1	Compressor Fuel	0.3169	
2	Transportation Tolls	3.9402	
3	Administration Charge	0.1922	
4	Minimum annual gas supply commodity charge	4.4493	1.169
	Gas Supply Commodity Charges		
5	Commodity Cost of Gas	11.9806	
6	FT Transportation Commodity	-	
7	FT Fuel	0.3169	
8	Total Gas Supply Commodity Charge	12.2975	3.230
	Firm Gas Supply Service Monthly Demand Charge		
9	FT Demand Charge	178.3865	46.857

UNION GAS LIMITED
Union South
Calculation of Supplemental Service Charges
Effective January 1, 2014

Line No.	Particulars						cents / m^3		$ / GJ
							(a)		(b)
	Firm backstop gas:								
	Demand:								
1	Monthly space charge					0.0433			
2	Units required (1)		Note: Each unit of added delivery requires 43 m^3 of additional inventory.			43			
3	Number of months					12	22.3211	(a)	
	Inventory carrying costs:								
4	Sales WACOG					16.4280			
5	Overrun storage withdrawal					0.3823			
6						16.8103			
7	Units required (m^3)					43			
8	Pre-tax return (%)					8.170%	59.0562	(b)	
9	Annual demand charge						81.3774	(a) + (b)	
10							12		
11	Monthly demand charge						6.7814		1.781
	Commodity:								
12	Sales WACOG						16.4280		
13	Overrun storage withdrawal						0.3823		
14	Overrun transportation						1.1752		
15	Commodity charge						17.9854		4.724
	Reasonable efforts backstop gas:								
16	M1 Block 1 plus Storage						4.5430		
17	Sales WACOG						16.4280		
18							20.9710		5.509
	Supplemental inventory:								
19	Sales WACOG						16.4280		
20	Injection commodity						0.1845		
21	Space charge			0.0433	x 12		0.5191		
22							17.1315		4.500
	Carrying costs (1/2 year)								
23		17.1315	x	8.170%	/ 2		0.6998		
24							17.8314		4.684
	Supplemental gas sales:								
25	Supplemental inventory						17.8314		
26	Overrun storage withdrawal						0.3823		
27	Overrun transportation						1.1752		
28							19.3888		
	Failure to Deliver:								
29	M1 Block 1 plus Storage						4.5430		1.193
30	Failure to Deilver Adjustment						5.1708		1.358
31	Failure to Deliver Charge						9.7138		2.552

Notes:

(1) Each unit of added delivery requires 43 m^3 of additional inventory.

UNION GAS LIMITED
Union South
Calculation of Supplemental Service Charges
Calculation of Minimum, Maximum & Seasonal Charges
Effective January 1, 2014

Line No.				cents / m^3 (a)
	Minimum Charges			
	Rate M4 (F)	Minimum annual delivery commodity charge:		
1		Monthly delivery commodity charge (1st Block M4)		0.9590
2		Administration Fee		0.1922
3		Minimum annual delivery commodity charge		1.1512
	Rate M4 (I) / M5	Minimum annual delivery commodity charge:		
4		Monthly delivery commodity charge (1st block M5)		2.5547
5		Administration Fee		0.1922
6		Minimum annual delivery commodity charge		2.7469
	Maximum Charges			
	Rate 25 Interruptible			
7		Average Rate 10 Firm Delivery Charge		5.2171
8		Percent of Average Firm Delivery Price		90%
9		R25 Maximum interruptible delivery commodity charge		4.6954
	Rate M7 Interruptible	Maximum interruptible delivery commodity charge:		
10		M7 firm commodity charge		0.2886
11		M7 firm demand charge commoditized at a Load Factor of	22.6%	3.7129
12		M7 maximum interruptible charge		4.0015
13	Rate T1 Interruptible	Maximum interruptible delivery commodity charge		4.0015
14	Rate T2 Interruptible	Maximum interruptible delivery commodity charge		4.0015

Rate M7 - Commissioning and Decommissioning Rate

Line No.	Delivery (cents / m^3)		
15	Monthly Demand (1)		25.5589
16	x 12 months		306.7073
17	/ 365 days		0.8403
18	@ Class Average Firm Load Factor of	32.3%	2.5991
19	Delivery Commodity Charge (1)		0.2886
20	Delivery - Price Adjustment		0.0001
21	Total Delivery Commissioning		2.8878

Notes:
(1) Appendix A, Page 8.
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 14, Page 7, column (a).

UNION GAS LIMITED
Union South
Calculation of Supplemental Service Charges
Effective January 1, 2014

Line No.		Union Supplies Fuel	Customer Supplies Fuel
	Rate T1 / Rate T2 / Rate T3 - At 100% Load Factor		
	Authorized Storage Overrun ($ / GJ)		
1	Monthly Demand (1)	1.581	1.581
2	x 12 months	18.969	18.969
3	/ 365 days	0.052	0.052
4	@ 100% Load Factor	0.052	0.052
5	Commodity Charge (WACOG / Heat Value * Overrun Fuel Ratio + Injection Commodity) (2)	0.048	0.008
6	Total Storage Overrun	0.100	0.060
	Rate T1 - At 100% Load Factor		
	Authorized Transportation Overrun (cents / m^3)		
7	Monthly Demand (3)	32.1640	32.1640
8	x 12 months	385.9680	385.9680
9	/ 365 days	1.0574	1.0574
10	@ 100% Load Factor	1.0574	1.0574
11	Commodity Charge (WACOG / 10 * Transportation Fuel Ratio + Firm Commodity Transport) (4)	0.1177	0.0721
12	Total Transportation Overrun	1.1752	1.1295
	Rate T2 - At 100% Load Factor		
	Authorized Transportation Overrun (cents / m^3)		
13	Monthly Demand (5)	20.3500	20.3500
14	x 12 months	244.2000	244.2000
15	/ 365 days	0.6690	0.6690
16	@ 100% Load Factor	0.6690	0.6690
17	Commodity Charge (WACOG / 10 * Transportation Fuel Ratio + Firm Commodity Transport) (6)	0.0529	0.0079
18	Total Transportation Overrun	0.7220	0.6769
	Rate T3 - At 100% Load Factor		
	Authorized Transportation Overrun (cents / m^3)		
19	Monthly Demand (7)	9.4648	9.4648
20	x 12 months	113.5776	113.5776
21	/ 365 days	0.3112	0.3112
22	@ 100% Load Factor	0.3112	0.3112
23	Commodity Charge (7)	0.0627	0.0107
24	Total Transportation Overrun	0.3739	0.3219

Notes:
(1) Appendix A, Page 9, 10 and 11.
(2) \$181.632/10^3m^3 / 38.07 GJ/10^3m^3 * 0.853% + \$0.008/GJ.
(3) Appendix A, Page 9.
(4) \$181.632/10^3m^3 / 10 * 0.251% + 0.0712 cents/m^3.
(5) Appendix A, Page 10.
(6) \$181.632/10^3m^3 / 10 * 0.248% + 0.0078 cents/m^3.
(7) Appendix A, Page 11.

UNION GAS LIMITED
Union South
Calculation of Union Supplied Fuel Rates for In-Franchise Semi-UnBundled Rates T1, T2 and T3
Effective January 1, 2014

Line No.		Customer Supplies Fuel (a)	Union Supplies Fuel (b)
	Rate T1 Transportation Service (cents/m^3)		
1	Ontario Landed Reference Price as per EB-2013-0316		18.1632
2	2014 Fuel Ratio as per EB-2013-0365	0.251%	0.251%
3	Fuel Rate (line 1 * line 2)		0.0456
	Firm Transportation Commodity Charge		
4	All volumes	0.0721	0.1177
5	Interruptible Transportation Commodity Charge - Maximum	3.9559	4.0015
	Rate T2 Transportation Service (cents/m^3)		
6	Ontario Landed Reference Price as per EB-2013-0316		18.1632
7	2014 Fuel Ratio as per EB-2013-0365	0.248%	0.248%
8	Fuel Rate (line 6 * line 7)		0.0450
	Firm Transportation Commodity Charge		
9	All volumes	0.0079	0.0529
10	Interruptible Transportation Commodity Charge - Maximum	3.9565	4.0015
	Rate T3 Transportation Service (cents/m^3)		
11	Ontario Landed Reference Price as per EB-2013-0316		18.1632
12	2014 Fuel Ratio as per EB-2013-0365	0.286%	0.286%
13	Fuel Rate (line 11 * line 12)		0.0520
14	Firm Transportation Commodity Charge	0.0107	0.0627
	Rate T1, Rate T2 & Rate T3 Storage Service ($/GJ)		
15	Ontario Landed Reference Price as per EB-2013-0316		4.771
16	2014 Fuel Ratio as per EB-2013-0365	0.397%	0.397%
17	Fuel Rate (line 15 * line 16)		0.019
18	Storage Commodity Charge	0.008	0.026

UNION GAS LIMITED
Southern Operations Area
Unbundled Delivery Rate Detail
Effective January 1, 2014

Line No.	Particulars	Billing Units	2014 Forecast Usage (1)	SSS & SPS ($000's)	Gas Supply Balancing Costs ($000's)	Gas in Storage Inventory Carrying Costs ($000's)	Unbundled Storage Revenue ($000's)	Unbundled Storage Rates (cents/m^3)	Unbundled Delivery Rates (6) (cents/m^3)
		(a)	(b)	(c)	(d)	(e)	(f) = (c+d+e)	(g) = (f / b) *100	(h)
	Rate M1								
	Monthly delivery commodity charge:								
1	First 100 m^3	10^3m^3	876,748	4,373	-	2,196	6,569	0.7493	3.7937
2	Next 150 m^3	10^3m^3	778,527	3,883	-	1,950	5,833	0.7493	3.5811
3	All over 250 m^3	10^3m^3	1,255,698	6,263	-	3,145	9,409	0.7493	3.0844
4	Total		2,910,973	14,520 (2)	-	7,291 (3)	21,811		
	Rate M2								
	Monthly delivery commodity charge:								
5	First 1,000 m^3	10^3m^3	60,871	268	-	135	403	0.6626	3.5839
6	Next 6,000 m^3	10^3m^3	296,230	1,304	-	659	1,963	0.6626	3.5170
7	Next 13,000 m^3	10^3m^3	334,725	1,473	-	745	2,218	0.6626	3.3211
8	All over 20,000 m^3	10^3m^3	427,626	1,882	-	951	2,833	0.6626	3.0817
9	Total		1,119,452	4,927 (4)	-	2,490 (5)	7,417		

Notes:

(1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, Page 5, column (a).
(2) EB-2013-0365, Rate Order, Working Papers, Schedule 20, Page 2, line 6, column (a).
(3) EB-2013-0365, Rate Order, Working Papers, Schedule 20, Page 2, line 10, column (a).
(4) EB-2013-0365, Rate Order, Working Papers, Schedule 20, Page 2, line 6, column (b).
(5) EB-2013-0365, Rate Order, Working Papers, Schedule 20, Page 2, line 10, column (b).
(6) EB-2013-0365, Rate Order, Working Papers, Schedule 4, Page 10, column (w).

UNION GAS LIMITED
Southern Operations Area
Unbundled Delivery Cost Detail
Effective January 1, 2014

Line No.	Particulars ($000's)	Rate M1 (a)	Rate M2 (b)
	SSS/ SPS		
1	Storage Dehydrator (1)	177	60
2	Storage Ex. Dehydrator (2)	9,764	3,304
3	Storage Space (3)	11,870	4,054
4	Storage	21,811	7,417
5	Less: ICC on Gas in Storage (4)	7,291	2,490
6	Total SSS/SPS	14,520	4,927
	Gas Supply Balancing		
7	Total Gas Supply Balancing	-	-
	Gas In Storage Inventory Carrying Costs		
8	Gas in Storage (5)	89,246	30,481
9	ICC %	8.2%	8.2%
10	Gas in Storage Inventory Carrying Costs	7,291	2,490

Notes:

(1) EB-2011-0210, Rate Order, Working Papers, Schedule 18, Page 2, line 1, updated for 2014 One-time Adjustments, PCI, Tax Related Adjustments and Capital Pass Throughs per EB-2013-0365.
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 18, Page 2, line 2, updated for 2014 One-time Adjustments, PCI, Tax Related Adjustments and Capital Pass Throughs per EB-2013-0365.
(3) EB-2011-0210, Rate Order, Working Papers, Schedule 18, Page 2, line 3, updated for 2014 One-time Adjustments, PCI, Tax Related Adjustments and Capital Pass Throughs per EB-2013-0365.
(4) Per line 10.
(5) EB-2011-0210, Exhibit G3, Tab 5, Schedule 9, page 16 of 40, updated for EB-2011-0210 Board Decision.

FILE AN UPDATED REPORT FROM EB-2011-0038 (BLACK & VEATCH REPORT)

The purpose of this evidence is to respond to the Board's directive in EB-2011-0210 to file an updated Black & Veatch ("B&V") report for the allocation of costs between Union's regulated and unregulated businesses.

1.0 Background

In the Natural Gas Electricity Interface Review ("NGEIR") Decision (EB-2005-0551), the Board determined that the market for Union's ex-franchise storage services was a competitive market and, as such, Union would no longer be subject to rate regulation for those services. At that time, Union made changes in accounting for capitalized costs, Property, Plant and Equipment ("PP&E"), and income taxes related to unregulated storage operations. These changes were required because, post-NGEIR, Union's unregulated storage activities no longer met the criteria for rate-regulated accounting and the unregulated portion of PP&E was no longer included in utility rate base.

The Board's Decision in EB-2005-0551 did not require Union to functionally separate its regulated and unregulated storage operations. The Board did find that Union's Board-approved 2007 cost allocation methodology was adequate for the purposes of separating unregulated storage assets and related O&M expenses in the financial records. It is on the basis of the Board-approved 2007 cost allocation study that Union has separated the costs associated with its regulated and unregulated storage operations since the NGEIR decision.

The Board determined, as part of the NGEIR Decision, that Union shall reserve 100 PJ of storage space at cost based rates to accommodate in-franchise growth (EB-2005-0551, Decision with Reasons, p. 83). Based on the above conclusion, Union used the Board-approved 2007 cost allocation methodology to separate storage assets, general plant and related O&M expenses for 62.5 PJ of unregulated storage capacity from the 100 PJ of regulated storage capacity.

In EB-2010-0039, Union filed evidence explaining the cost allocation methodologies used to separate costs between Union's utility and non-utility businesses. As part of the Settlement Agreement in EB-2010-0039, Union hired an independent consultant, B&V, to review Union's cost allocation methodologies.

Union filed the B&V report in EB-2011-0038 where B&V concluded that "the conceptual underpinnings and resulting methodologies upon which Union's cost allocation process is based are well-conceived, thorough and reasonable in their treatment of storage-related plant and expenses". In the Board's decision in EB-2011-0038, the Board found that no changes were necessary related to the one-time separation of Union's utility and non-utility storage business, that the fundamental premise upon which the non-utility storage allocation factor was developed is appropriate, and that Union has appropriately applied its 2007 Cost Allocation Study for the one-time separation of plant.

In Union’s 2013 cost of service proceeding (EB-2011-0210), Union filed a summary table of the allocation methodologies used to separate the costs between Union’s regulated and unregulated business. In the Board’s EB-2011-0210 Decision, the Board stated the following:

> *“Also, the Board directs Union to hire an independent consultant to update the report that was filed in the EB-2011-0038 proceeding and file that report as part of its 2014 rates proceeding. The Board believes that it should have a robust evidentiary record in Union’s 2014 rates proceeding on all issues related to the allocation of storage costs between utility and non-utility storage. The Board notes that, as part of Union’s 2014 rates filing, it will revisit the allocation of all storage related costs between Union’s utility and non-utility storage operations. At that time, the Board may also order further updates to the allocation factors (including the general plant allocation factor).” (p. 80)*

Union hired B&V to update the ‘Independent Review of the Accounting and Cost Allocation for Unregulated and Regulated Storage Operations’ report that was filed in EB-2011-0038. B&V’s Report (the “Report”) is attached at Tab 2, Appendix A and their findings are summarized below.

2.0 Black & Veatch Conclusions

In its Report B&V concluded that the conceptual underpinnings and resulting methodologies upon which Union’s cost allocation process is based are well-conceived, thorough, and reasonable in their treatment of storage related plant and expenses. B&V found that the storage related assets and expenses incurred by Union in 2012 were allocated to its unregulated storage operations in a reasonable manner consistent with its established cost allocation process and related costing methodologies. B&V also found that the computational basis used by Union to determine its net deferral balance for Account No. 179-70 in 2012 appears to be sound and accurately follows the relevant regulatory precedents associated with this annual determination. B&V found the revenues and expenses claimed by Union to be associated with the unregulated short-term and long-term storage services provided to its ex-franchise customers in 2012 could be tracked and replicated with the supporting data and explanations provided by Union.

B&V noted the regulatory presentation of Union's separation of costs between its regulated and unregulated storage operations does not provide a sufficient level of detail for a third party to readily understand how Union's annual level of unregulated storage assets and O&M expenses change as a result of changes to certain of its cost allocation factors, or to verify that the necessary changes to these cost allocation factors are computationally accurate and supportable.

B&V recommended that Union establish more robust documentation in Union's regulatory filings to provide a complete understanding and explanation of the process Union utilizes to update its cost allocation factors each year, and provide representative computational support to explain and illustrate how the changes made to Union's cost allocation factors are derived.

In response to B&V’s recommendations, Union has provided below a detailed description of the methodologies to allocate storage costs between Union’s regulated and unregulated business by cost type (e.g. O&M, Plant etc).

3.0 Allocation of Union’s Regulated and Unregulated Costs for 2013 Rates

As noted above, B&V concluded that Union’s storage related assets and expenses in 2012 were allocated to its unregulated storage operations in a reasonable manner. Union’s 2013 base rate allocators are consistent with allocators used for 2012 actuals. The only difference between 2012 allocators and the allocators built into 2013 base rates (in EB-2011-0210) are the two updates the Board directed Union to make to O&M ($100,000), and Plant ($25,000) (EB-2011-0210 Decision, page 79).

The allocators used to set 2013 base rates are appropriate. Union uses the methodologies outlined below to determine the allocators and reviews the allocators annually. Any changes to the allocators are reflected in the cost allocations for the annual earnings sharing calculation. The O&M allocators used in 2013 rates can be found at Tab 2, Appendix B. The Plant allocators built into 2013 rates can be found at Tab 2, Appendix C.

3.1 O&M Cost Allocation

Union has internal orders[1] that make up the total Operating and Maintenance expense ("O&M"). Each internal order is categorized into one of five categories. The categories include:

1. Storage General: Used to allocate storage operation net O&M[2] costs that are considered to be 100% storage. Storage general is further broken down into subcategories including compressors, dehydration, lines, measuring and regulating ("M&R"), other, rents, supervision and wells.
2. Storage Shared: Used to allocate shared net O&M costs that support both storage and transmission. Storage shared is further broken down into subcategories including compressors, lines, M&R, other, rents, supervision and wells.
3. Unregulated Storage: Used to allocate net O&M costs related to unregulated storage operations (i.e. 100% unregulated)
4. Non Storage: Used to allocate net O&M costs that are not related to storage operations (i.e. 100% regulated)
5. Storage Support: Used to allocate net O&M costs for areas that support storage operations along with other operations (eg. Human Resources, Information Technology, Sales & Marketing, and Finance). Storage support is further broken down into two subcategories including time estimate and historical average.

---

[1] An internal order is a subsection of Administrator. Administrator represents a department (e.g. Human Resources, Engineering, Distribution, etc.).

[2] Net O&M is operating and maintenance costs net of regulated indirect capitalization.

Depending on the category that the different O&M costs are categorized in, O&M applies one of six allocation methods to come up with the allocator of how each internal order's dollars are allocated between regulated and unregulated. The six allocation methods include:

1. For activities in support of a *specific* storage asset categorized as Storage General, the O&M allocator is the same allocator as that used to allocate the asset between regulated and unregulated storage. Subcategories include Compressors, Lines, Measuring & Regulating ("M&R") and Wells.
2. For activities in support of *non specific* storage facilities the following allocation methods based on storage Gross Book Value ("GBV") are used:
    a) Storage General Category:
        i. The unregulated storage GBV (by asset class) as a percentage of storage GBV excluding assets (by asset class) that are 100% regulated is used for Compressors, Lines, M&R and Wells subcategories.
        ii. The total weighted average of the unregulated storage GBV as a percentage of storage GBV excluding assets that are 100% regulated is used for Supervision, Rents and Other subcategories.
    b) Storage Shared Category:
        i. The unregulated storage GBV (by asset class) as a percentage of total underground storage GBV (by asset class) is used for Compressors, Lines, M&R and Wells subcategories.

3. Cost Study allocators are used for the Storage General Dehydration subcategory and the Storage Shared Supervision, Rents and Other subcategories.
4. Time estimate allocators are used for the Storage Support Time Estimate subcategory. This allocator is applied to O&M costs related to activities in support of the development of new storage projects. Administrator areas include: Business Development, Regulatory Projects and Engineering.
5. The Storage Support Historical Average subcategory allocator is determined by using the most recent actual unregulated O&M costs as a percentage of total O&M.
6. Non Storage category activities are determined at the time an internal order is created (i.e. if an Administrator area is only accountable for distribution then there is no need to use an unregulated allocation).

Table 1 has been provided below to provide a summary of the five Union internal order categories (including subcategories), and the corresponding allocation method. For example, if an internal order falls under the category storage general—dehydration, it would use allocation method number three above (cost study allocator).

Table 1
Internal Order Allocation Methods

	Storage Categories	Allocation Method		Administrator
1	**Storage General**			
	Dehydration	**3**	Cost Study Allocator	Storage Operations
	Wells	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
	Lines	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
	Compressors	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
	M&R	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
	Supervision	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
	Rents	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
	Other	**1 & 2a)**	Specific Asset Allocator & GBV of Storage Assets	Storage Operations
2	**Storage Shared**			
	Wells	**2b)**	GBV of Storage Assets	Storage Operations
	Lines	**2b)**	GBV of Storage Assets	Storage Operations
	Compressors	**2b)**	GBV of Storage Assets	Storage Operations
	M&R	**2b)**	GBV of Storage Assets	Storage Operations
	Supervision	**3**	Cost Study Allocator	Storage Operations
	Rents	**3**	Cost Study Allocator	Storage Operations
	Other	**3**	Cost Study Allocator	Storage Operations
3	**Unregulated Storage**	**1**	Specific Asset Allocator	Storage Operations
4	**Non Storage**	**6**	Determined when IO set up	Distribution & Transmission
5	**Storage Support**	**4**	Time Estimate	Business Development, Regulatory Projects, Engineering
		5	Historical Average	Human Resources, Finance, Information Technology, Sales & Marketing

3.2 Non-Utility Cross Charge

Also included in unregulated storage O&M is the cost for use of the excess in-franchise storage capacity. In-franchise cost-based rates will continue to recover the costs of in-franchise storage requirements. Since in-franchise customers currently require less than the 100 PJ of regulated storage space, Union sells the difference between the space needed and the reserve amount on a short-term basis. In order to ensure there is no cross-subsidization between regulated and unregulated storage, the costs associated with the excess storage are charged to the unregulated business. This charge to the unregulated business for use of the regulated storage space is referred to as the non-utility cross charge.

As described in EB-2010-0039, Union used the 2007 Board-approved cost allocation study to separate the assets and operating expenses associated with 100 PJ of storage space. In the 2007 Board-approved cost allocation study, in-franchise requirements of the 100 PJ of regulated storage space were 92.1 PJ, including space reserved for system integrity; which resulted in 7.9 PJ of excess utility storage space. In the 2013 Board-approved cost allocation study, in-franchise requirements of the 100 PJ of regulated storage space were 88.7 PJ, including space reserved for system integrity; which resulted in 11.3 PJ of excess utility storage space. As a result of the reduction in in-franchise storage requirements, the excess utility storage space increased from 7.9 PJ in 2007 to 11.3 PJ in 2013.

Accordingly, the revenue requirement associated with the excess utility storage space also increased from $2.261 million per year in 2007 to $3.810 million per year in 2013. The 2013 revenue requirement was calculated using Board-approved cost allocation methodologies. Union included the costs for 100 PJ of regulated storage space in the 2013 Board-approved cost allocation study. Union allocated storage-related costs to in-franchise customers based on forecasted in-franchise demands and system integrity requirements. All remaining storage-related costs, up to 100 PJ of regulated storage space, were allocated to the “Excess Utility Storage Space” category. The total revenue requirement in this category, less compressor fuel, unaccounted-for-gas (“UFG”) and non-utility system integrity costs represents the cross charge to the non-utility. The calculation of the 2013 Board-approved non-utility cross charge of $3.810 million is provided at Table 2.

Table 2

Calculation of Excess Utility
Storage Space - Non-Utility Cross Charge

Line No.	Particulars	($ millions)
1	Return	1.571
2	Income and Property Taxes	0.310
3	Accumulated Deferred Taxes	(0.172)
4	Depreciation Expense	0.881
5	O&M	3.036
6	Total	5.626
	Less: Cost of Gas	
7	UFG	(0.316)
8	Compressor Fuel	(1.201)
9	Total	(1.517)
10	Subtotal (line 6 + line 9)	4.109
11	Less: Non-utility System Integrity Costs (per EB-2011-0210 Decision)	(0.300)
12	Non-Utility Cross Charge (line 10 + line 11)	3.810

3.3 Plant Cost Allocation

3.3.1 STORAGE ASSET ADDITIONS

Union categorizes its storage asset additions into four categories. Depending on the category assigned, an allocation methodology is applied to allocation the storage asset additions between regulated and unregulated operations. The four storage categories and corresponding allocation methodologies are provided in Table 3 below.

Table 3
Storage Allocation Methodologies

Categories	**Allocation Methodology**
New Storage Asset – increase in capacity or deliverability	Allocated 100% to unregulated operations.
New Storage Asset – no increase in capacity or deliverability	Allocated to regulated and unregulated operations based on the Regulated vs. Unregulated Storage Asset Allocations analysis. (Note 1)
Replacement Asset – no increase in capacity or deliverability	Allocated to regulated and unregulated operations based on the Regulated vs. Unregulated Storage Asset Allocations analysis. (Note 1)
Replacement Asset – increase in capacity or deliverability	Allocated to regulated and unregulated operations based on an analysis of the cost to replace the existing asset like for like and the cost of providing the incremental capacity or deliverability. The cost to replace the existing asset like for like is allocated to regulated and unregulated operations based on the Regulated vs. Unregulated Storage Asset Allocations analysis (Note 1) and the cost of providing incremental capacity or deliverability is allocated 100% to unregulated operations.

Note 1 – the Regulated vs. Unregulated Storage Asset Allocations analysis is prepared for each storage pool and compressor station annually to show the appropriate allocation to regulated and unregulated operations for new capital additions for each asset class. The analysis is prepared for each fiscal year early in the year using the previous year end information. The current allocation at any year end is based on the historical allocation to regulated and unregulated operations for a storage pool/compressor station based on the one-time separation of plant as approved in EB-2011-0038 and any subsequent additions based on the allocation methodology above.

3.3.2 GENERAL PLANT ASSET ADDITIONS

Union categorizes its general plant additions into two categories for purposes of allocating additions between regulated and unregulated operations; vehicle and heavy equipment and all other general plant.

The allocator is applied to the total additions in the category to allocate a proportion of general plant to unregulated storage operations. The allocators are prepared for each fiscal year early in the year using the previous year end information.

The vehicle and heavy equipment allocator is determined using the relative value of vehicles and heavy equipment used in the Storage & Transmission Operation as a percentage of the total value of vehicles and heavy equipment for all of Union. This percentage is multiplied by an updated unregulated Storage & Transmission factor to arrive at an allocation to unregulated storage.

The allocator for all other general plant is determined using the value of unregulated storage operations as a percentage of total value of plant and averaging it with the O&M Storage Support Allocator.

3.3.3 DEPRECIATION

Regulated assets are depreciated using the 2011 Depreciation Study rates as approved in EB-2011-0210. Unregulated assets are depreciated on a straight-line basis over the expected useful life.

The unregulated operations include an allocation of general plant depreciation based on the total general plant depreciation multiplied by the current year allocator as described in general plant additions above.

3.3.4 RATE BASE

Monthly rate base includes only activity assigned to the regulated operations.

3.4 Cost of Gas Allocation

The total cost of gas allocated to Union's unregulated storage operations consists of Unaccounted for Gas ("UFG"), storage compressor fuel, net of the amount of gas in kind supplied by customers providing their own fuel, and the cost of storage space purchased from others. The method for allocating these gas costs to Union's unregulated storage operations is consistent with the allocation method used in the Board-approved 2007 cost allocation study.

3.4.1 COMPRESSOR FUEL

To allocate the compressor fuel associated with Union's unregulated storage operations, Union first determines the ratio of unregulated net storage activity to Union's total net storage activity. This ratio is then applied to Union's total forecast storage compressor fuel requirement to derive the unregulated storage-related compressor fuel requirement.

3.4.2 UFG

To allocate the UFG associated with Union's unregulated storage operations, Union first determines the ratio of unregulated storage volumes to Union's total system volumes. This ratio is then applied to Union's total forecast UFG to derive the unregulated storage-related UFG.

3.4.3 COST OF STORAGE SPACE

To allocate the cost of storage space purchased from others associated with Union's unregulated storage operations, Union first determines the ratio of unregulated storage space to Union's total storage space. This ratio is then applied to Union's total costs for storage space purchased from others to derive the unregulated storage-related cost of storage space purchased from others.

3.5 Property Taxes

Property taxes related to Union's storage assets are allocated between regulated and unregulated operations in proportion to the allocation of total storage gross plant between regulated and unregulated.

3.6 Working Capital

Inventory of stores, spare equipment and prepaid and deferred expenses are allocated to unregulated storage in proportion to the allocation of total storage net plant. Cash working capital is calculated using regulated O&M and cost of gas.

Filed: 2013-10-31
EB-2013-0365
Exhibit A
Tab 2
Appendix A

INDEPENDENT REVIEW OF THE ACCOUNTING AND COST ALLOCATION FOR UNREGULATED AND REGULATED STORAGE OPERATIONS

BLACK & VEATCH PROJECT NO. 179537

PREPARED FOR

Union Gas Limited

5 AUGUST 2013

BLACK & VEATCH
Building a world of difference.®

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1 Introduction and Summary

In the Natural Gas Electricity Interface Review ("NGEIR") Decision in EB-2005-0551[1], the Ontario Energy Board (the "Board") determined that the market for Union's ex-franchise storage services was a competitive market and that Union Gas Limited ("Union" or the "Company") would no longer be subject to rate regulation for those services. The Board stated that it would cease regulating the prices charged for the following storage services:

- All storage services offered by Union and Enbridge to customers outside their franchise areas;
- New storage services offered by Union and Enbridge to their in-franchise customers; and
- All storage services offered by other storage operators, including storage operators affiliated with Union and Enbridge.[2]

This decision established an unregulated storage operation within Union. In response to this decision, Union implemented a comprehensive accounting and cost allocation process to identify and separate costs between regulated and unregulated storage operations. Separating the revenues and costs of Union's unregulated storage operations from its regulated utility operations was necessary to properly account for the unregulated operations and to identify regulated storage costs for the purpose of setting Union's regulated utility rates. In addition, the identification and compilation of the revenues and costs of Union's unregulated storage operations are required to determine standalone utility financial results for regulatory reporting. Finally, the costs of Union's unregulated storage operations are used in the computation of storage margins subject to deferral in its storage deferral account – Account No. 179-70 Short-Term Storage and Other Balancing Services.

A key element of the Board's decision was that it did not require Union to functionally separate its regulated and unregulated storage operations. At page 73 of its Decision in EB-2005-0551, it was stated that:

> "The Board finds that functional separation is not necessary. The evidence before the Board is that it would be costly and difficult to establish a functional separation of utility and non-utility storage, and there was no evidence to suggest that there would be significant benefits from such a separation. To the extent there may be concerns regarding the integrated operations, these will be addressed through the reporting requirements set out in section 5.4. We also conclude that Union's current cost allocation study is adequate for the purposes of separating the regulated and unregulated costs and revenues for ratemaking purposes. The Board agrees with the Board Hearing Team that it is important to ensure that there is no cross-subsidization between regulated and unregulated storage. However, the Board is content that with its findings on the treatment of the premium on short-term storage services (Chapter 7) Union will have little incentive to use the cost allocation for purposes of cross-subsidy."

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[1] EB-2005-0551 Decision With Reasons issued on November 7, 2006

[2] EB-2005-0551 Decision With Reasons, Page 3.

Union's then current cost allocation study was its Board-approved 2007 cost allocation study. This cost allocation study was utilized by Union to separate the costs of its regulated and unregulated storage operations since the issuance of the NGEIR Decision in late 2006.

In view of the complexities of the process, its level of detail, and its impact upon rate levels, the allocation of costs between Union's regulated and unregulated storage operations has been an issue in its past regulatory proceedings before the Board. In EB-2010-0039, Union applied for the approval of its regulated and unregulated cost allocation methodology for its storage lines of business to address the concerns raised by intervenors and Board Staff in certain of its prior regulatory proceedings. In that proceeding, Union filed a Settlement Agreement which the Board approved. One of the provisions of the Settlement was to address the allocation of costs between Union's regulated and unregulated storage operations. Specifically, Part 20 of the Agreement stated that:

> "The parties agree that, upon approval of this Agreement by the Board, Union will commission an independent study ("the Study") of its cost allocation methodology for allocation of costs between its regulated and unregulated storage operations. The Study will also examine the attribution of revenues to deferral accounts 179-70 and 179-72 and provide a volumetric reconciliation between physical space and space sold "short term" and "long term". Union will solicit a person, group or organization to conduct the study ("Study Staff") by way of a request for proposals ("RFP"). Union will provide an opportunity to the other parties to comment on a draft version of the RFP and to suggest changes. Final drafting of the RFP and selection of Study Staff will be at the sole discretion of Union.
>
> Union will take steps to ensure that, at or near the outset of the Study, the other parties will be provided an opportunity to present Study Staff with their concerns, questions, and/or opinions on the subject matters of the Study.
>
> The Study will be filed by Union in connection with its application to dispose of 2010 deferral account balances with sufficient time to permit full discovery and review of the Study as part of the application.
>
> Any changes that Study Staff may recommend to Union's cost allocation methodology will not be implemented until after receiving approval from the Board. Any findings or recommendations made by Study Staff will be adopted, if at all, on a prospective basis, and will have no impact on balances disposed of prior to 2010.
>
> This Agreement is without prejudice to any party's right to disagree with, or challenge any of the findings of Study Staff."[3]

Union retained Black & Veatch to conduct the required study. Black & Veatch completed the above-described study in March of 2011. That report was included in evidence in Union's 2010 Deferral Disposition and Earnings Sharing proceeding, EB-2011-0038.

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[3] EB-2010-0039, Decision and Order – Appendix A - Settlement Agreement, Page 9.

In Union's 2013 Cost of Service Decision and Order, the Board concluded that, "in order for parties, and the Board, to confirm that the allocation of storage costs between Union's utility and non-utility storage operations is correct, the Board requires up-to-date continuity schedules related to Union's non-utility storage business. The Board directs Union to file, as part of its 2014 rates filing, these continuity schedules."[4] It is understood that Union Gas filed the required Regulated and Unregulated plant continuity schedules with its filing in EB-2013-0109 on May 8, 2013.

The Decision and Order further states, "the Board directs Union to hire an independent consultant to update what was filed in the EB-2011-0038 proceeding and file that report as part of its 2014 rates proceeding."[5] Based on the Board's directive, Union retained Black & Veatch to update the storage cost allocation study it conducted in 2011.

The purpose of this report is to update the results of Black & Veatch's review and evaluation of Union's cost allocation process and accounting for its regulated and unregulated storage operations that was prepared and submitted to the Board in EB-2011-0038.

1.1 SCOPE OF THE REVIEW

Black & Veatch understands that Union requires an update to the prior review of the cost allocation and accounting for its unregulated and regulated underground storage operations. In addition, Union specifically requested that Black & Veatch review the revenue and cost allocations and the underlying assumptions used in the calculation of its deferral account used to track short-term storage contracts, and to reconcile the storage sold to the physical storage owned by Union.

Based on these requirements, Black & Veatch structured its current review to include the following work tasks:

1. Review and evaluate Union's current cost allocation and accounting processes for its unregulated and regulated underground storage operations and make recommendations on any changes to the underlying assumptions and/or methodologies.
2. Review and evaluate Union's revenue and cost allocations for the deferral account used to track its short-term storage transactions and make recommendations on any changes to the underlying assumptions and/or calculations, and reconcile the storage sold by Union to the physical storage space owned by Union.
3. Prepare a written report which sets forth in detail the findings and recommendations of the review with respect to all material issues and methodologies, and which is structured in an appropriate format for submission to the Board in Union's 2014 rates filing.

1.2 GUIDING CONSIDERATIONS AND AREAS OF CONCENTRATION

In conducting our updated review of Union's cost allocation and accounting processes for its unregulated and regulated storage operations, we were guided by the following considerations which mirrored those followed by Black & Veatch in its previous review:

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[4] EB-2011-0210, Decision and Order, page 79.

[5] EB-2011-0210, Decision and Order, page 80.

1. The fundamental and underlying philosophy applicable to every utility cost of service study pertains to the concept of cost causation for purposes of allocating costs to customer groups or service types.
2. Cost causation (or cost causality) addresses the question – *Which customer or groups of customers cause the utility to incur particular types of costs?* To answer this question, it is necessary to establish a linkage between a utility's customers and the particular costs incurred by the utility in serving those customers.
3. *A Key Consideration* – the ability to establish operating relationships between customer service requirements and the costs incurred by the utility in meeting those requirements (e.g., satisfying a customer's peak demand requirements through the incurrence of capacity-related costs to provide the required level of gas delivery service).
4. The three broad steps most often followed to perform utility cost of service studies: (1) cost functionalization; (2) cost classification; and (3) cost allocation will be utilized for this review as a framework for evaluating the various steps involved in Union's current cost allocation process.
5. A utility's cost allocations should stand on their own objective merits (i.e., costs should be assigned to the classes or categories of service based on the design and operational considerations of the utility's system rather than on achieving results that support a desired outcome for the allocation of revenues to classes and/or rate design).
6. Consistency of structure, methodology, and computational details between Union's cost allocation process used for separating its storage-related assets and expenses and the cost allocation study it utilizes to evaluate the costs of serving its in-franchise customers and service offerings.

We saw our primary roles and responsibilities in this project as follows:

- To understand the system planning, operation, and utilization of Union's underground storage facilities to confirm that cost causation is properly reflected in its cost allocation and accounting processes;
- To understand the differences between the accounting for Union's unregulated and regulated storage operations;
- To understand the revenue and cost transactions that comprise Union's unregulated and regulated storage operations, including the allocation of costs of its current integrated storage system and its incremental storage facilities;
- To reconcile the storage space sold by Union to in-franchise and ex-franchise customers compared to the total physical space owned by Union; and
- To provide sufficient commentary on our recommendations and supporting information pertaining to alternative cost allocation and accounting processes and the related treatment of costs so that Union can adequately evaluate our findings and decide whether or not to propose changes in its subsequent rate and regulatory filings with the Board.

These above-described elements defined the focus areas in which Black & Veatch concentrated its review and evaluation in this project. In our review of Union's cost allocation process and accounting for its storage lines of business, Black & Veatch conducted its work in a manner so that it could determine:

- If Union's cost allocation methodology for the allocation of costs between its regulated and unregulated storage operations had a conceptual basis that was grounded in sound and acceptable utility costing principles and the operational realities of its gas utility system.
- If there were certain regulatory precedents established by the Board that Union recognized and incorporated into its cost allocation and accounting methods.
- If Union's cost allocation and accounting methods provided analytical and computational transparency (i.e., did it create a sufficient and verifiable audit trail - identification of input data sources, traceable information flows, identification of each computational step).

These were the same focus areas that Black & Veatch addressed in its previous review of Union's cost allocation and accounting processes for its unregulated and regulated storage operations as documented in its written report to Union dated March 2011. In this review, Black & Veatch has specifically focused on Union's treatment of its storage-related assets and expenses during the twelve months ending December 31, 2012 for purposes of evaluating the manner in which the various cost components were allocated to Union's unregulated storage operations.

1.3 OVERALL ASSESSMENT

Based on the results of our review, Black & Veatch's overall assessment consists of the following observations:

- *The conceptual underpinnings and resulting methodologies upon which Union's cost allocation process is based are well-conceived, thorough, and reasonable in their treatment of storage-related plant and expenses.*
- *The storage-related assets and expenses incurred by Union in 2012 were allocated to its unregulated storage operations in a reasonable manner consistent with its established cost allocation process and related costing methodologies.*
- *The regulatory presentation of Union's separation of costs between its regulated and unregulated storage operations does not provide a sufficient level of detail for a third-party to readily understand how Union's annual level of unregulated storage assets and O&M expenses change as a result of changes to certain of its cost allocation factors, or to verify that the necessary changes to these cost allocation factors are computationally accurate and supportable.*
- *The computational basis used by Union to determine its net deferral balance for Account No. 179-70 in 2012 appears to be sound and accurately follows the relevant regulatory precedents associated with this annual determination.*
- *The revenues and expenses claimed by Union to be associated with the unregulated short-term and long-term storage services provided to its ex-franchise customers in 2012 could be tracked and replicated with the supporting data and explanations provided by Union.*

1.4 RECOMMENDATIONS

Black & Veatch's recommendations resulting from this evaluation are summarized below. The specific findings and recommendations are presented and discussed in the subsequent sections of this report.

Black & Veatch recommends the following near-term enhancement to Union's evidentiary presentation and computational process:

1. Establish more robust documentation in Union's regulatory filings to provide a complete understanding and explanation of the process Union utilizes to update its cost allocation factors each year, and provide representative computational support to explain and illustrate how the changes made to Union's cost allocation factors are derived.

2 Background Perspectives

As a backdrop and to provide sufficient context to our subsequent detailed review of Union's costing and accounting methods for its storage lines of business, Black & Veatch initiated its work effort with a review of the operational characteristics and service offerings of Union's storage facilities. Specifically, our review addressed the following activities:

- The physical attributes and operations of the Dawn Hub storage facilities
- The nature and level of storage services available to Union's ex-franchise customers.

In addition, we reviewed the relevant regulatory, ratemaking, and accounting aspects of Union's regulated and unregulated storage operations to better understand the evolution of the issues, regulatory decisions, and implementation processes required to allocate costs to these activities and to account for them in Union's financial statements and ratemaking filings before the Board.

2.1 OPERATIONAL

Union's underground storage facilities are an integral part of what is commonly known as the Dawn Hub - an important market center in North America for the trading, transfer, and storage of natural gas. Union's storage operations include 23 depleted gas fields with a working gas capacity of approximately 166 PJ and a peak deliverability of approximately 3.2 PJ per day. Union's Dawn-Parkway transmission system consists of parallel, large diameter pipelines and compressors which transport natural gas across its franchise area and serves as a primary west to east gas transport link. The Dawn-Parkway system currently has a capacity of approximately 6.8 PJ per day. Union's storage and transportation system is depicted in Figure 1.

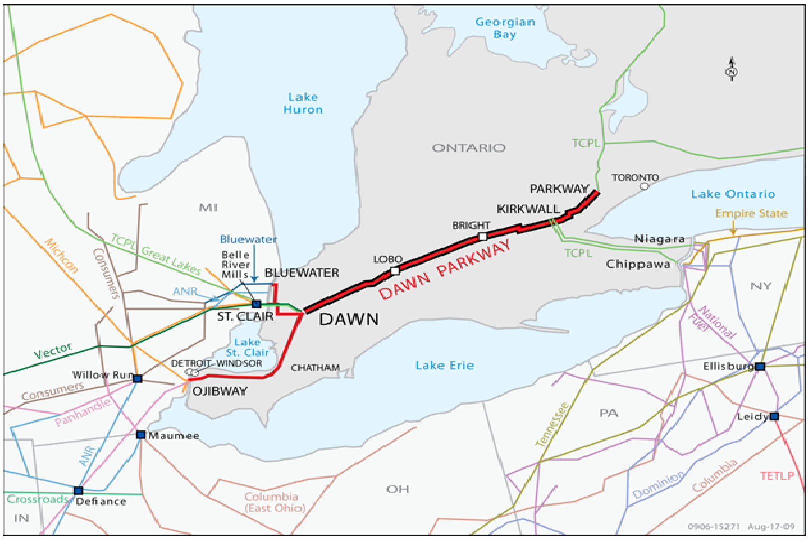

Figure 1 Union's Gas Storage and Transportation System

Union's storage pools connect with the Vector, Great Lakes, Panhandle, Michigan Consolidated Gas, and Bluewater transmission pipelines from Michigan to the west, and (via Union's Dawn-Parkway pipeline) the TransCanada pipeline and Enbridge's gas distribution system to the east. Figure 2 shows these pipeline interconnections with the Dawn storage operations.

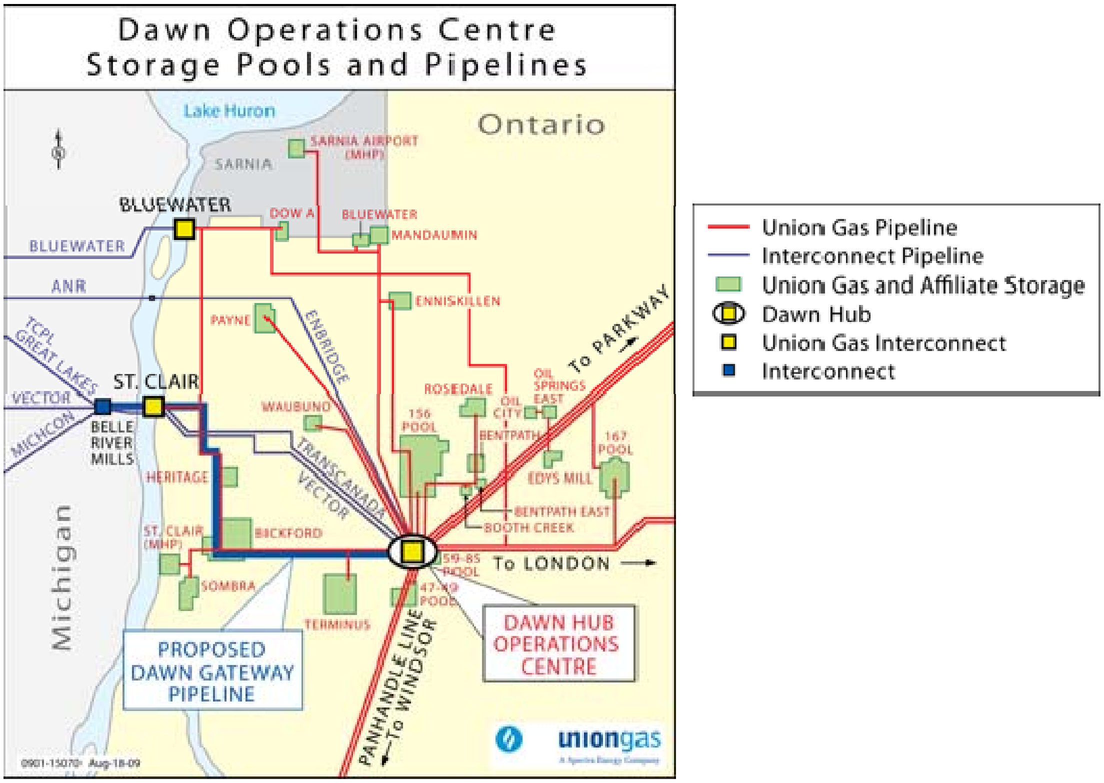

Figure 2 Dawn Storage Pools and Interconnected Pipelines

Regarding Union's storage operations, its various storage pools are operated as an integrated system with each pool affecting the operation of the other pools throughout the injection and withdrawal seasons.

2.2 STORAGE SERVICE CHARACTERISTICS

Union's ex-franchise market consists of Canadian and U.S. local distribution companies ("LDCs"), transmission service providers (e.g. TransCanada Pipelines) and marketers. Storage services for these customers have been priced at market rates endorsed by the Board since 1989 in E.B.R.O. 456. Ex-franchise storage services are fully unbundled from transportation and other services, and ex-franchise customers can select among unbundled services for their requirements. Further, there is no requirement that ex-franchise customer's contract for transmission service or any other service provided by Union when they contract with Union for storage service.

Union offers to its ex-franchise customers various types of storage-related services at market-based rates. Union's long-term storage services are offered to ex-franchise customers through the storage capacity in excess of the amount made available to its in-franchise customers at cost-based rates. Union's short-term storage services are offered to ex-franchise customers through the unused regulated utility storage assets that are considered surplus to its current in-franchise needs.

The actual storage service levels and revenues for Union's ex-franchise customers in 2010 through 2012 are presented in Table 1 below.

Table 1 Union's Actual Unregulated Storage Service Levels in 2010, 2011 and 2012

SERVICE TYPE	2010		2011		2012	
	Service Level (10^3m^3)	Amount ($000)	Service Level (10^3m^3)	Amount ($000)	Service Level (10^3m^3)	Amount ($000)
Long-Term Peak Storage	5,546,756	$87,166	5,595,943	$86,896	5,265,362	$82,065
T1 Deliverability and Up. Bal.	62	$1,825	58	$1,860	28	$1,857
Downstream Balancing	107	$742	84	$747	15,985	$991
Dehydration Service	282,453	$1,257	1,898,234	$1,265	1,763,342	$1,254
Storage Compression		$772		$774		$777
High Deliverability Storage	911,717	$20,179	791,566	$12,027	812,157	$13,422
Total Long-Term Storage	**6,741,095**	**$111,941**	**8,285,885**	**$103,570**	**7,856,875**	**$100,366**
C1 Off-Peak Storage	928,617	$1,710	1,374,733	$342	1,848,984	$1,351
Supplemental Bal. Services	1,244,925	$3,240	1,097,341	$1,461	468,860	$1,620
Gas Loans	1,080,066	$916	745,887	$57	827,994	$18
Enbridge Load Bal. Agreement	14,794	$135	3,515	$68	4,530	$93
C1 ST Firm Peak Storage	841,446	$14,886	1,036,095	$9,036	1,262,736	$10,557
Total Short-Term Storage	**4,109,848**	**$20,887**	**4,257,571**	**$10,964**	**4,413,104**	**$13,639**

Long-Term Storage Services

1. Long Term Peak Storage – offered for a period of two years or more.
2. T1 Deliverability (incremental to cost based T1 Deliverability) – allows Shippers to contract for injections and withdrawals greater than the maximum level of deliverability available at cost based rates.
3. Upstream Balancing – allows Shippers to balance rateable (evenly) flows arriving at Dawn (includes purchased gas supplies, withdrawals from storage, or gas arriving from upstream pipelines) with non-rateable downstream consumption requirements.
4. Downstream Balancing - a balancing service designed for Shippers who have very short notice delivery requirements (15 minutes notice) at Parkway/Kirkwall.
5. Dehydration Service – provided to third party storage providers directly connected to Union's system who request the service.
6. Storage Compression – an elective compression service for third party storage operators.
7. High deliverability Storage - allows Shippers to hold a minimum amount of inventory but withdraw or inject gas in high daily quantities on a firm basis.

Short-Term Storage Services

1. C1 Off-Peak Storage/Balancing/Loan Services – offers customers the flexibility to balance their supplies to meet short-term market demands or to capitalize on existing or unexpected market conditions using off peak storage, loans or balancing.

2. Enbridge Load Balancing Agreement.
3. C1 Short-Term Firm Peak Storage – usually offered for a period of one year or less.

2.3 REGULATORY AND RATEMAKING

Since the issuance of the NGEIR Decision by the Board in late 2006, Union has addressed the cost allocation and accounting issues associated with the separation of its storage lines of business in a number of regulatory proceedings. Schedule 1 presents a regulatory chronology of these proceedings which served as another point of reference for Black & Veatch's updated review. This Schedule also identifies the key issues addressed in the Board's Decisions and Orders which have become the basis for the regulatory precedents that apply to the topics addressed in this report.

2.4 ACCOUNTING

To implement a separation model for Union's regulated and unregulated storage operations, as required by the NGEIR Decision, there were three options available to Union: (1) a functional separation; (2) an accounting separation; or (3) an asset divestiture. As pointed out earlier, the Board found that functional separation of Union's storage assets was not necessary, nor was an asset divestiture a desired alternative in light of Union's integrated storage operations. Therefore, implementation of an accounting separation process was the only viable alternative to consider.

The adoption of that approach, however, created the need for a comprehensive set of cost allocation methods to be applied to Union's storage assets, direct expenses, and other indirect costs. Union proposed that its then most recent cost allocation study (filed in EB-2005-0520) could be utilized to allocate costs between its regulated and unregulated storage operations. The Board agreed with that proposal and approved its implementation. In light of the detailed and complex nature of Union's cost allocation study and supporting methodology, it was to be expected that an added level of scrutiny by interested parties would be created by the accounting separation of its storage-related costs and operation of its two storage deferral accounts.

In addition, while the NGEIR Decision required Union to make certain accounting changes for its regulated and unregulated storage operations compared to its methods of the past, it is recognized that Union has been accounting for its short-term and long-term storage revenues and costs (i.e., margins) and sharing such margins between in-franchise customers and the utility for a number of years. At the time of the NGEIR Decision, Union's method was to forecast the amount of short-term and long-term storage margins for the particular rate year as part of its rates case. Of the Board approved forecast amount, 90% was included as a credit against distribution rates for the year. To the extent that actual margins varied from the forecast built into rates, Union booked the difference in deferral accounts (Account No.179-70 for short-term transactions and Account No. 179-72 for long-term transactions). When cleared, these deferral account balances were shared 75% to Union's distribution ratepayers and 25% to Union's shareholders.

As approved by the Board in its Order in EB-2005-0520, the ratepayer portion of the deferred margin in Union's then current Long-Term Peak Storage Services Account No. 179-72 was 0% in 2011. As a result, there was no balance in this account at December 31, 2011. In EB-2011-0025 (Union's 2012 rate application), the Decision of the Board directed Union to close Account No. 179-72 effective January 1, 2012.

3 Cost Allocation for Union's Storage Operations

The purpose of this section is to detail the findings and recommendations of Black & Veatch's review and evaluation of Union's cost allocation methods for its regulated and unregulated storage operations. With a basic operational foundation established, a review of Union's cost allocation process structure and framework was conducted. The following areas were reviewed in detail:

- Phases or steps included in the cost allocation process.
- Organizational layout of and interrelationship between filed information and schedules which present Union's cost allocation results.
- Flow of data and sequencing of steps within the cost allocation process.
- Degree to which the cost allocation process is presented on a "self-contained" basis (i.e., analyses and supporting data are an integral part of Union's evidentiary presentation).
- Basis for the total storage cost of service reflected in the cost allocation results.
- The interrelationship and methodological consistency between Union's cost allocation process for its storage operations and its Board-approved 2007 cost allocation study to derive the cost of service for its in-franchise (rate regulated) customers.

3.1 PURPOSE

As discussed earlier, Union's cost allocation process for its storage operations is used for the following purposes:

1. To separate the costs of Union's unregulated storage operations from its regulated utility operations to properly account for the unregulated operations and to identify regulated storage costs for the purpose of setting Union's regulated utility rates.
2. To identify and compile the revenues and costs of Union's unregulated storage operations to determine standalone utility financial results for regulatory reporting.
3. The costs of Union's unregulated storage operations are required in the computation of storage margins subject to deferral in its storage deferral account – Account No. 179-70 Short-Term Storage and Other Balancing Services.

The results of Union's cost allocation process for its storage operations are presented each year in its annual deferral account proceeding (e.g., EB-2011-0038) and the results were also submitted in its 2013 rates application (EB-2011-0210), where Union re-computed the underlying costs of its in-franchise customers to rebase its regulated delivery rates under incentive regulation. Black & Veatch understands that this report will be submitted to the Board as part of Union's upcoming 2014 rates filing.

3.2 STRUCTURE

In many respects, the structure of Union's cost allocation process for its storage operations is very similar to the structure and framework of the cost allocation study it utilizes to derive the costs of serving its in-franchise customers. Before the NGEIR Decision which created Union's unregulated storage operations, its cost allocation study contained a class of service entitled, Bundled Storage Space and Interruptible Deliverability - Rate C1. This class contained Union's ex-franchise customers who received various types of storage services provided by Union. Before the NGEIR Decision, these services were offered by Union on a regulated basis under Rate C1 priced at market-based rates. Currently, these services are offered by Union on an unregulated basis under its Market Price Service Schedule - MPSS.

Page 1 of Schedule 2 depicts Union's treatment of storage-related costs in its currently-effective cost allocation study and the three-phase process it followed to derive those costs by class of service. After Union's total storage cost of service is established through the functionalization process, it then classifies those costs into the following cost categories: (1) Demand; (2) Commodity; (3) Space; and (4) System Integrity. Finally, Union allocates the functionalized and classified costs of storage to its classes of service using various direct assignment and cost allocation methods. For purposes of deriving the storage costs for its regulated and unregulated storage operations, Union utilized its 2007 Board-approved cost allocation study filed in EB-2005-0520. This cost study was the most recently completed Board approved cost allocation study at the time of the NGEIR Decision. As will be discussed in more detail below, the primary purpose of Union's cost allocation study was to separate its storage assets existing at the time of the NGEIR Decision - with this step representing a one-time transfer of assets to Union's unregulated storage operations.

Pages 2-5 of Schedule 2 provide a comparative mapping of Union's Board-approved cost allocation study and supporting methodology approved in EB-2005-0520, and the methodology utilized by Union to allocate costs to its unregulated storage operations. This comparison clearly shows that the vast majority of allocation methods used by Union, and approved by the Board, in its most recently completed cost allocation study have been carried forward and applied to the cost allocation process Union now uses to separate its storage cost of service between the regulated and unregulated storage operations.[6]

Schedule 3 presents a high-level view of the overall functional process Union follows to separate its regulated and unregulated storage costs. Union's overall cost allocation process addresses nine (9) separate cost elements related to its underground storage operations, including:

1. Existing storage assets at December 31, 2006;
2. Existing general plant at December 31, 2006;
3. New storage assets;
4. New general plant;
5. Depreciation expense;
6. Cost of gas;
7. Operating & maintenance expenses
8. Property and capital tax; and

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[6] As will be discussed in detail later in this report, while Union relies upon the cost allocation methodologies presented in Schedule 2 for purposes of allocating costs to its unregulated storage operations, it updates certain of the supporting cost allocation factors on an annual basis to reflect changes to: (1) the relative level of total unregulated storage plant in service to total plant in service; (2) the relative level of storage space and deliverability between Union's regulated and unregulated storage operations caused by new storage asset additions; and (3) the level of Operations & Maintenance expenses by individual asset and on a composite basis.

9. Cost of unutilized in-franchise storage capacity.

Each of these elements requires Union to identify and compile the required input cost data, to select the direct assignment and/or cost allocation methods that are to be applied to the relevant costs, and to derive the costs associated with Union's unregulated storage operations. As will be discussed in the next section, certain of these cost elements were allocated to Union's unregulated storage operations on a one-time basis while others are allocated to that business line on an annual basis using allocation factors that are updated each year.

3.3 DATA SOURCES AND THE TIMING OF UNION'S COST ALLOCATION PROCESS

Union's on-going allocation of costs to its unregulated storage operations is premised upon, for the most part, the same sources of data that it utilizes to derive its total cost of service for regulated operations that is reflected in its cost allocation study. The one exception is for Union's existing storage assets that were assigned at the time of the NGEIR Decision as a one-time transfer to Union's unregulated storage operations. Based upon recommendations from KPMG LLP, Union implemented various accounting and process changes to its existing financial and management reporting. This was done because accounting for unregulated storage operations is required to follow Canadian Generally Accepted Accounting Principles ("GAAP"). For Property, Plant, and Equipment ("PP&E") assigned to its unregulated storage operation, Union established a new asset category - Underground Storage - in its SAP business accounting and management software system. The associated plant accounts currently reflect the one-time transfer of Union's storage-related assets that existed at December 31, 2006 and the ongoing asset additions and retirements that have occurred since that time.

The timing of Union's cost allocation process is presented in Schedule 4. There are three categories reflected in this Schedule, with costs allocated on: (1) a one-time basis; (2) an annual basis; and (3) a periodic basis. Schedule 4 presents the particular cost elements that comprise Union's unregulated storage cost of service grouped according to these three categories. Details of the timing associated with Union's cost allocation process are discussed in subsequent sections of this report.

3.4 ASSIGNMENT OF STORAGE SPACE TO UNION'S UNREGULATED STORAGE OPERATIONS

In the Board's NGEIR Decision, it was determined that Union should reserve 100 PJ of storage space (i.e., storage capacity) at cost-based rates to accommodate in-franchise growth.[7] At that time, Union's total storage capacity was equal to approximately 162.1 PJ, which meant that approximately 62.1 PJ of storage space was assigned to Union's unregulated storage operations. These storage space levels served as the primary basis for Union's allocation of the direct and indirect costs of storage space to its regulated and unregulated storage operations in its 2007 Board-approved cost allocation study.

In addition, the Board stated that Union should continue to charge its in-franchise customers based only on the amount of storage space required in any year. In other words, if Union's in-franchise customers required less than 100 PJ in any one year, its cost-based rates for in-franchise customers

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[7] EB-2005-0551, Decision with Reasons, Page 83.

should be based on that amount. Under this approach, Union's unregulated storage operations would be assigned an additional amount of storage space based on the difference between the 100 PJ and the lower level required by its in-franchise customers. This additional amount of storage space could then be sold by Union on an unregulated basis as short-term storage services. At the time of the NGEIR Decision, Union's in-franchise customers required approximately 92.1 PJ of storage space. Therefore, the levels of Union's regulated rates were designed to reflect this lower level of storage space by assigning to its unregulated storage operations the additional costs of 7.9 PJ of storage space. Through this cost assignment, the current rates of Union's in-franchise customers actually reflect an amount of storage space equal to 92.1 PJ rather than the 100 PJ level stated in the Board's NGEIR Decision.

3.5 STORAGE-RELATED ASSETS

This section describes the treatment of Union's existing storage and general plant assets at December 31, 2006, new asset additions, and asset retirements within its cost allocation process for storage operations.

3.5.1 Existing Storage Assets at December 31, 2006

After issuance of the Board's NGEIR Decision, Union completed a comprehensive review of all its existing underground storage assets to determine which assets needed to be removed from its regulated utility rate base and allocated to its unregulated storage operations. The first step was for Union to functionalize its existing storage assets as of December 31, 2006. Union determined that its storage assets could be functionalized into the following three categories:

- Storage assets that are directly attributable to providing storage services only;
- Storage assets that are directly attributable to providing transmission services only; and
- Storage assets that are utilized to provide both storage and transmission services.

These categories are the same ones that Union uses in its costs allocation study to functionalize its storage-related assets for purposes of setting regulated rates for its in-franchise customers. As can be seen on pages 2-5 of Schedule 2, there are certain assets booked to Union's storage plant accounts that it re-functionalized from storage to transmission based on their specific functional composition and operational characteristics. To complete the functionalization step, Union either directly assigned or derived an allocation factor for each of its storage assets to quantify the level of storage assets required to provide the storage services offered by Union.

The second step in the process was to either directly assign or derive an allocation factor for each storage asset (or portion of a storage asset) functionalized as storage to determine the level of storage assets required to support Union's unregulated storage operations. To facilitate the completion of this step, Union further grouped its storage assets into four specific categories: (1) Storage Dehydration; (2) Storage - All Other; (3) Storage Compression; and (4) Storage Measuring & Regulating ("M&R"). Page 1 of Schedule 5 presents the results of completing these two steps, and Page 2 of Schedule 5 presents the assignment of Union's unregulated storage assets by OEB Account as of December 31, 2007 (the point in time when Union's asset transfer was completed). Schedule 6 presents details of how the various storage allocation factors were derived by Union to first functionalize storage-related assets and then assign the appropriate amounts to Union's unregulated storage operations.

Finally, it should be noted that the above-described process required the allocation of individual assets in order for Union to create and maintain on a going forward basis the proper plant accounting records at the individual asset level for its unregulated storage operations.

1. Existing Storage Assets Providing Storage Services

Examples of storage assets that Union uses solely to provide storage services include: storage lines, storage wells, outboard storage compression, and dehydration assets. Since these storage assets provide storage services only, the first step in the allocation process was to directly assign 100% of these assets to the storage function. The second step in the allocation process was to determine allocation factors to separate these assets between Union's regulated and unregulated storage operations.

To determine the allocation factor to apply to its storage lines, storage wells, and outboard storage compression assets, Union utilized the storage space and deliverability allocators from its Board-approved 2007 cost allocation study, adjusted to recognize the requirement to reserve 100 PJ for regulated utility operations based on the Board's NGEIR decision.

In the Board-approved 2007 cost study, Union's ex-franchise storage operations were allocated 45.3% of Union's storage space and 39.2% of Union's storage deliverability. Adjusting the Board-approved 2007 cost allocation study for the NGEIR Decision resulted in Union's unregulated storage operations being allocated 40.2% of Union's storage space and 35.1% of Union's storage deliverability. The average of these adjusted storage space and deliverability allocation factors resulted in a weighted allocation factor of 37.7% for Union's unregulated storage operations. This method reflects the fact that storage serves the dual purpose of providing capacity (space) and daily deliverability. The result of applying this allocation factor to storage lines, storage wells and outboard storage compression assets is that 37.7% of these storage assets are allocated to Union's unregulated storage operations. Page 1 of Schedule 6 presents the resulting allocation factor and the basis for its derivation.

To determine the unregulated allocation factor for dehydration assets, Union utilized a dehydration demand allocator from its Board-approved 2007 cost allocation study, adjusted for the NGEIR Decision. In the Board-approved 2007 cost allocation study, Union's ex-franchise storage operations were allocated 24.8% of Union's total dehydration demand. Adjusting the Board-approved 2007 cost allocation study for the NGEIR Decision resulted in an allocation factor for dehydration assets of 22.2%. The result of applying this allocation factor to dehydration assets is that 22.2% of these assets are allocated to Union's unregulated storage operations. Page 1 of Schedule 6 presents the resulting allocation factor and the basis for its derivation.

2. Existing Storage Assets Providing Transmission Services

Union's system of accounts identifies all Dawn facility assets as underground storage assets. Certain Dawn facility assets, however, are only used in providing regulated transmission services even though they are classified as underground storage assets in the plant accounting records. In Union's Board-approved 2007 cost allocation study, Union directly assigns these assets to the transmission function. The directly assigned assets included in the Board-approved 2007 cost allocation study are:

- *The Dawn-Parkway meter runs* - represents an investment in measuring and regulated equipment (26”, 34’, and 42” meter runs) installed at Dawn to measure Dawn-Parkway transportation volumes.
- *Tecumseh measurement facilities* - represents an investment in measuring and regulating equipment installed at Dawn to measure Dawn-Parkway transportation volumes.
- *TCPL measurement facilities* - represents an investment in structures and improvements, compressor station equipment, and measuring and regulating equipment installed to accept the delivery of transportation volumes at Dawn.
- *Oil Springs East measurement* - represents an investment in structures and improvements and measuring and regulating equipment to provide custody transfer metering for volumes flowing between the Oil Springs East Pool and the Dawn-Parkway transmission facilities.
- *The Great Lakes Header* - represents an investment in compressor equipment installed to accept the delivery of transportation volumes at Dawn.

In addition, as a result of Union’s comprehensive review of its storage assets, the Plant E compressor at Dawn was also directly assigned to the transmission function since it is dedicated to providing only regulated transmission services. Therefore, no storage assets providing only transmission services are allocated to Union’s unregulated storage operations.

3. Existing Storage Assets Providing Storage and Transmission Services

The remaining compression and measuring and regulating assets at Union’s Dawn facility are used to provide both storage and transmission services. To determine the portion of these assets to allocate to Union’s unregulated storage operations, it first derived allocation factors to functionalize these assets between its storage and transmission functions.

For Dawn compression assets, Union used the Board-approved horsepower allocation method as the basis for determining the allocation factor. The horsepower allocation is used to separate costs between Union’s storage and transmission functions based on the amount of compression horsepower required to provide storage and transmission services on a design day. The compression horsepower required to bring the pressure up to 4,926 kPa (700 psig) on a design day is deemed to be storage-related. The compression horsepower required to bring the pressure from 4,926 to 6,270 kPa (700 to 895 psig) on a design day is deemed to be transmission-related. This operational alignment results from Union’s receipt of gas from TCPL at Dawn at 700 psig and its operation of the Dawn-Parkway transmission system at 895 psig.

The Board-approved 2007 cost allocation study allocated 44.4% of Dawn compression related costs to Union’s storage function and 56.6% of Dawn compression-related costs to its transmission function. The 2007 Board-approved horsepower allocation was then adjusted to recognize the compression that is directly allocated to storage or transmission services. This resulted in an adjusted Board-approved horsepower factor of 52.7% applied to Union’s compression assets providing both storage and transmission services at Dawn to determine the storage allocation. To determine an unregulated factor for storage compression assets at the Dawn facility, Union used the average of the NGEIR-adjusted storage space and deliverability allocators of 37.7 % as described above. The result of applying the storage and unregulated factors to compression assets at the Dawn facility is that 19.9% of the assets are allocated to the unregulated storage operations. Page 2 of Schedule 6 presents the resulting allocation factors and the basis for their derivation.

To determine the allocation factor for measuring and regulating assets at the Dawn facility, Union used the allocation factor in the Board-approved 2007 cost allocation study based on the forecasted storage and transmission activity at Dawn. In that cost study, Union's measuring and regulating assets were functionalized as 26.3% storage-related and 73.7% as transmission-related. Union utilized that allocation factor to assign measuring and regulating assets to the storage function. The Board's NGEIR Decision did not impact this allocation factor for measuring and regulating equipment. To determine an allocation factor for the portion of the measuring and regulating assets at the Dawn facility attributable to its unregulated storage operations, Union utilized the average of the NGEIR Decision-adjusted storage space and storage deliverability allocator of 37.7% described above.

The result of applying these allocation factors to measuring and regulating assets at the Dawn facility is that 9.9% of the assets are allocated to the unregulated storage operations. Page 2 of Schedule 6 presents the resulting allocation factors and the basis for their derivation.

3.5.2 Existing General Plant at December 31, 2006

Union's general plant assets are not directly attributable to either the regulated or unregulated storage operations because of the support nature of a utility's general plant facilities. Therefore, it was necessary for Union to allocate these assets to its unregulated storage operations through allocation factors that recognize their support nature. In Union's Board-approved 2007 cost allocation study, general plant assets were assigned to the storage function in proportion to net plant and O&M and classified in the same manner. The resulting costs were then allocated to ex-franchise storage services based on the space, deliverability, commodity and system integrity allocators. Union generally followed this approach when allocating general plant assets to its unregulated storage operations by utilizing two separate allocation factors – one factor that is specific to vehicles and heavy equipment and one factor applicable to all other categories of general plant.

First, Union created a functional allocation factor based on the vehicles and heavy equipment used in its storage and transmission operations. This allocation factor (11.9%)[8] was derived based on the value of vehicles and heavy equipment used in its storage and transmission operations as a percent of the total value of vehicles and heavy equipment for Union's entire operations. Union then determined the portion of these assets that supported its unregulated storage operations by applying the previously derived storage space and deliverability allocator of 37.7% to the 11.9%, which resulted in a composite allocation factor of 4.5%.

Union then created a second allocation factor based on Union's storage assets and O&M expenses. This allocation factor applied to all other categories of general plant. The asset portion of the

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[8] Total value of vehicles and heavy equipment related to Union's Dawn Storage and Transmission Operations of $5,829,466 divided by the total value of Union's vehicles and heavy equipment of $48,839,315.

allocation factor (3.32%)[9] was derived based on the value of unregulated storage plant (excluding construction work in progress, asset retirement obligations, and general plant) as a percent of the value of Union's total plant in service. The O&M expense portion of the allocation factor (2.52%)[10] was derived based on the portion of O&M expenses allocated to Union's unregulated storage operations as a percent of total O&M expenses. The resulting allocation factor based on an equal weighting of these two allocators is 2.92%.

Page 1 of Schedule 7 presents the results of completing this allocation process, and Page 2 of Schedule 7 presents the allocation of Union's general plant assets to its unregulated business by OEB Account as of December 31, 2007 (the point in time when Union's asset transfer was completed). Page 1 of Schedule 8 presents the resulting allocation factors and the basis for their derivation.

3.5.3 Application of Allocation Factors to Union's Existing Storage Assets

The cost allocators determined through the cost allocation approach described above for storage assets and general plant were applied to individual asset records to separate unregulated storage assets and to calculate the Gross Book Value and Accumulated Depreciation at an individual asset level. In order to maintain separate accounting records for the unregulated storage assets, Union established separate plant records in its asset sub-ledger in 2008. Black & Veatch confirmed in its previous review that the assets allocated to the unregulated storage operation were properly excluded from the calculation of Union's regulated utility rate base, and that the storage additions during the 2007-2009 time period were properly reflected in Union's plant continuity schedules.[11]

Plant continuity schedules for 2010 through 2012 for Union's unregulated storage and associated general plant assets are provided in Schedule 9 to this report. Black & Veatch confirmed that the ending balance at December 31, 2009[12] for Union's unregulated storage-related assets was carried forward as the beginning balance at January 1, 2010 in Schedule 9, page 1 of 6.

3.5.4 New Storage Assets

Any new storage assets constructed after the NGEIR Decision that provides an increase in storage capacity or deliverability will be directly assigned to Union's unregulated storage operations. For any new storage projects that only replace Union's existing storage assets, the cost of those projects will be allocated to Union's unregulated storage operations using the most recent cost allocators. Finally, for any new storage projects that replace and serve to improve operational efficiency and/or provide growth opportunities for Union's unregulated business, Union will directly assign to

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[9] Union's total unregulated storage plant at December 31, 2007 (excluding CWIP, Asset Retirement Obligations, and General Plant) of $172,571,936 divided by Union's total plant at December 31, 2007 (excluding CWIP, Asset Retirement Obligations, and General Plant) of $5,198,765,878.

[10] Union's O&M storage support expenses for 2007/2008 (details of how the allocation factor was derived were not made available to Black & Veatch).

[11] See Schedules 9-11 in Black & Veatch's Final Report of its Independent Review of the Accounting and Cost Allocation for Unregulated and Regulated Storage Operations, dated March 2011.

[12] See Schedule 9, page 3 of 4, column (g) in Black & Veatch's Final Report of its Independent Review of the Accounting and Cost Allocation for Unregulated and Regulated Storage Operations, dated March 2011.

its unregulated storage operations that portion of costs associated with the increased efficiency and/or growth of that storage operation. A summary of Union's method of categorizing and allocating its storage projects for purposes of allocation between its regulated and unregulated storage operations is provided in Table 2 below.

Table 2 Union's New Storage Asset Categorization and Allocation Process

DESCRIPTION	ALLOCATION METHODOLOGY
New Storage Asset – increase in capacity or deliverability	Allocated 100% to unregulated operations
New Storage Asset – no increase in capacity or deliverability	Allocated to regulated and unregulated operations based on the Regulated vs. Unregulated Storage Asset Allocations analysis. (Note 1)
Replacement Storage Asset – no increase in capacity or deliverability	Allocated to regulated and unregulated operations based on the Regulated vs. Unregulated Storage Asset Allocations analysis. (Note 1)
Replacement Storage Asset – increase in capacity or deliverability	Allocated to regulated and unregulated operations based on an analysis of the cost to replace the existing asset like for like and the cost of providing the incremental capacity or deliverability. The cost to replace the existing asset like for like is allocated to regulated and unregulated operations based on the Regulated vs. Unregulated Storage Asset Allocations analysis (Note 1) and the cost of providing incremental capacity or deliverability is allocated 100% to unregulated operations.

Note 1 – the Regulated vs. Unregulated Storage Asset Allocations analysis is prepared for each storage pool and compressor station annually to show the appropriate allocation to regulated and unregulated operations for new capital additions for each asset class. The analysis is prepared for each fiscal year early in the year using Union's previous year end information. The current allocation at any year-end is based on the historical allocation to Union's regulated and unregulated operations for a particular storage pool/compressor station based on the one-time separation of plant, as approved in EB-2011-0038, and any subsequent additions based on the allocation methodology described above.

Schedule 9 also provides the additions and retirements to Union's unregulated storage assets for 2010 through 2012. Schedule 10 presents a listing of Union's storage projects (including those replacing existing storage assets) during 2010-2012. Schedule 10 also shows the amounts that were assigned to Union's regulated and unregulated storage operations. You can see from Schedule 10 that certain storage asset additions were directly assigned to Union's unregulated storage operations, because no asset additions were assigned to the "regulated" column, and other asset additions were assigned between its regulated and unregulated storage.

Black & Veatch also reviewed the basis used by Union to determine the level of capital additions assigned to its unregulated storage assets in 2010-2012, as presented in Schedules 9 and 10. Schedule 10 also details the manner in which these amounts were derived by Union. It provides the annual level of Construction Work in Progress ("CWIP") at the prior year-end, actual annual storage expenditures made by Union, the inclusion of capital overheads, and various adjustments to those projects during each year of the 2010-2012 time period.

It is important to understand that from the time Union conducted its one-time asset separation between its regulated and unregulated storage operations, any new plant additions that were made each year were assigned to one of the four categories presented in Table 2. As this process progressed from January 1, 2007 to the present, it has changed the allocation percentages that were originally determined for certain of Union's storage assets where the functionality of the new plant additions was different from the allocation percentages based on the original separation of assets.

Schedule 11 presents representative examples of the cost allocation basis for three of Union's storage pools. As depicted in Schedule 11, the resulting allocation percentages for the Sombra and Dawn 167 storage pools have not changed from their original allocations, while those for the Dawn 156 pool have changed for the asset categories that are shaded. This occurred because a portion of the storage additions for the Dawn 156 pool since 2007 was comprised of assets that increased the capacity or deliverability of the pool. For each asset category in Schedule 11 with an allocation percentage that is shaded, the percentage for the unregulated portion is higher and the percentage for the regulated portion is lower compared to the original percentages from the NGEIR Decision. Union has tracked these changes since December 31, 2006 for each asset class and category associated with its storage operations. The resulting allocation percentages are maintained by Union for use as assets are retired and replaced or added over time. These same allocation percentages are used by Union in the allocation of certain of its annual storage-related expenses, as will be discussed in a later section of this report.

Black & Veatch has reviewed the manner in which Union updates the cost allocation factors for its unregulated storage assets and concludes that the method is appropriate and results in reasonable cost allocation factors that properly reflect the functionality and business purpose of Union's storage-related assets that are added over time.

3.5.5 New General Plant

Union allocates new general plant to its unregulated storage operations by using the allocation factor applicable to the particular asset category (i.e., Vehicles and Heavy Equipment or All Other) derived at the time the asset was placed into service.

For example, in 2012 Union created an unregulated storage allocation factor for new vehicles and heavy equipment added during 2012 based on the storage portion of the same type of assets that were used in its storage and transmission operations at the end of 2011. First, a functional allocation factor (12.83%)[13] was derived based on the value of vehicles and heavy equipment used in its storage and transmission operations as a percent of the total value of vehicles and heavy equipment for Union's entire operations. Union then determined the portion of those assets that supported its storage operations by using a horsepower-based allocation factor (66.6%) derived from Union's level of storage compression and its total transmission and storage compression available during the 2011-2012 winter period. Finally, Union determined the portion of those

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[13] Total value of vehicles and heavy equipment related to Union's Dawn Storage and Transmission Operations of $8,597,663 divided by the total value of Union's vehicles and heavy equipment of $67,023,808.

resulting assets that supports its unregulated storage operations by applying its combined storage space and deliverability allocator of 48.6%[14] to the 8.54% amount (12.83% x 66.6%), which resulted in a composite allocation factor of 4.15%.

Union then created a second allocation factor for all other general plant based on a combination of Union's storage assets and O&M expenses. This allocation factor applied to all other categories of new general plant. The asset portion of the allocation factor (5.19%)[15] was derived based on the value of unregulated storage plant (excluding construction work in progress and general plant) as a percent of the value of Union's total plant in service (excluding construction work in progress and general plant). The O&M expense portion of the allocation factor (2.90%)[16] was derived based on the portion of O&M expenses allocated to Union's unregulated storage operations as a percent of total O&M expenses. The resulting allocation factor based on an equal weighting of these two allocators is 4.04%. Page 2 of Schedule 8 presents the resulting allocation factors for 2012 and the basis for their derivation.

Black & Veatch recognizes that the above-described allocation factor derived by Union for vehicles and heavy equipment was an issue that was addressed by parties in EB-2011-0210. It was originally addressed in Black & Veatch's 2011 review during which time it was recommended that the method used by Union to derive the allocation factor should be revised.[17] In response to an interrogatory from Board Staff,[18] Union stated that it would revise this allocation factor starting in 2012 on a perspective basis. Black & Veatch has reviewed Union's revision to the derivation of this allocation factor and concludes that the allocation factor has been derived appropriately for 2012.

Schedule 9 also provides the additions and retirements to Union's unregulated general plant for 2010 through 2012. Black & Veatch reviewed the Capital Additions for 2012 presented in Schedule 9 to confirm that the additions to general plant were derived by Union in an appropriate manner. Detailed plant records were examined to determine if the general plant allocation factors described above were applied correctly to the individual plant accounts. Based on this information, Black & Veatch was able to see where each of the two allocation factors were applied and the resulting portions of the general plant additions by asset category that were allocated to Union's unregulated storage operations. The 4.15% allocator was applied to Transportation – Vans and Pickups and

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[14] The average of Union's unregulated storage space allocator of 48.9% and unregulated storage deliverability allocator of 48.3% based on its 2011 Budget.

[15] Union's total unregulated storage plant at December 31, 2011 (excluding CWIP and General Plant) of $323,157,118 divided by Union's total plant at December 31, 2011 (excluding CWIP and General Plant) of $6,227,537,421.

[16] Based on Union's O&M storage support expenses included in its 2011 Budget for its regulated and unregulated storage operations. It should be noted that in future years, Union has changed its process to derive the O&M storage support allocation factor so that it will be based upon actual storage O&M expense amounts.

[17] See Recommendation No. 3 at page 1-6 of Black & Veatch's Final Report of its Independent Review of the Accounting and Cost Allocation for Unregulated and Regulated Storage Operations, dated March 2011.
[18] See J.B-6-1-1, page 1 of 2 filed on May 4, 2012 in EB-2011-0210.

Heavy work equipment, and the 4.04% allocator was applied to all the remaining general plant asset categories.[19]

3.6 STORAGE-RELATED EXPENSES

Union derives storage-related expenses for its unregulated storage operations on an annual basis to reflect the latest activity supporting that business line. The starting point is Union's total cost of service by cost element, with a set of detailed allocation factors applied to each expense element to determine the portion attributable to Union's unregulated storage operations. Each of Union's cost elements that support (either directly or indirectly) its unregulated storage operations, and the associated allocation methods, is described below.

3.6.1 Cost of Gas

The total cost of gas allocated to Union's unregulated storage operations consists of Unaccounted for Gas ("UFG"), storage compressor fuel, net of the amount of gas in kind supplied by customers providing their own fuel, and the cost of storage space purchased from others. The method for allocating these gas costs to Union's unregulated storage operations is consistent with the allocation method used in the Board-approved 2007 cost allocation study.

To calculate the UFG associated with Union's unregulated storage operations, Union first determined the ratio of actual unregulated storage volumes (365,711,594 GJ) to Union's total actual storage and transportation volumes (2,999,868,002 GJ). This ratio (12.19%) was then applied to Union's total actual UFG incurred in 2012 of $12.903 million to derive the unregulated storage-related UFG of $1.573 million.

Total storage compressor fuel assigned to Union's unregulated storage activity is also based on a volumetric allocation determined by using the ratio of actual unregulated storage activity to the actual total storage activity. This allocation is applied to Union's total actual storage compressor fuel incurred in 2012 of $2.501 million. The result is that $1.450 million of compressor fuel was allocated to the unregulated storage activity. Total UFG and compressor fuel allocated to Union's unregulated storage activity in 2012 was $3.023 million. Of this amount, $3.020 million was supplied in kind by customers who have contracted for unregulated storage services, resulting in a net cost of approximately $0.003 million.

Finally, Union's Board-approved 2007 cost allocation study includes an allocation of $0.179 million of costs associated with the purchase of the third party storage space (Enbridge - Black Creek) to its unregulated storage operations. In total, the cost of gas allocated to Union's unregulated storage operations in 2012 was $0.182 million.

Schedule 12 describes these allocation factors and the basis for their derivation.

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[19] One exception to that approach was the treatment of approximately $3.789 million of the $4.664 million under the general plant category Office Equipment – Computers on Schedule 9, page 5 of 6, line 13, column (b) which was directly assigned to Union's unregulated storage operations to recognize the asset addition supports the optimization of storage space which only relates to its unregulated storage activities.

3.6.2 Operating & Maintenance Expenses

The Operating and Maintenance ("O&M") Expenses assigned to Union's unregulated storage operations are allocated based on the underlying activities within each expense category. This process began after the NGEIR Decision was issued with Union undertaking a comprehensive review of its existing internal work orders and categorizing them according to their operational function. Each Internal Order ("IO") was assigned to one of the O&M categories presented in Table 3 below.

Table 3 Union's Storage-Related O&M Expense Categories

O&M CATEGORY	DESCRIPTION
Storage General	Activity exclusively related to storage operations
Storage Shared	Activity related to both transmission and storage operations
Storage Unregulated	Activity exclusively related to unregulated storage operations
Storage Regulated	Activity exclusively related to regulated storage operations
Storage Support	Activity supports storage operations and all other operations

For these five groups, Union has developed six different types of allocators to reflect the nature of the costs incurred and the supporting information available to create the particular cost allocation factor(s). Table 4 below presents a summary of the various cost allocation methods used by Union to assign storage-related costs to its unregulated storage operations.

Since the majority of Union's storage-related O&M expenses are associated with the operating and maintenance of Union's existing storage assets, the expenses categorized as Storage-General and Storage-Shared were further classified into the following plant-related categories: supervision, wells, lines, compressors, measuring and regulating, dehydration, rents, and other.

Table 4 Union's Storage-Related O&M Expense Allocators

ALLOCATOR BASIS	DESCRIPTION
Plant, Property & Equipment	IO allocator matched to the allocation of the related asset
Plant, Property & Equipment	KPMG's PP&E Model (see Page 1 of Schedule 14)
Cost Study	Same allocator used in Union's most recent Cost Allocation Study
Time Estimates	Individual staff assessment of time worked on unregulated storage projects
Most Recent Actual Regulated and Unregulated Split	Allocator based on Union's actual unregulated storage O&M to the total net operational O&M for the most recent year
Determined When IO is Opened	One-time assessment made based on the nature of the IO activity

Costs related to operating and maintaining Union's storage-related assets are allocated in the same manner in which the underlying asset is allocated. Storage support costs such as general operating and engineering O&M are allocated based on the activities conducted by Union's departments related to storage operations. Administrative & General ("A&G") expenses are allocated in proportion to Union's storage O&M expenses. These allocation methods are consistent with Union's treatment of these costs in its Board-approved 2007 cost allocation study.

Schedule 13 provides a high level view of the cost allocation methods relied upon by Union by department or expense category for assigning annual O&M expenses to its unregulated storage operations. Further details of this process are provided below.

1. Storage Operations

The cost of storage operations are separated between Union's unregulated and utility storage operations based on the underlying asset that the expenditure supports. This is determined by Union reviewing how the costs relate to the storage assets with its engineers residing in the Storage Transmission Operations ("STO") department and with budget contacts in each group that support the maintenance of Union's existing storage assets. For example, the operating costs related to individual storage pools is separated between Union's unregulated and regulated storage in the same manner in which the storage pool assets are allocated (see Schedule 11).

2. Business Development

O&M expenses related to the development of new storage assets are assigned to Union's unregulated storage operations based on an estimate of time spent annually on the development of its unregulated storage projects. These allocations are reviewed by Union with its key contacts in the Business Development group, and updated annually as part of the forecast process. Adjustments are made during the year if the actual activity levels vary significantly from the expected levels.

3. Regulatory

O&M expenses related to the regulatory activities associated with the development of new storage projects are assigned to Union's unregulated storage operations based on an estimate of the time spent annually on the development of its unregulated storage projects. These allocations are reviewed by Union with its key contacts in the Regulatory group, and updated annually as part of the forecast process.

4. Other O&M Expenses

O&M expenses related to Union's human resources, benefits, information technology, and administrative & general areas are assigned to its unregulated storage operations based on Union's previously assigned unregulated storage-related O&M expenses.

5. Illustrative Examples of Union's Cost Allocation Process for O&M Expenses

Schedule 14 presents Union's specific O&M expense allocation factors and examples to illustrate how its cost allocation methods and allocation factors are applied to the various O&M expense categories described above. Page 1 of Schedule 14 presents the resulting allocation factors for the Storage-General, Storage-Shared, and Storage-Support categories for the years 2007 and 2012. The derived allocation factors (percentages) are reviewed and updated annually by Union for areas directly involved in storage operations as well as for those supporting storage activities that reflect the operation and maintenance of its storage assets, the supporting corporate services, and the development of new storage capacity.

The 2007 allocation factors were used by Union to assign O&M expenses during the first year in which its unregulated storage operations was in existence. As a point of contrast, Schedule 14 also presents the allocation factors that are being used by Union in 2012 to show that all of the allocation factors have increased since 2007 in recognition of the additions made to Union's unregulated storage assets since the original asset transfer which occurred in 2007.

Pages 2 and 3 of Schedule 14 present illustrative examples of how Union's cost allocation process works for the various types of expenses that support its unregulated storage operations. Page 2 of Schedule 14 illustrates the process followed by Union in determining which allocation factor should be applied to particular storage-related activities and the associated O&M expenses. Further explanations for a few of the examples presented on page 2 of Schedule 14 are provided below:

- Under the Storage-General category, Storage Operations expenses associated with Union's gas dehydration operations at Dawn are allocated to its unregulated storage operations using a 69.0% allocation factor (which is the same factor used in Union's cost allocation study for demand-related dehydration costs).

- Under the Storage-General category, Storage Operations expenses associated with the wells at Union's Bentpath storage pool are allocated to its unregulated storage operations using a 38.0% allocation factor (which is the same allocation percentage represented by the unregulated wells assets at the Bentpath storage pool).

- Under the Storage-Support category, Information Technology expenses supporting Union's storage operations are allocated to its unregulated storage operations using a 2.9% allocation factor (which is based on Union's unregulated storage O&M expenses to its total Operational O&M expenses).

- Under the Storage-Support category, Business Development expenses supporting Union's storage operations are allocated to its unregulated storage operations using a 27% allocation factor (which is based on individual time estimates of the Union staff members who perform these activities).

Page 3 of Schedule 14 illustrates how Union applies the selected cost allocation factors to the various O&M expense components to derive the portion of O&M expenses each year that is assigned to its unregulated storage operations by cost center and department. The example on page 3 represents the costs of three Union IOs and how their costs are allocated to the Unregulated O&M, Regulated O&M, and Capitalization categories. While this one example addresses only 3 IOs, Union's cost allocation process is much more complex than that since it must allocate each year the O&M expenses of over 2,000 IOs between its unregulated and regulated storage operations.

6. O&M Results for 2012

Based on the cost allocation process just described, Union derived the O&M expenses for 2012 attributable to its unregulated storage operations. Table 5 below presents these results by department, with the total amount equal to the O&M expense amount reflected in Union's Determination of 2012 Net Margin for Account No. 179-70 which will be presented later in this report.

Table 5 Union's 2012 Unregulated Storage-Related O&M Expenses by Department

DEPARTMENT	ALLOCATED AMOUNT
Business Development	$2,282,757
Regulatory	$1,568,396
Information Technology	$682,805
Operations	$4,216,510
Human Resources	$2,944,878
Administrative and General	$495,009
Total	$12,190,355

3.6.3 Depreciation Expense

As reported in Black & Veatch's previous review, Union used the results of its depreciation study, less salvage value, to depreciate its unregulated storage assets. Beginning in 2010, Union began depreciating its unregulated storage assets based on the useful life of the asset component.

The 2012 Unregulated Provision for Depreciation, Amortization, and Depletion for Union's unregulated storage assets was $10.357 million.[20] Table 6 below presents Union's depreciation expense and resulting average annual depreciation rates for its unregulated storage assets by asset class.

Table 6 Union's 2012 Depreciation Expense for Unregulated Storage Assets

ASSET CLASS	DEPRECIATION EXPENSE ($000)	ANNUAL AVERAGE DEPRECIATION RATE
Land Rights	$431	2.0%
Structures & Improvements	$649	3.3%
Wells and Lines	$1,915	2.2%
Compressor Equipment	$4,031	2.8%
Measuring & Regulating Equipment	$513	1.8%
Subtotal	$7,539	
General Plant	$1,681	15.7%
Total	$9,220	

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[20] The Unregulated Provision for Depreciation, Amortization, and Depletion for 2012 is composed of an amount for Depreciation and Amortization of $9,220,000, an adjustment for vehicle clearing of ($67,000), and an adjustment for establishment of an Asset Retirement Obligation for Non-Regulated Storage Wells of $1,204,000.

Depreciation expense for Union's general plant is allocated to its unregulated storage operations using the same allocators used to allocate general plant. This general plant depreciation allocation is added to the underground storage depreciation expense to determine the total unregulated storage depreciation expense.

3.6.4 Property and Capital Tax

Union's actual property tax related to the assets at Dawn is allocated to its unregulated storage operations in proportion to the level of its unregulated gross storage plant to its total gross storage plant (excluding general plant). The 2012 property and capital tax charges for Union's unregulated storage assets was $1.351 million.

Schedule 15 describes these resulting allocation factors and the basis for their derivation.

3.6.5 Cost of Unutilized In-Franchise Storage Capacity

Union accounts for the costs associated with the portion of its storage capacity not utilized by its in-franchise customers by assigning these costs to its unregulated storage operations. This method ensures that the regulated rates for Union's in-franchise customers will continue to recover no more than the costs of the in-franchise storage space requirements of 92.1 PJ. Since in-franchise customers currently require less than 100 PJ of storage capacity, Union sells the difference between the space needed and the reserve amount, equal to 7.9 PJ, on a short-term basis.

The revenue requirement (excluding UFG and compressor fuel) for the unutilized 7.9 PJ of storage space was derived by comparing Union's Board-approved 2007 cost allocation study to the same cost study adjusted to reflect an assumed in-franchise storage space requirement of 100 PJ. The O&M costs, depreciation expense, taxes, and regulated return on equity for 7.9 PJ of underground storage services (i.e., space, deliverability, commodity and dehydration) is $2.261 million per year[21]. This amount has been charged to Union's unregulated storage operations annually during the period 2007 through 2012 because this amount reflects the most recent cost basis for this resource. The costs of UFG and compressor fuel associated with this unutilized level of storage space was already derived and reflected in Union's storage deferral accounts (i.e., attributed to Union's unregulated storage operations) because the actual storage volumes used in the derivation of the allocation factor for UFG and compressor fuel costs includes the unregulated storage activity associated with the 7.9 PJ of storage space.

In Union's 2013 cost of service proceeding, Union filed a new forecast of its in-franchise storage space requirements, with the resulting amount of storage space to be sold by Union as short-term storage services and the corresponding revenue requirement to be charged to its unregulated storage operations. This amount will be used in Union's margin calculation for its short-term storage deferral account for sharing with ratepayers. Finally, this amount will remain unchanged until Union's next rebasing proceeding.

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[21] O&M expense of $0.743 million, depreciation expense of $0.498 million, property and capital tax of $0.102 million, interest of $0.537 million, income taxes of $0.126 million, deferred tax drawdown of ($0.113) million, preferred dividend requirement of $0.017 million, and regulated return of $0.351 million.

3.7 RECONCILIATION OF UNION'S STORAGE UTILIZATION AND AVAILABLE CAPACITY

As part of the cost allocation review, Black & Veatch conducted a reconciliation of the storage space sold by Union to its in-franchise and ex-franchise customers with the total physical space owned by Union. To undertake this task, Black & Veatch reviewed the utilization by customers of Union's storage space during a recent time period for its short-term and long-term storage services and the level of storage space required to support such services. The objective of this process was to confirm that: (1) the level of Union's storage space not utilized by its in-franchise customers was, in fact, utilized by Union to support the short-term storage services offered by its unregulated operations; (2) the available storage space above the 100 PJ level set aside for Union's in-franchise customers was utilized to support the long-term storage services offered by its unregulated storage operations; and (3) the level of Union's unregulated storage services was consistent with, and supported by, the total physical storage space owned by Union.

As a backdrop for this analysis, it would be useful to explain how the storage space available to Union's unregulated storage operations is utilized by its ex-franchise customers. For short-term storage services, Union provides a wide range of short-term storage services that enable customers to meet their varying gas load requirements on a seasonal, daily, and intraday basis. At the same time, these customers (who are typically more active in the gas market) have the ability to utilize Union's storage services to create supply optimization opportunities premised upon the prevailing natural gas prices. To utilize Union's storage resources in this manner, we understand that it is not uncommon for some of Union's short-term storage service customers to cycle their storage inventory 2-3 times in one year (which results in storage transactional volumes equal to 4-6 times the physical storage space).[22] With such high cycling rates (i.e., high inventory turnover ratios), it is not unusual for Union to experience volumetric activity levels for these customers that are much higher than the level of the underlying contracted storage space. In contrast, Union's ex-franchise customers who contract for long-term storage services sometimes cycle their storage space less than once in a particular year.

The starting point for this analysis was Union's actual storage service (or activity) levels in calendar 2012 presented in Table 1. The physical storage space owned by Union that was available to support the short-term storage services it provided during 2012 was equal to the difference between the storage space required to serve Union's in-franchise customers (which was 88.0 PJ from Union's Integrated Supply Plan) and 100 PJ, or 12.0 PJ. This unused level of storage space was utilized by Union to provide the following short-term storage services to its ex-franchise customers: C1 Short Term Firm Peak Storage, C1 Off-Peak Storage/Balancing/Loan Services, C1 Firm Short-Term Deliverability, and Enbridge Load Balancing Agreement. Page 1 of Schedule 16 provides a summary of the storage space and storage activity by customer associated with Union's short-term storage services at October 31, 2012 that was supported by the 12.0 PJ of available storage space. Consistent with the above discussion, the storage turn-over rates for Union's short-term storage services range between 0.5 and 3.7 times, with an average of about 1.4 times. The activity level for Union's short-term peak storage services of 1,323,110 10^3 m^3, presented at page 1 of Schedule 16, is

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[22] A customer that contracts for 10 PJ of storage space would be expected to have about 20 PJ of activity to complete one full storage cycle (10 PJ of injections to fill the contracted storage space and 10 PJ of withdrawals to empty the space).

approximately equal to the service level in 2012 for the C1 ST Firm Peak Storage category as shown in Table 1.

The physical storage space owned by Union that was available to support the long-term storage services it provided during 2012 was equal to 79.9 PJ[23]. This level of storage space was enhanced through Union's ongoing resource optimization activities (e.g., gas loans and space optimization) which increased its available storage space for long-term transactions to 98.4 PJ. Page 2 of Schedule 16 provides a summary of Union's long-term storage space at October 31, 2012 categorized by Long-Term Peak Storage and High Deliverability Storage. Once again, consistent with the above discussion, the storage turn-over rates for Union's long-term storage services are 1.0 times for Long-Term Storage and 5.7 times for High Deliverability Storage, with an average of about 1.2 times. The activity level for Union's long-term peak storage services of 229.8 PJ (6,077,519 10^3 m^3), presented at page 2 of Schedule 16, reconciles with the service level in 2012 for the Long-Term Peak Storage and High Deliverability Storage categories as shown in Table 1.

3.8 FINDINGS AND RECOMMENDATIONS

Based upon Black & Veatch's review of Union's storage allocation process, methodology, and results, the conceptual underpinnings and resulting methodologies upon which Union's cost allocation process is based are well-conceived, thorough, and reasonable in their treatment of storage-related plant and expenses. However, the regulatory presentation of Union's separation of costs between its regulated and unregulated storage operations does not provide a sufficient level of detail for a third-party to readily understand how Union's annual level of unregulated storage assets and O&M expenses change as caused by changes to certain of its cost allocation factors, or to verify that the necessary changes to its cost allocation factors are computationally supportable.

As a result of these findings, Black & Veatch recommends the following near-term enhancements to Union's computational process and evidentiary presentation:

- Establish more robust documentation in Union's regulatory filings to provide a complete understanding and explanation of the process Union utilizes to update its cost allocation factors each year, and provide the necessary computational support to explain and illustrate how the changes made to Union's cost allocation factors are derived.

Our specific findings and recommendations are discussed in more detail below:

Structure of Union's Cost Allocation Process

1. Union implemented a comprehensive accounting separation model to comply with the Board's NGEIR Decision issued in November 2006.
2. For purposes of deriving the storage costs for its regulated and unregulated storage operations, Union's accounting separation model relied upon its then most recent Board-approved cost allocation study (filed in EB-2005-0520).

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[23] Union's available storage capacity of 79.9 PJ for long-term transactions includes third-party storage capacity in the amount of 15.9 PJ, which equates to a storage capacity level of 64.0 PJ held by Union at December 31, 2012 for its owned unregulated storage operations.

3. The primary purpose of Union's cost allocation study was to separate its storage assets existing at the time of the NGEIR Decision - with this step representing a one-time transfer of assets to Union's unregulated storage operations.
4. Union has recognized and incorporated into its cost allocation process the regulatory precedents established by the Board (see Schedule 1) pertaining to the separation of storage assets and expenses between its regulated and unregulated storage operations.
5. The vast majority of allocation methods used by Union, and approved by the Board, in its most recently completed cost allocation study have been carried forward and applied to the cost allocation process Union now uses to separate its storage cost of service between the regulated and unregulated storage operations (see Schedule 2).

Data Sources and the Timing of Union's Cost Allocation Process

1. Union's on-going allocation of costs to its unregulated storage operations is premised upon, for the most part, the same sources of data that it utilizes to derive its total cost of service for regulated operations that is reflected in its cost allocation study. The one exception is for Union's existing storage assets that were assigned at the time of the NGEIR Decision as a one-time transfer to Union's unregulated storage operations.
2. It was necessary and appropriate for Union to allocate certain of the cost elements supporting its unregulated storage operations on a one-time basis while others were allocated to that business line on an annual basis using allocation factors that are updated each year (see Schedule 4).

Assignment of Storage Space to Union's Unregulated Storage Operations

1. Union has reserved 100 PJ of storage space (i.e., storage capacity) at cost-based rates, in compliance with the NGEIR Decision, to accommodate in-franchise growth - which meant that approximately 62.1 PJ of storage space was assigned to Union's unregulated storage operations.
2. The current rates of Union's in-franchise customers actually reflect an amount of storage space equal to 92.1 PJ rather than the 100 PJ level stated in the Board's NGEIR Decision in recognition of the actual amount of storage space required by Union's in-franchise customers in any year.

Treatment of Union's Existing Storage Assets

1. Union properly completed a comprehensive review of all its existing underground storage assets to determine which assets needed to be removed from its regulated utility rate base and allocated to its unregulated storage operations.
2. Union properly conducted a detailed cost functionalization process of its existing storage assets at December 31, 2006 to determine whether those assets: (1) were directly attributable to providing storage services only; (2) were directly attributable to providing transmission services only; or (3) were utilized to provide both storage and transmission services.
3. For purposes of either directly assigning or deriving an allocation factor for each storage asset (or portion of a storage asset) functionalized as storage, Union further grouped its storage assets into four specific categories: (1) Storage Dehydration; (2) Storage - All Other; (3) Storage Compression; and (4) Storage Measuring & Regulating. This process is consistent with the

process followed by Union in its Board-approved cost allocation study and properly reflects the operational functions and design characteristics of these assets.

4. Union's process and the results of functionalizing and allocating its existing storage assets to determine which assets needed to be removed from its regulated rate base and allocated to its unregulated storage operations were verified by Black & Veatch, as summarized in Schedule 5.
5. The allocation methods chosen by Union to directly assign or allocate its existing storage assets to its unregulated storage operations are reasonable and consistent with the operational functions and design characteristics of these assets, and the derivation of Union's resulting allocation factors are appropriate and verified (see Schedule 6).

Treatment of Union's Existing General Plant

1. Union's general plant assets are not directly attributable to either the regulated or unregulated storage operations because of the support nature of a utility's general plant facilities. Therefore, it was necessary for Union to allocate these assets to its unregulated storage operations through allocation factors that recognize their support nature.
2. Union's process and the results of allocating its existing general plant to determine which assets needed to be removed from its regulated rate base and allocated to its unregulated storage operations were verified by Black & Veatch, as summarized in Schedule 7.
3. The allocation methods chosen by Union to allocate its general plant existing at December 31, 2006 to its unregulated storage operations are reasonable and consistent with the operational functions and design characteristics of these assets.
4. The derivation of Union's general plant allocation factors for plant existing at December 31, 2006 is appropriate and verified (see Schedule 8).

Treatment of Union's New Storage Assets

1. Union properly treated any new storage assets constructed after the NGEIR Decision that increase its storage capacity or deliverability by directly assigned them to its unregulated storage operations.
2. Union properly treated any new storage projects that only replace its existing storage assets by allocating the cost of those projects to its unregulated storage operations on the same basis as the original assets.
3. Black & Veatch did verify that Union's treatment of its new storage assets was properly reflected in the storage asset balances for 2010-2012 (see Schedules 9 and 10).

Treatment of Union's New General Plant Assets

1. Union properly allocated new general plant to its unregulated storage operations by using the allocation factor applicable to the particular asset category (i.e., Vehicles and Heavy Equipment or All Other) derived at the time the asset was placed into service.
2. Union properly derived its asset allocation factors for general plant (Vehicles and Heavy Equipment or All Other) based on the level of applicable assets and storage/transmission activity that existed at the time the new asset was placed into service.

Treatment of Union’s Storage-Related Expenses

1. Union derives storage-related expenses for its unregulated storage operations on an annual basis to reflect the latest activity supporting that business line.
2. The total cost of gas allocated to Union’s unregulated storage operations consists of Unaccounted for Gas (“UFG”), storage compressor fuel, net of the amount of gas in kind supplied by customers providing their own fuel, and the cost of storage space purchased from others. The method for allocating these gas costs to Union’s unregulated storage operations is consistent with the allocation method used in the Board-approved 2007 cost allocation study (see Schedule 11).
3. The Operating and Maintenance (“O&M“) Expenses assigned to Union’s unregulated storage operations are allocated based on the underlying activities within each expense category.
4. Since the majority of Union’s O&M expenses are associated with the operating and maintenance of Union’s existing assets, it was appropriate to classify the expenses categorized as Storage-General and Storage-Shared into the following plant-related categories: supervision, wells, lines, compressors, measuring and regulating, dehydration, rents, and other (see Schedule 14).
5. Union’s O&M expenses for Storage Operations were properly allocated to its unregulated storage operations based on its derived allocation factors applied to the corresponding expense levels in 2012.
6. The allocation factors for Storage Operations used by Union in 2012 (see Schedule 14) have all increased since 2007 in recognition of the major additions made to Union’s unregulated storage assets since the original asset transfer which occurred in 2007.
7. The allocation methods and associated allocation factors for Union’s other storage-related O&M expenses: Business Development, Regulatory, Human Resources, Information Technology, and Administrative & General are reasonable and properly reflect the underlying activities and costs in support of Union’s unregulated storage operation (see Schedule 14).
8. The allocation methods and associated allocation factors for Union’s other storage-related expenses: Depreciation Expense, Property Taxes, and Capital Taxes are reasonable and properly reflect the underlying activities and costs in support of Union’s unregulated storage operation (see Schedule 15).

Cost of Union’s Unutilized In-Franchise Storage Capacity

1. Union accounts for the costs associated with the portion of its storage capacity not utilized by its in-franchise customers by assigning these costs to its unregulated storage operations. This method properly ensures that the regulated rates for Union’s in-franchise customers will continue to recover no more than the costs of the in-franchise storage space requirements of 92.1 PJ.
2. Since in-franchise customers currently require less than 100 PJ of storage capacity, Union sells the difference between the space needed and the reserve amount, equal to 7.9 PJ, on a short-term basis.
3. Union’s revenue requirement (excluding UFG and compressor fuel) for the unutilized 7.9 PJ of storage space was derived by comparing its Board-approved 2007 cost allocation study to the

same cost study adjusted to reflect an assumed in-franchise storage space requirement of 100 PJ.

4. Union properly computed the total costs (i.e., revenue requirement) of its unutilized storage capacity of $2.261 million per year using the above-described method of comparing its two cost allocation studies under different storage space assumptions for its in-franchise customers.
5. It is appropriate that this amount has been charged to Union's unregulated storage operations annually for 2007 through 2012 because this amount reflects the most recent cost basis for this resource.
6. In Union's 2013 cost of service proceeding (EB-2011-0210), Union filed a new forecast of its in-franchise storage space requirements, with the resulting amount of storage space to be sold by Union as short-term storage services and the corresponding revenue requirement to be charged to its unregulated storage operations.[24]

Reconciliation of Union's Storage Utilization and Available Capacity

1. It was confirmed that: (1) the level of Union's storage space not utilized by its in-franchise customers was, in fact, utilized by Union to support the short-term storage services offered by its unregulated storage operations; (2) the available storage space above the 100 PJ level set aside for Union's in-franchise customers was utilized to support the long-term storage services offered by its unregulated storage operations; and (3) the level of Union's unregulated storage services was consistent with, and supported by, the total physical storage space owned by Union (see Schedule 16).

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[24] Union's Non-Utility Cross Charge for Storage Space will be $3.810 million associated with 11.3 PJ of excess utility storage space. This amount will be utilized by Union in its deferral account margin calculation for 2013 and subsequent years, and will remain unchanged until Union's next rate rebasing proceeding.

4 Accounting for Union's Storage Operations

The purpose of this section is to detail the findings and recommendations of Black & Veatch's review and evaluation of the accounting for Union's storage operations. As outlined in the NGEIR Decision, the costs of Union's unregulated storage operations are used in the computation of storage margins subject to deferral in its storage deferral account – Account No. 179-70 Short-Term Storage and Other Balancing Services. During Union's annual rate proceedings, year-end annual deferral account balances are submitted to the Board for review and approval.

4.1 DEFERRAL ACCOUNT DEFINITION

As prescribed under the Ontario Energy Board Act, Account No. 179-70 is defined as follows[25]:

> *Account No. 179-70*
> *Other Deferred Charges-Short-Term Storage and Other Balancing Services*
>
> To record, as a debit (credit) in Deferral Account 179-70 the difference between actual net revenues for Short-term Storage and Other Balancing Services….and the net revenue forecast for these services as approved by the Board for ratemaking purposes

Net revenues in Account No. 179-70 are defined to be the revenues net of the costs associated with Union's unregulated short-term storage and other balancing transactions. For purposes of this report, net revenue will henceforth be referred to as net margin.

4.2 DEFERRAL ACCOUNT STRUCTURE AND OPERATION

In order to determine the balances in Account No. 179-70, actual net margins are first determined using Union's actual calendar year data. The shareholder portion of 10% is deducted from the net margin in order to derive the ratepayer portion of net margin. Next, these resultant totals are compared with forecasted net margins incorporated into Union's distribution rates as approved by the Board in EB-2007-0606. If the actual margin exceeds the level built into rates, the result is a net deferral credit. Conversely, if the actual net margin is less than the amount assumed in rates, the result is a deferral debit.

The Board determined in the NGEIR Decision that Union should reserve 100 PJ of storage space for in-franchise customers. The balance of storage capacity, 62.1 PJ, is assigned to long term unregulated storage operations. Further, the Board noted that since distribution customers currently require less than 100 PJ of storage capacity, Union sells the difference between the space needed and the total amount reserved on a short term basis. Revenues and costs associated with unregulated short-term storage operations are cleared through Account No. 179-70.

The short-term and long-term storage revenues from Union's ex-franchise customers are recorded based on the services provided. Union's unregulated storage revenues are recorded as billed to customers in separate storage revenue accounts. The short-term storage revenues subject to deferral are discussed in Section 2.2.

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[25] EB-2005-0520 Decision and Order, Appendix F

Union employs for the most part the Board approved 2007 cost allocation methodology, as depicted in Schedule 2, to allocate costs to its unregulated storage operations. Total unregulated storage costs are then assigned to Union's short-term storage account in order to calculate the actual net margins. Union's actual 2012 data was used to undertake this review.

Presented in Table 7 below are Union's total actual 2012 unregulated storage revenue and costs. Table 7 presents the actual 2012 net margins determined for Account No. 179-70 based on the total 2012 unregulated storage costs and the assignment methodologies.

Table 7 Determination of Union's 2012 Net Margin for Account No. 179-70

ITEM	ACCOUNT NO. 179-70 UNREGULATED S-T STORAGE COSTS 2012 ACTUAL ($000)
Revenue	
	$13,639
Total Revenue (A)	**$13,639**
Commodity Costs	
UFG	$582
Compressor Fuel	$379
Customer Supplied Fuel	N/A
Third Party Storage	N/A
Total Commodity (B)	**$961**
Demand Costs	
Revenue Requirement on 7.9 PJs of excess in-franchise storage capacity	$2,261
Total Demand Costs (C)	**$2,261**
Net Margin	
Net Margin = (A)-(B)-(C)	**$10,417**

After the actual net margin is computed, the next step is to compare Union's actual calendar year data to its forecasted net margins incorporated into distribution rates as approved by the Board. For 2012, net margin included in rates was established in EB-2007-0606. Finally, the resulting balance is shared between Union and its ratepayers.

According to the NGEIR Decision and further summarized at pages 4 and 5 of the Board's Decision in EB-2005-0520, net margin on Account No. 179-70 short-term transactions:

> "Will be shared by Union and ratepayers in proportion to the allocation of rate base between utility and non-utility assets. The allocation is currently 79% utility and 21% non utility. Union will receive 10% of the margin deemed to be earned from utility assets and 100% of the margin deemed to be earned from non-utility assets."

In EB-2012-0206, the Board concluded that all net revenues (minus a 10% incentive payment to Union) should accrue to the benefit of its ratepayers, thus, changing the original determination of the sharing basis.[26] Based on this sharing formula, the 2012 net deferral balances in Account No. 179-70 is shown in Table 8 below.

Table 8 Determination of Union's 2012 Deferral Balances for Account No. 179-70

LINE	DESCRIPTION	ACTUAL 2012 ($000)
1	Actual Net Margin (from Table 7)	$10,417
2	Less: Shareholder Portion @10%	($1,042)
3	Subtotal	$9,375
4	Less: Margin Approved in Rates	$11,254
5	Deferral Account Balance Payable to/(Collected From) Ratepayers	($1,879)

4.3 FINDINGS AND RECOMMENDATIONS

Based upon Black & Veatch's review of Union's storage deferral account activity, accounting, and results for 2012, the computational basis for determining the net deferral balance for Account No. 179-70 appears sound and accurately follows regulatory precedents established in the NGEIR Decision, EB-2005-0520, EB-2007-0606, and subsequent Board orders regarding Union's storage deferral account filings made after 2006. In addition, using the supporting data and explanations provided by Union, Black & Veatch was able to track and replicate the revenues and expenses claimed by Union to be associated with the unregulated short-term and long-term storage services provided to its ex-franchise customers in 2012.

Therefore, Black & Veatch has no recommendations related to the computational basis or presentation of the revenue and cost components of Union's Account No. 179-70.

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[26] EB-2012-0206, Decision and Order on Board Motion, July 18, 2012, pages 4 and 9.

Schedules

UNION GAS LIMITED
Accounting and Cost Allocation for Unregulated and Regulated Storage Operations
Regulatory Chronology of Relevant OEB Proceedings

OEB Proceeding	Key Issues	OEB Decision and Order	Issue Date
EB-2005-0520	• Rates application by Union filed with the OEB on December 15, 2005	• Approval of Union's delivery, storage, and transportation rate changes to be implemented January 1, 2007	December 19, 2006
EB-2005-0551 Natural Gas Electricity Interface Review (the "NGEIR Decision") - Notice of Proceeding issued by the OEB on December 29, 2005	• Rates and services for gas-fired generators • Storage regulation	• The OEB will cease regulating the prices charged for: (1) all storage services offered by Union to customers outside of its franchise area; (2) new storage services offered by Union to its in-franchise customers; and (3) all storage services offered by other storage operators, including storage operators affiliated with Union • Rates for storage services provided to Union's distribution customers will continue to be regulated by the OEB on a cost of service basis • The OEB concluded that the sharing of profits from Union's short-term storage services will continue, with 100% accrual to ratepayers for short-term storage	November 7, 2006

OEB Proceeding	Key Issues	OEB Decision and Order	Issue Date
		transactions that are underpinned by “utility asset” storage space • The OEB found that profits from new long-term storage transactions should accrue entirely to Union, not to ratepayers • The OEB ordered that after 2007, Union’s share of long-term margins will be 25% in 2008, 50% in 2009, 75% in 2010, and 100% in 2010 and thereafter • Functional separation of Union’s unregulated storage operations was not necessary • Union’s current cost allocation study (filed and approved in EB-2005-0520) was adequate for the purposes of separating its regulated and unregulated costs and revenues for ratemaking purposes	
EB-2007-0598 (the “2006 Deferral Account Proceeding”)	• Union sought approval for the final disposition and recovery of certain 2006 year-end deferral account balances and the 2006 year-end earnings sharing amount (application filed by Union on April 27, 2007)	• Union’s 2006 actual year end Gas Supply, Storage, and Transportation, and Other deferral account balances were approved • The balance in Union’s Long-Term Peak Storage Services Account (Account No. 179-72) was revised to a credit of $3.015 to ratepayers to reflect the elimination of any	August 17, 2007

OEB Proceeding	Key Issues	OEB Decision and Order	Issue Date
		deferred income tax expense from this account	
EB-2007-0606	• Union sought approval of a multi-year incentive rate mechanism to determine rates for the regulated distribution, transmission, and storage of natural gas (application filed by Union on May 11, 2007)	• The OEB approved the proposed rate order effective January 1, 2008 and implemented April 1, 2008, reflecting its EB-2007-0606 Decision dated January 17, 2008	March 4, 2008
EB-2007-0725 Natural Gas Storage Allocation Policies - Notice of Proceeding issued by the OEB on August 28, 2007	• Methodology used by Union to allocate storage to its distribution customers at cost-based rates	• The OEB found that storage space and deliverability should be allocated to Union's T1 and T3 customers in a manner that is consistent with the storage that underpins Union's services to bundled customers • The OEB concluded that the maximum level of deliverability available to a T1 or T3 customer at cost-based rates should equal the greater of DCQ and CD-DCQ • The OEB found that the proposed revisions to Union's A/E Method were appropriate and should be implemented to determine cost-based storage space allocations	April 29, 2008
EB-2008-0034 (the "2007 Deferral Account Proceeding")	• Union sought approval for the final disposition and recovery of certain 2007 year-end deferral account balances including	• Union's 2007 actual year end Long-Term Peak Storage Services deferral account balance was approved	June 3, 2008

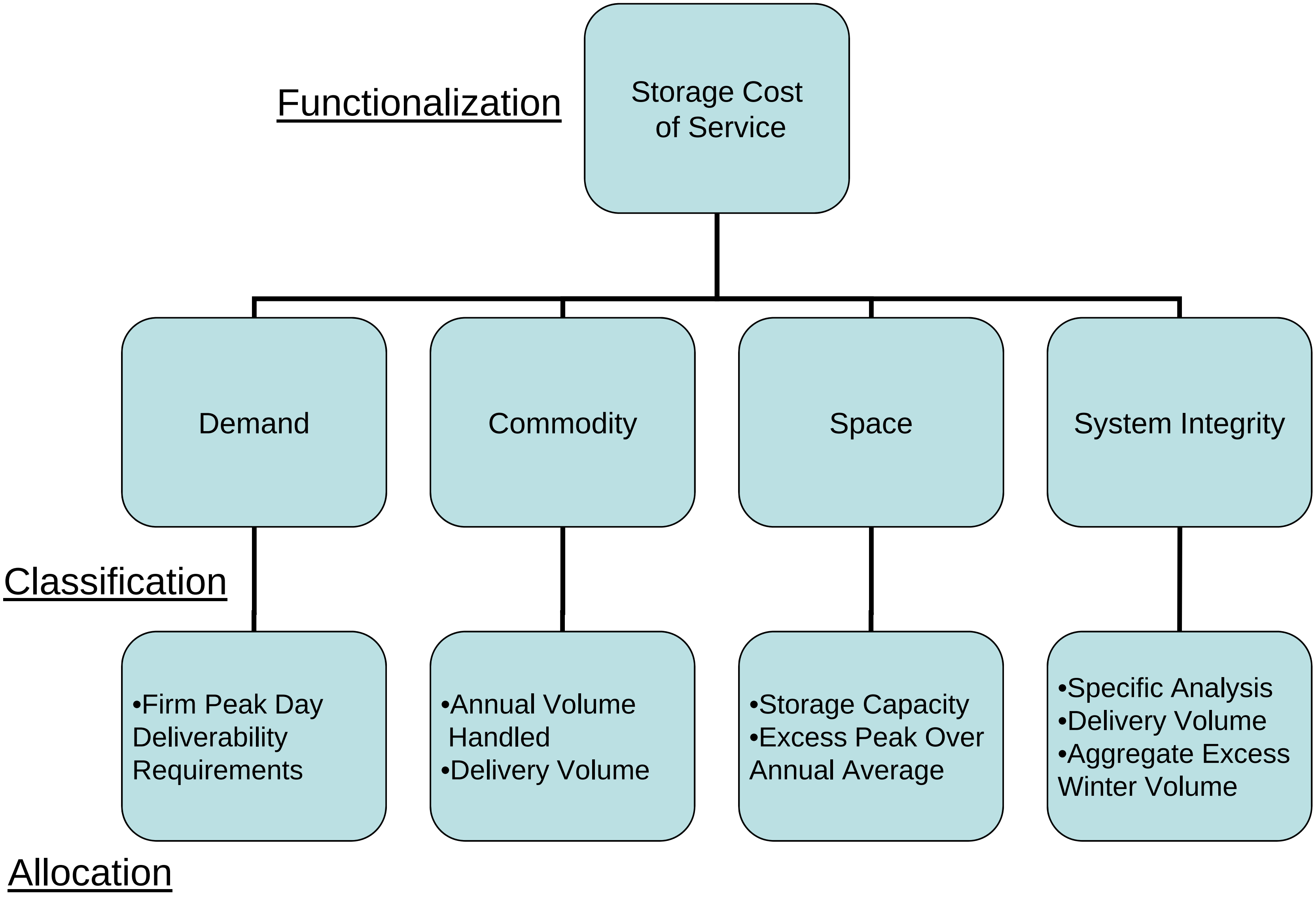
OEB Proceeding	Key Issues	OEB Decision and Order	Issue Date
	approval and disposition of the market transformation incentive and capital tax deferral amounts (application by Union filed on March 3, 2008)	• The OEB ordered Union to recalculate its 2007 balance in Account No. 179-72 to equal 75% of the excess of (i) actual net revenues on all long-term storage transactions less (ii) the OEB-approved forecast net revenue of $21.405 million, for disposition at a later time	
EB-2008-0154	• Motion to review Union's 2006 and 2007 deferral account disposition and earnings sharing (motion by Union filed on June 23, 2008)	• The OEB dismissed Union's motion for review	October 13, 2008
EB-2009-0052 (the "2008 Deferral Account Proceeding")	• Union sought approval for the final disposition and recovery of certain 2008 year-end deferral account balances including approval and disposition of the market transformation incentive (application filed by Union on March 31, 2009)	• Union's 2007 actual year end Short-Term Storage and Balancing Services and Long-Term Peak Storage Services deferral account balances were approved	August 6, 2009
EB-2010-0039 (the "2009 Deferral Account Proceeding")	• Union sought approval of amendments to the rates charged to customers as of October 1, 2010 in connection with the sharing of 2009 earnings under the incentive rate mechanism • Union sought approval for the	• The OEB approved a Settlement Agreement on all of the issues raised in Union's Application • The Settlement Agreement accepted Union's proposed disposition of the Short-Term Storage and Other Balancing	August 10, 2010

OEB Proceeding	Key Issues	OEB Decision and Order	Issue Date
	final disposition and recovery of 2009 year-end deferral account balances • Union sought approval of a cost allocation methodology used to allocate costs between Union's regulated and unregulated businesses (application filed by Union on April 22, 2010)	Services and Long-Term Peak Storage Services deferral account balances • The Settlement Agreement specified that Union will commission an independent study of its cost allocation methodology for allocation of costs between its regulated and unregulated storage operations	
EB-2011-0038 (the "2010 Deferral Account Proceeding")	• Union sought approval of amendments to the rates charged to customers as of October 1, 2011 in connection with the sharing of 2010 earnings under the incentive rate mechanism • Union sought approval for the final disposition and recovery of 2010 year-end deferral account balances • Union submitted a report prepared by Black & Veatch that reviewed the cost allocation and accounting processes for Union's unregulated and regulated storage operations	• The OEB finds that the intent of the NGEIR Decision was to effect the one-time separation of plant assets between Union's utility and non-utility businesses. Therefore, there is no need for a subsequent separation (or the filing of another cost study) • The OEB finds that Union has appropriately applied its 2007 Cost Allocation Study for the one-time separation of plant • The OEB finds that the entire cost amount (being $2.261 million) of the 7.9PJs of storage space (the amount of space available between the in-franchise requirements and the 100PJ cap) is allowable for inclusion in the margin sharing	January 12, 2012

OEB Proceeding	**Key Issues**	**OEB Decision and Order**	**Issue Date**
		calculation in the Short-term Storage account. • The OEB finds that only the Board-approved ROE can be used for the margin sharing calculation in the Long-term Storage account related to incremental assets and that no return can be included related to long-term storage contracts.	
EB-2012-0206	• The calculation of Union's margin sharing under its Deferral Account 179-70 – Short-Term Storage and Other Balancing Services	• The OEB concluded that the correct amount to be credited to Union's ratepayers related to margin sharing in its Short-Term Storage Account for 2010 was $3.824 million (instead of $0.831 million). • The OEB concluded that all net revenues (minus a 10% incentive payment to Union) accrue to the benefit of its ratepayers. • The OEB directed Union to dispose of a credit balance of $2.992 million (plus any applicable interest) related to the correction as part of its October 2012 QRAM proceeding.	July 18, 2012
EB-2011-0210	• Union sought approval or fixing of rates for the distribution,	• The OEB approved a Settlement Agreement on some of the issues	October 25, 2012

OEB Proceeding	Key Issues	OEB Decision and Order	Issue Date
	transmission and storage of natural gas, effective January 1, 2013.	raised in Union's Application. Broadly, the Agreement addressed rate base and cost of service. • The OEB found that Union's allocation methodologies for capital additions and O&M costs related to the utility and non-utility storage operations are appropriate. The Board is of the view that these allocation methodologies reasonably reflect cost allocation principles. • The OEB found that Union's methodology for allocating system integrity space is appropriate. • The OEB approved Union's proposals for New Ex-Franchise Services. • The OEB directed Union to hire an independent consultant to update what was filed in the EB-2011-0038 proceeding and file that report as part of its 2014 rates proceeding.	

Union Gas Limited
Union's Cost Allocation Study – Treatment of Storage-Related Costs



Functionalization

Storage Cost of Service

Classification

Demand

Commodity

Space

System Integrity

Allocation

- Firm Peak Day Deliverability Requirements

- Annual Volume Handled
- Delivery Volume

- Storage Capacity
- Excess Peak Over Annual Average

- Specific Analysis
- Delivery Volume
- Aggregate Excess Winter Volume

Union Gas Limited
Unions' Cost Allocation Study – Treatment of Storage-Related Costs

EB-2005-0520 Board-approved cost allocation methodology	**Methodology used to allocate costs to Union's unregulated storage operations**
Existing Underground Storage Assets	Existing Underground Storage Assets
Certain assets (specific structures, measuring and regulating and compression assets) in the Dawn Station yard are installed solely for transmission purposes and are directly assigned to the transmission function. These assets include the meter runs into the Dawn-Trafalgar system, metering at Tecumseh, Oil Springs and TCPL, and the Great Lakes header. The Dawn Plant E compressor is not directly assigned to transmission in Union's Board-approved cost allocation study.	Consistent with the Board-approved 2007 cost allocation methodology, the meter runs into the Dawn-Trafalgar system, metering at Tecumseh, Oil Springs and TCPL, and the Great Lakes header are directly assigned to the transmission function. In addition, the Dawn Plant E compressor, which was installed to provide transmission compression from Dow-Moore into the Dawn-Trafalgar system, was directly assigned to transmission.
Compression-related assets that are not directly assigned to transmission provide both storage and transmission services at Dawn and are allocated between storage and transmission functions based on horsepower requirements. Union's Board-approved 2007 cost allocation study allocated 44.4% of Dawn compression related costs to the storage function and 55.6% of Dawn compression-related costs to the transmission function. These factors were applied to total compression-related costs.	Compression-related assets were allocated at the individual asset level. Outboard storage compressors located at Union's storage pools are directly assigned to storage. As noted above, the Dawn Plant E compressor was directly assigned to transmission. Compression-related costs of assets that are used to provide storage and transmission services were split between storage and transmission based on a horsepower allocation that excluded the outboard storage compressors and the Dawn Plant E compressor. This resulted in an adjusted Board-approved horsepower allocation that allocates 52.7% of Dawn compression-related costs to the storage function and 47.3% of Dawn compression-related costs to the transmission function. These factors were used for the one-time separation of the assets.
Measuring and regulating equipment assets that are not directly assigned to transmission provide both storage and transmission services at Dawn and are allocated between storage (26%) and transmission (74%) based on the forecasted activity into and out of Dawn. The storage costs are classified as deliverability. Storage deliverability costs are allocated to rate classes based	For measuring and regulating equipment assets that are not directly assigned Union used the 2007 Board-approved split of assets between storage and transmission and allocated the storage assets to unregulated storage using an average storage space and deliverability allocator of 37.7%. The result wa an allocator for measuring and regulating equipment of 9.9% for unregulated operations. These factors were used

EB-2005-0520 Board-approved cost allocation methodology	**Methodology used to allocate costs to Union's unregulated storage operations**
on design day demands from storage (the NETFROMSTOR allocator), which allocated 39.2% of these storage costs to ex-franchise storage services. The result is that 10.2% of allocated M&R costs are allocated to ex-franchise storage services.	for the one-time separation of the assets.
Storage land, land rights, buildings, wells and lines and base pressure gas are classified between space, deliverability and system integrity, and are allocated to ex-franchise storage services based on space, deliverability and system integrity allocators.	Storage assets were allocated to unregulated storage using an average storage space and deliverability allocator of 37.7%. These factors were used for the one-time separation of the assets.
General Plant	General Plant
In Union's Board-approved 2007 cost allocation study, general plant assets are assigned to the storage function in proportion to net plant and O&M and classified in the same manner. Costs are allocated to ex-franchise storage services based on the space, deliverability, commodity and system integrity allocators.	General plant is separated into two categories to determine the allocation factor for the unregulated storage operations. The vehicle and heavy equipment allocator was determined using the relative asset value of vehicles used in the Storage & Transmission Operation compared to the total value of vehicles and heavy equipment for all of Union (11.9%). Vehicle assets applicable to Union's unregulated storage operations were allocated using the average space and deliverability factor used for other storage assets (37.7%). This results in an allocation for vehicles of 4.5% for unregulated operations.[1] The second category of general plant includes all other categories of general plant. These assets were allocated to the unregulated storage operations using an allocation factor that combines storage assets and storage O&M. The percentage of unregulated storage to total plant (3.32%) is averaged with percentage of allocated support costs to total O&M (2.52%). This results in an allocation for other general plant of 2.92% for unregulated operations.

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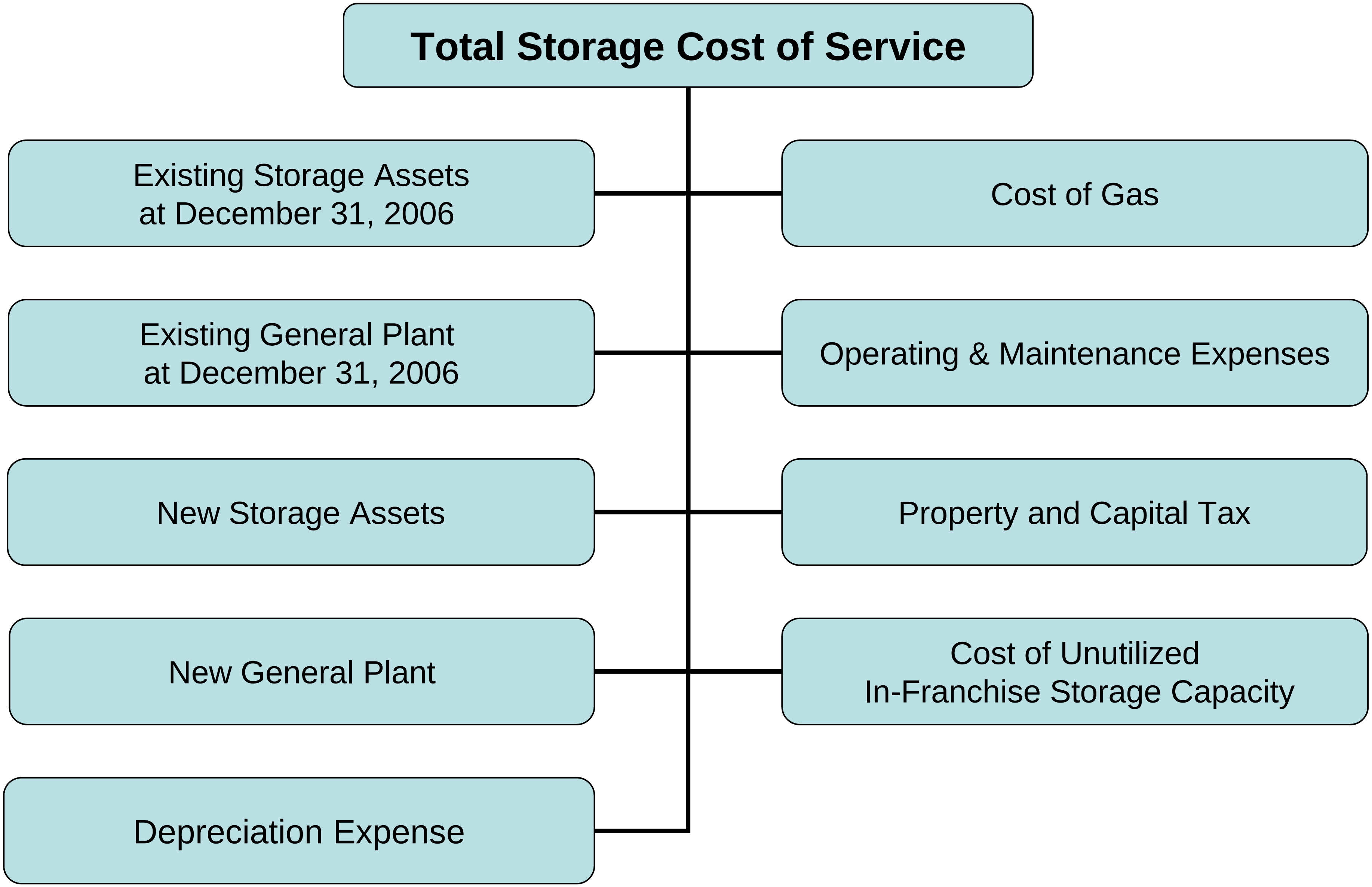
[1] For calendar 2012 and subsequent years, Union has modified its cost allocation method for vehicles and heavy equipment to also reflect a functional allocation (using a compressor horsepower based allocator) of the total value of its vehicles and heavy equipment used in its Storage & Transmission Operations to quantify the portion of these general plant assets that support only Union's storage operations. The resulting amount for the storage-related function is then allocated between Union's regulated and unregulated storage operations in the same manner as described above.

EB-2005-0520 Board-approved cost allocation methodology	**Methodology used to allocate costs to Union's unregulated storage operations**
Working Capital	Inventory of stores, spare equipment and prepaid and deferred expenses are allocated to unregulated storage in proportion to the allocation of total storage net plant. Cash working capital is calculated using regulated O&M and cost of gas.
Taxes	Property Taxes Property tax related to the assets at Dawn is allocated between unregulated storage and regulated utility operations in proportion to the allocation of total storage gross plant. Deferred Tax Drawdown The deferred tax drawdown is allocated based on the split of the December 31, 1996 plant balance between regulated and unregulated. The result is an allocation factor of 10.3%. Accumulated Deferred Taxes The accumulated deferred tax balance associated with the December 31, 1996 plant balance was allocated using the same allocation factor as described under the deferred tax drawdown allocation (10.3%).
Operating & Maintenance Expenses	Operating & Maintenance Expenses
O&M is allocated based on an analysis of activities or in the same manner as the underlying assets. Costs are allocated to ex-franchise storage services based on the space, deliverability, commodity and system integrity allocators.	Actual O&M related to the operation of the storage facilities was allocated to the unregulated storage operation using the same allocators applied to the assets for that facility. Administrative and general expenses and benefits in support of unregulated storage operations were allocated in proportion to storage O&M. O&M costs related to the development of new storage assets are assigned based on an estimate of time spent annually on the development of unregulated projects. O&M costs related to the Regulatory department for development of new storage assets, are assigned based on an estimate of time spent annually on the development of unregulated projects.

EB-2005-0520 Board-approved cost allocation methodology	**Methodology used to allocate costs to Union's unregulated storage operations**
Cost of Gas	Cost of Gas
The compressor fuel budget is allocated to storage and transmission in proportion to forecast volume. Storage fuel is allocated to ex-franchise storage services in proportion to forecast volume.	The storage compressor fuel forecast is allocated based on estimated unregulated storage activity.
Unaccounted for gas (UFG) costs are allocated to storage and transmission in proportion to forecast volume. Storage UFG is allocated to ex-franchise storage services in proportion to forecast volume.	The unaccounted for gas costs in 2012 are allocated based on estimated unregulated storage activity. The UFG allocation factor is the ratio of unregulated storage volumes to Union's total storage and transportation volumes.
System Integrity	System Integrity
	Union allocates system integrity space requirements for UFG forecast variances between its utility and non-utility operations in proportion to total storage injection and withdrawals and transmission volumes. The result is that 79.5 percent of total storage and transmission volumes are related to utility operations. Union allocates system integrity space requirements for OBA and LBA imbalances between its utility and non-utility operations in proportion to total storage injection and withdrawals and transmission volumes. The result is that 76.5 percent of total storage and transmission volumes for OBA and LBA imbalances are related to utility operations. Union allocates system integrity space requirements for storage pool hysteresis between its utility and non-utility operations based on storage space requirements in proportion to total company storage space. The result is that 51.5 percent of total storage space requirements are related to utility operations. To determine the utility integrity space, Union added the 4.1 Bcf system integrity space for weather variances, line pack and supply backstopping.

Schedule 3

Union Gas Limited
Regulated and Unregulated Storage Costs – Functional Separation Process



Total Storage Cost of Service

Existing Storage Assets
at December 31, 2006

Existing General Plant
at December 31, 2006

New Storage Assets

New General Plant

Depreciation Expense

Cost of Gas

Operating & Maintenance Expenses

Property and Capital Tax

Cost of Unutilized
In-Franchise Storage Capacity

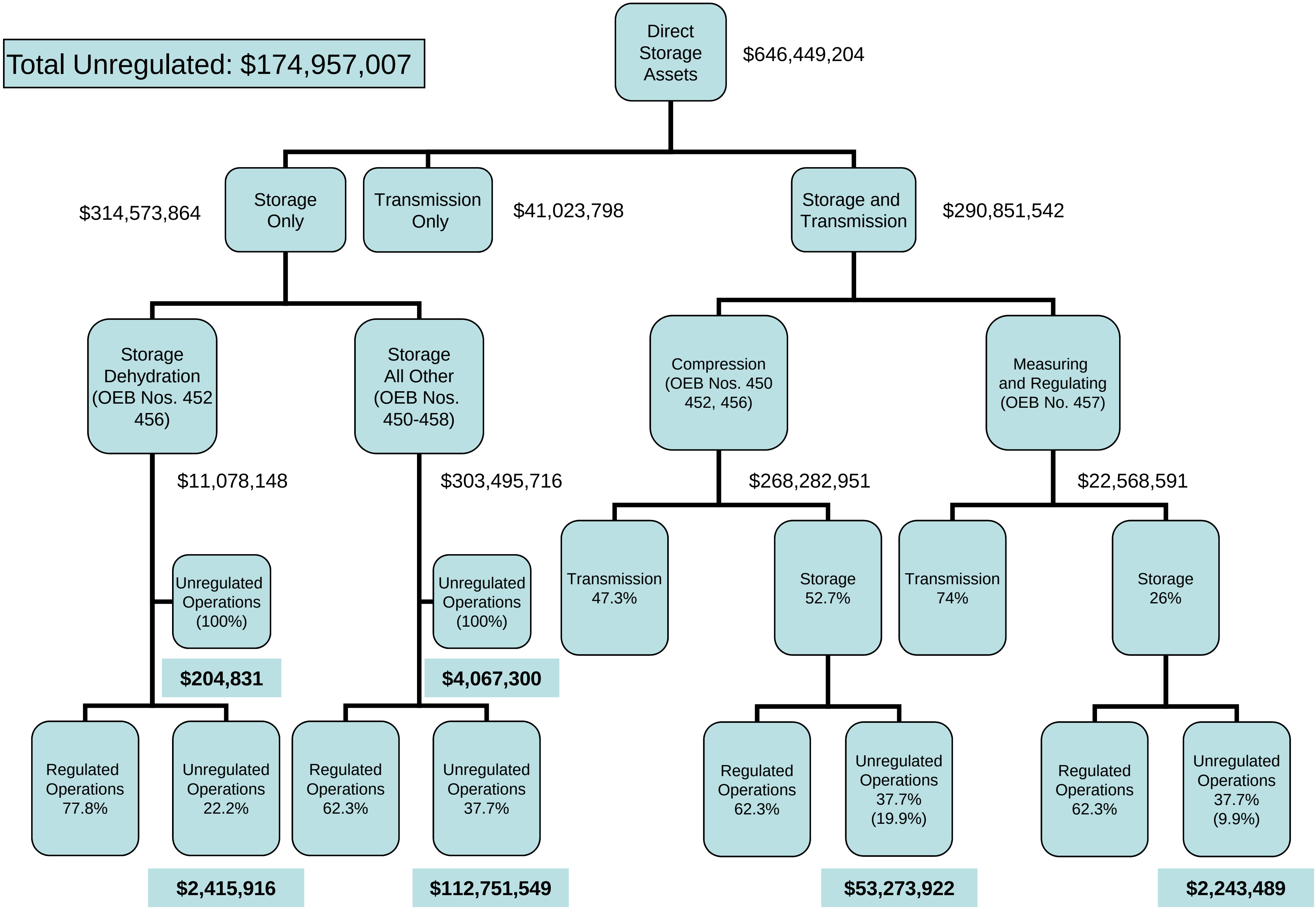
Schedule 4

Union Gas Limited
Timing of Union's Cost Allocation Process

One-Time	Annual	Periodic
•Storage Assets Existing at December 31, 2006 –Direct Assignments –Allocations	•Storage Asset Additions and Retirements –Direct Assignments –Allocations	•New Cost Allocation Study for Union's In-Franchise Customers –Updates allocation factors to apply to future additions and retirements of General Plant –Revalues the cost of in-franchise storage capacity available for short-term unregulated storage transactions •New depreciation rates
•General Plant Existing at December 31, 2006 –Allocations	•General Plant Additions and Retirements –Allocations	
•Cost of Unutilized In-Franchise Storage Capacity (7.9 PJ) –Change in costs between Union's cost allocation studies	•Gas Costs –UFG –Compressor Fuel –Allocations	
	•O&M Expenses –Allocations	
	•Property and Capital Tax –Allocations	

Union Gas Limited
One-Time Separation of Direct Storage Assets - Unregulated
As of December 31, 2007

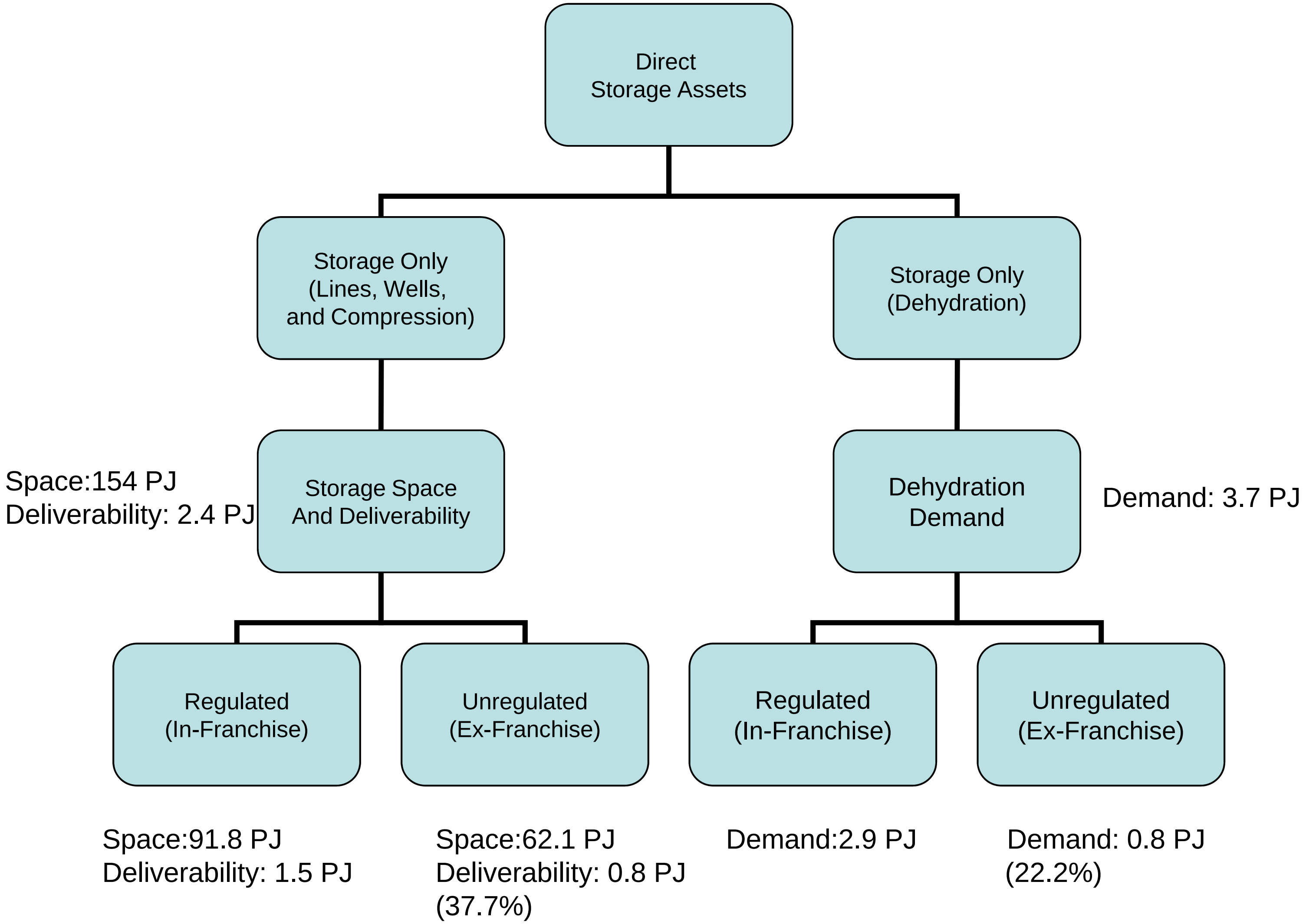
Total Unregulated: $174,957,007



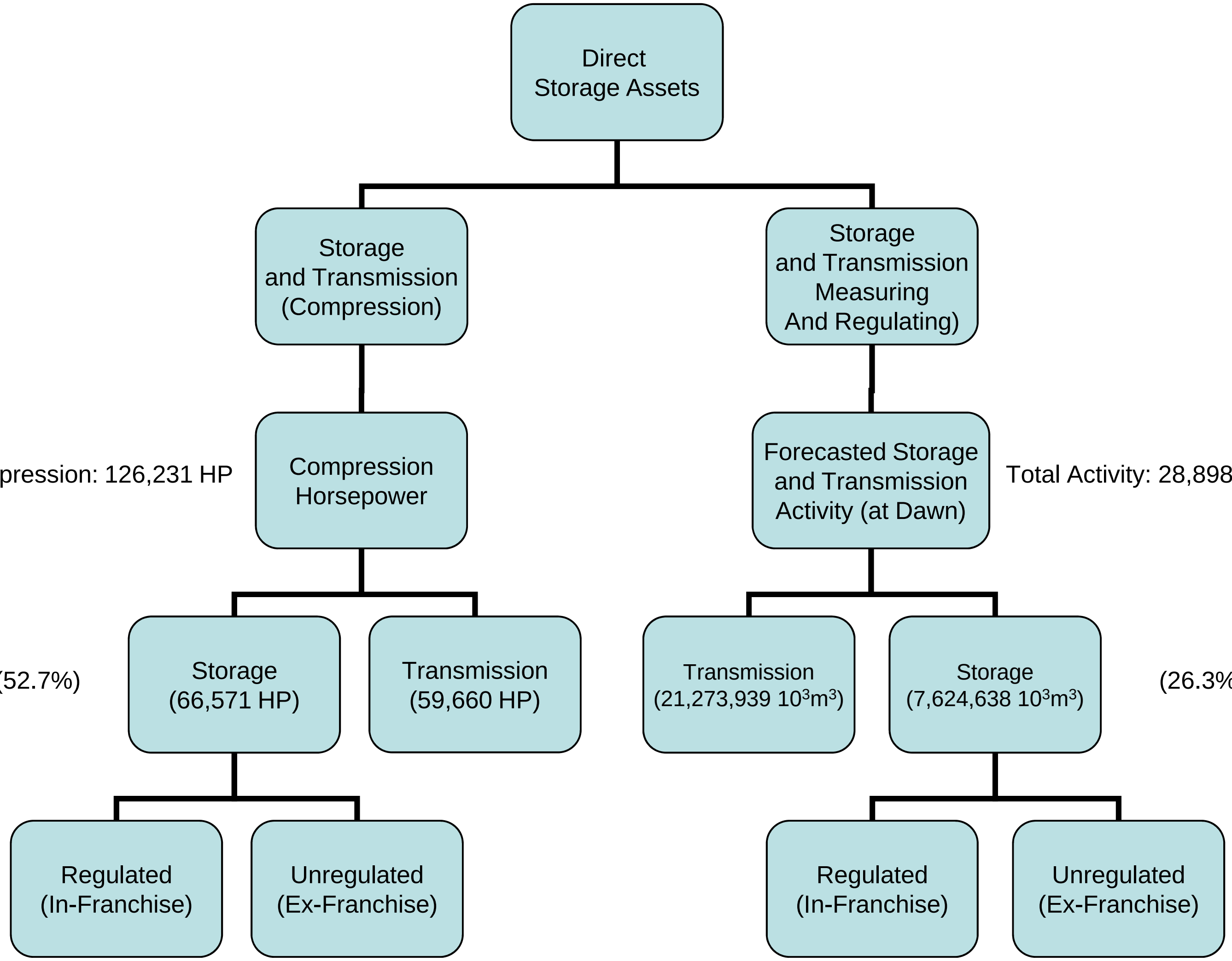
Union Gas Limited
One Time Separation of Direct Storage Assets - Unregulated
As of December 31, 2007

Underground Storage Plant in Service	OEB No.	Storage Dehydration	Storage All Other	Storage Compression	Storage M&R	Total
Land	450		$488,839	$742,544		$1,231,383
Land Rights	451		$19,319,679			$19,319,679
Structures and Improvements	452	$457,920	$1,482,773	$9,618,344		$11,559,037
Wells	453-455		$51,843,688			$51,843,688
Compressor Equipment	456	$2,162,827	$14,076,742	$42,913,034		$59,152,603
Measuring & Regulating Equipment	457		$11,271,332		$2,243,489	$13,514,821
Base Pressure Gas	458		$18,335,796			$18,335,796
Other Equipment	459					
Total		$2,620,747	$116,818,849	$53,273,922	$2,243,489	$174,957,007

Union Gas Limited
Derivation of Storage Asset Allocation Factors



Union Gas Limited
Derivation of Storage Asset Allocation Factors



Total Compression: 126,231 HP

Total Activity: 28,898,577 10^3m^3

(52.7%)

(26.3%)

Space:91.8 PJ
Deliverability: 1.5 PJ

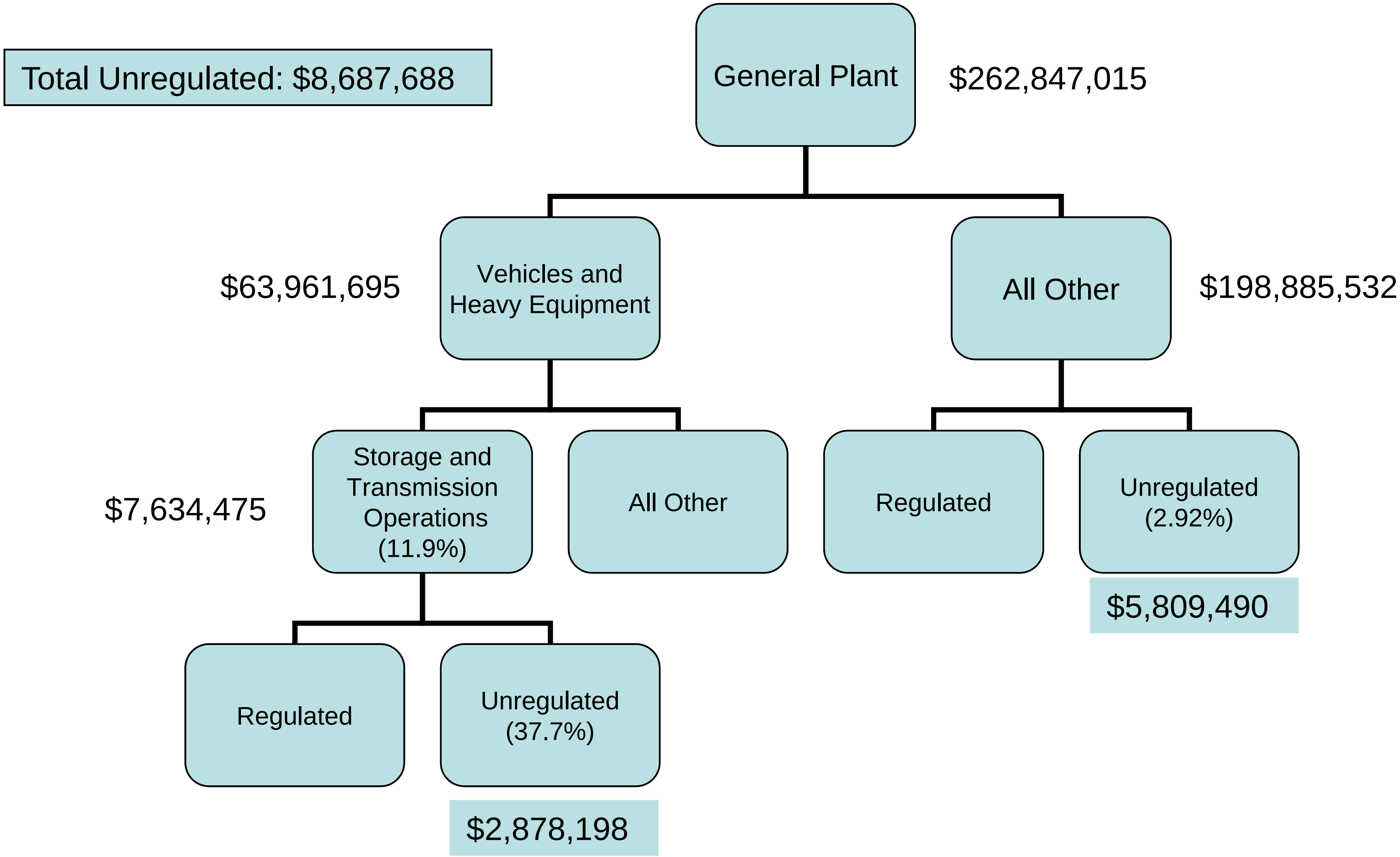
Space:62.1 PJ
Deliverability: 0.8 PJ
(19.9%)

Space:91.8 PJ
Deliverability: 1.5 PJ

Space:62.1 PJ
Deliverability: 0.8 PJ
(9.9%)

Union Gas Limited
One-Time Separation of General Plant - Unregulated
As of December 31, 2007

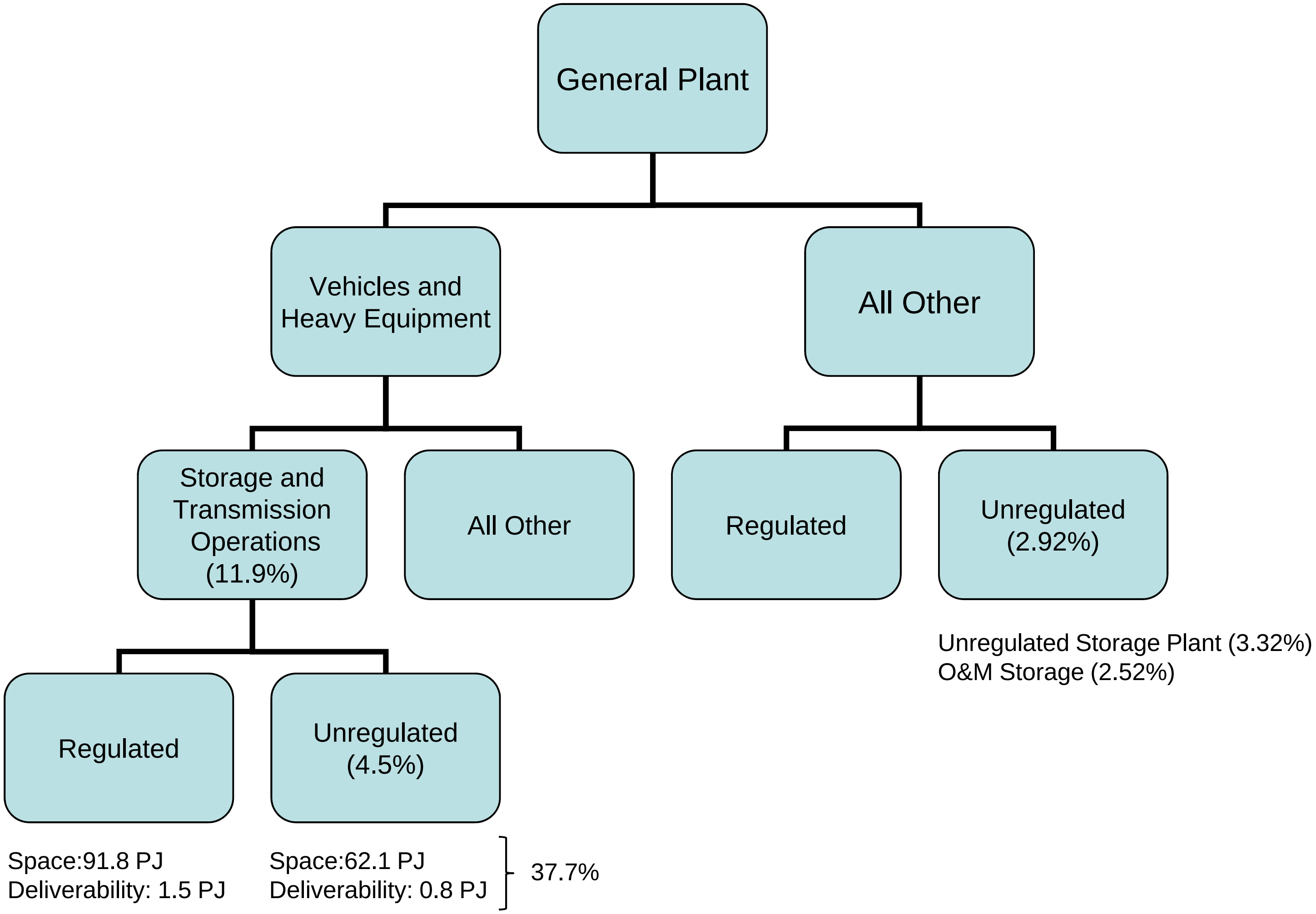
Schedule 7
Page 1 of 2



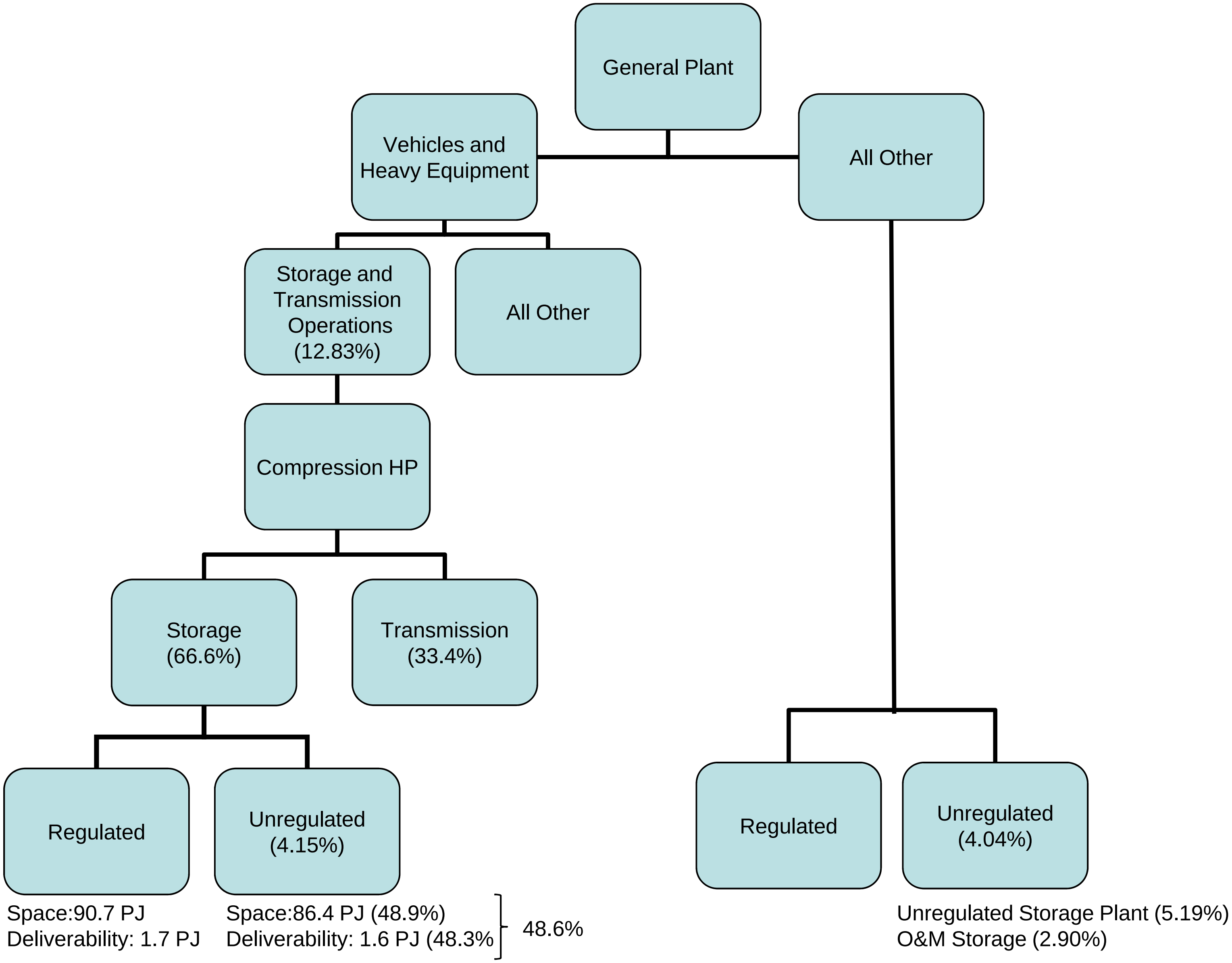
Union Gas Limited
One Time Separation of General Plant - Unregulated
As of December 31, 2007

General Plant in Service	OEB No.	Total Union Gas	Allocation Factor	Storage Unregulated
Land	480	$639,517	2.92%	$18,672
Structures and Improvements	482	$41,476,054	2.92%	$1,210,993
Leasehold Improvements	482	$956,163	2.92%	$27,917
Office Equipment - Furniture & Equipment	483	$16,777,717	2.92%	$489,866
Office Equipment - Computer Hardware	483	$25,102,410	2.92%	$732,925
Office Equipment - Computer Software	483	$59,290,638	2.92%	$1,731,132
Transportation - Vans and Pickups	484	$49,666,179	4.50%	$2,234,917
Transportation - Heavy Work Equipment	485	$14,295,516	4.50%	$643,281
Tools and Work Equipment	486	$33,349,694	2.92%	$973,724
Communication Structures	488	$3,273,021	2.92%	$98,121
Communication Equipment	488	$18,020,107	2.92%	$526,140
Total		$262,847,015		$8,687,688

Union Gas Limited
Derivation of General Plant Allocation Factors
Applicable to Existing Assets as of December 31, 2007



Union Gas Limited
Derivation of General Plant Allocation Factors
Applicable to New Assets in 2012



UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2010

			Additions							
Line No.	Particulars ($000's)	Balance Dec. 31/09	Capital Additions	Transfers	Net Salvage	Net Additions	Retirements	Balance Dec. 31/10	Adjustments	Adjusted Balance
		(a)	(b)	(c)	(g)	(h)	(d)	(e)	(f)	(g)
	Unregulated Gas Plant in Service:									
	Underground storage plant:									
1	Land	1,260	204			204		1,464		$ 1,464
2	Land rights	21,909	(203)			(203)		21,706		21,706
3	Structures and improvements	18,758	81			81		18,839		18,839
4	Wells	85,331	486			486		85,817		85,817
5	Compressor equipment	134,730	379			379	(2,632)	132,477		132,477
6	Measuring & regulating equipment	21,502	905	7		912		22,414		22,414
7	Base pressure gas	19,996	2,932			2,932		22,928		22,928
8	Other equipment	-				-		-		-
9		303,486	4,784 (1)	7	-	4,791	(2,632)	305,645		$ 305,645
	General plant:									
10	Land	19				-		19		$ 19
11	Structures & improvements	1,237	7			7		1,244		1,244
12	Office furniture & equipment	450	8			8	(134)	324		324
13	Office equipment - computers	2,540	506			506	(532)	2,514		2,514
14	Transportation equipment	1,846	266			266	(103)	2,009		2,009
15	Heavy work equipment	581	182			182	(18)	745		745
16	Tools & work equipment	990	53			53	(116)	927		927
17	Communication equipment	396	20			20	(16)	400		400
18	Communication structures	78				-		78		78
19	Other general equipment	-				-		-		-
20		8,137	1,042	-	-	1,042	(919)	8,260	-	$ 8,260
21	Total gas plant in service	311,623	5,826	7	-	5,833	(3,551)	313,905	-	$ 313,905
22	Gas plant under construction	680	7,415			7,415		8,095		8,095
23	Total unregulated property plant and equipment	312,303	13,241	7	-	13,248	(3,551)	322,000	-	$ 322,000

(1) See Schedule 10, Page 1 of 3, Line 6 (2010 Additions)

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2010

Line No.	Particulars ($000's)	Balance Dec. 31/09	Transfers	Provisions	Retirements	Net Salvage /(Costs)		Balance Dec. 31/10
		(a)	(b)	(c)	(d)	(e)		(f)
	Unregulated Gas Plant in Service:							
	Underground storage plant:							
1	Land rights	5,815		434			$	6,249
2	Structures & improvements	4,751		718	(3)			5,466
3	Wells and lines	17,961		2,094				20,055
4	Compressor equipment	27,543		3,935	(2,226)			29,252
5	Measuring & regulating equipment	8,156	4	474	(3)			8,631
6		64,226	4	7,655	(2,232)	-	$	69,653
	General plant:							
7	Structures & improvements	537		28			$	565
8	Office furniture & equipment	274		26	(134)			166
9	Office equipment - computers	1,337		631	(532)			1,436
10	Transportation equipment	419		194	(103)	9		519
11	Heavy work equipment	34		30	(18)			46
12	Tools and other equipment	513		64	(116)			461
13	Communication structures	57		4		(2)		59
14	Communication equipment	188		27	(16)			199
15		3,359	-	1,004	(919)	7	$	3,451
16	Total unregulated gas plant in service	67,585	4	8,659	(3,151)	7	$	73,104

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2011

			Additions							
Line No.	Particulars ($000's)	Balance Dec. 31/10	Capital Additions	Transfers	Net Salvage	Net Additions	Retirements	Balance Dec. 31/11	Adjustments	Adjusted Balance
		(a)	(b)	(c)	(g)	(h)	(d)	(e)	(f)	(g)
	Unregulated Gas Plant in Service:									
	Underground storage plant:									
1	Land	1,464	179			179		1,643		$ 1,643
2	Land rights	21,706	(47)			(47)		21,659		21,659
3	Structures and improvements	18,839	807			807	(17)	19,629		19,629
4	Wells	85,817	435	15		450	(15)	86,252		86,252
5	Compressor equipment	132,477	4,589	(75)		4,514	(218)	136,773		136,773
6	Measuring & regulating equipment	22,414	11,814			11,814		34,228		34,228
7	Base pressure gas	22,928				-		22,928		22,928
8	Other equipment	-				-		-		-
9		305,645	17,777 (2)	(60)	-	17,717	(250)	323,112		$ 323,112
	General plant:									
10	Land	19				-		19		$ 19
11	Structures & improvements	1,244	17			17	(1)	1,260		1,260
12	Office furniture & equipment	324	24			24	(44)	304		304
13	Office equipment - computers	2,514	637			637	(931)	2,220		2,220
14	Transportation equipment	2,009	482			482	(157)	2,334		2,334
15	Heavy work equipment	745	42			42	(104)	683		683
16	Tools & work equipment	927	41			41	(73)	895		895
17	Communication equipment	400	24			24	(32)	392		392
18	Communication structures	78				-		78		78
19	Other general equipment	-				-		-		-
20		8,260	1,267	-	-	1,267	(1,342)	8,185	-	$ 8,185
21	Total gas plant in service	313,905	19,044	(60)	-	18,984	(1,592)	331,297	-	$ 331,297
22	Gas plant under construction	8,095	(1,505)			(1,505)		6,590		6,590
23	Total unregulated property plant and equipment	322,000	17,539	(60)	-	17,479	(1,592)	337,887	-	$ 337,887

(2) See Schedule 10, Page 2 of 3, Line 6 (2011 Additions)

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2011

Line No.	Particulars ($000's)	Balance Dec. 31/10	Transfers	Provisions	Retirements	Net Salvage /(Costs)	Balance Dec. 31/11
		(a)	(b)	(c)	(d)	(e)	(f)
	Unregulated Gas Plant in Service:						
	Underground storage plant:						
1	Land rights	6,249		431			$ 6,680
2	Structures & improvements	5,466		717	(14)		6,169
3	Wells and lines	20,055	6	1,957	(6)		22,012
4	Compressor equipment	29,252	(4)	4,007	(117)		33,139
5	Measuring & regulating equipment	8,631		649			9,280
6		69,653	2	7,761	(137)	-	$ 77,280
	General plant:						
7	Structures & improvements	565		28	(1)		$ 592
8	Office furniture & equipment	166		21	(44)		143
9	Office equipment - computers	1,436		592	(931)		1,097
10	Transportation equipment	519		219	(157)	24	605
11	Heavy work equipment	46		33	(79)		-
12	Tools and other equipment	461		61	(73)		449
13	Communication structures	59		4			63
14	Communication equipment	199		26	(32)		193
15		3,451	-	984	(1,317)	24	$ 3,142
	Miscellaneous Plant						
	Heavy Work Equipment				(25)		(25)
16	Total unregulated gas plant in service	73,104	2	8,745	(1,479)	24	$ 80,397

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2012

Line No.	Particulars ($000's)	Balance Dec. 31/11	Additions Capital Additions	Additions Transfers	Additions Net Salvage	Additions Net Additions	Retirements	Balance Dec. 31/12	Adjustments	Adjusted Balance
		(a)	(b)	(c)	(g)	(h)	(d)	(e)	(f)	(g)
	Unregulated Gas Plant in Service:									
	Underground storage plant:									
1	Land	1,643				-		1,643		$ 1,643
2	Land rights	21,659				-		21,659		21,659
3	Structures and improvements	19,629	366	48		414		20,043		20,043
4	Wells	86,252	573	113		686		86,938		86,938
5	Compressor equipment	136,773	11,737	573		12,310	(1,169)	147,914		147,914
6	Measuring & regulating equipment	34,228	(11,100)	(115)		(11,215)	(604)	22,408		22,408
7	Base pressure gas	22,928				-		22,928		22,928
8	Other equipment	-				-		-		-
9		323,112	1,576 (3)	619	-	2,195	(1,773)	323,534	-	$ 323,534
	General plant:									
10	Land	19				-	(2)	17		$ 17
11	Structures & improvements	1,260	242	1		243		1,503		1,503
12	Office furniture & equipment	304	93			93	(35)	362		362
13	Office equipment - computers	2,220	4,664			4,664	(619)	6,265		6,265
14	Transportation equipment	2,334	192	(37)		155	(336)	2,153		2,153
15	Heavy work equipment	683	49	38		87	(82)	688		688
16	Tools & work equipment	895	83			83	(54)	924		924
17	Communication equipment	392	48			48	(5)	435		435
18	Communication structures	78				-	(57)	21		21
19	Other general equipment	-				-		-		-
20		8,185	5,371	2	-	5,373	(1,190)	12,368	-	$ 12,368
21	Total gas plant in service	331,297	6,947	621	-	7,568	(2,963)	335,902	-	$ 335,902
22	Gas plant under construction	6,590	430			430		7,020		7,020
23	Total unregulated property plant and equipment	337,887	7,377	621	-	7,998	(2,963)	342,922	-	$ 342,922

(3) See Schedule 10, Page 3 of 3, Line 5 (2012 Additions)

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2012

Line No.	Particulars ($000's)	Balance Dec. 31/11	Transfers	Provisions	Retirements	Net Salvage /(Costs)	Balance Dec. 31/12
		(a)	(b)	(c)	(d)	(e)	(f)
	Unregulated Gas Plant in Service:						
	Underground storage plant:						
1	Land rights	6,680		431			$ 7,111
2	Structures & improvements	6,169	(6)	649			6,812
3	Wells and lines	22,012		1,915			23,927
4	Compressor equipment	33,139	151	4,031	(998)		36,323
5	Measuring & regulating equipment	9,280	(157)	513	(604)		9,032
6		77,280	(12)	7,539	(1,602)	-	$ 83,205
	General plant:						
7	Structures & improvements	592	1	45			$ 638
8	Office furniture & equipment	143		30	(35)		138
9	Office equipment - computers	1,097		1,244	(619)		1,722
10	Transportation equipment	605	(8)	209	(336)	16	486
11	Heavy work equipment	-	8	30	(44)		(6)
12	Tools and other equipment	449		83	(54)		478
13	Communication structures	63		3	(57)		9
14	Communication equipment	193		37	(5)		225
15		3,142	1	1,681	(1,150)	16	$ 3,690
	Miscellaneous Plant						
16	Heavy Work Equipment	(25)			(38)	4	(59)
17	Total unregulated gas plant in service	80,397	(11)	9,220	(2,790)	20	$ 86,836

UNION GAS LIMITED

Continuity of Storage Additions

Year ended December 31, 2010

($000s)

Line		CWIP - Dec. 31/09		2010 Cap Ex		Overheads		CWIP - Dec. 31/10		Adjustments		2010 Additions	
No.	Particulars ($000's)	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated
1	Maintenance Capital	2,018	281	6,847	1,094	122	-	(2,057)	(327)	(26)	(14)	6,904	1,034
2	Major Maintenance - Dawn J	1,376	313	4,207	4,637	1,160	-	(6,743)	(4,950)	-	-	-	-
3	Storage Support	166	-	898	306	9	-	(498)	(90)	27	(27)	602	189
4	Other	52	1	42	-	(16)	-	(36)	-	4,812	2,931	4,854	2,933
5	Expansion - Subtotal	-	84	(63)	3,268	-	-	-	(2,728)	2	4	(61)	628
6	Total Storage	3,612	679	11,931	9,305	1,275	-	(9,334)	(8,095)	4,815	2,894	12,299	4,784

UNION GAS LIMITED
Continuity of Storage Additions
Year ended December 31, 2011
($000s)

Line		CWIP - Dec. 31/10		2011 Cap Ex		CWIP - Dec. 31/11		Adjustments		2011 Additions	
No.	Particulars ($000's)	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated
1	Maintenance Capital	2,420	327	5,528	1,226	(676)	(85)	(1,266)	(161)	6,006	1,307
2	Major Maintenance - Dawn J	6,743	4,950	16,018	11,220	-	-	103	(103)	22,864	16,067
3	Storage Support	134	90	2,243	443	(745)	(160)	50	33	1,682	406
4	Other	36	-	17	2	-	-	(53)	(2)	-	-
5	Expansion - Subtotal	-	2,728	-	3,213	-	(5,943)	-	-	-	(2)
6	Total Storage	9,333	8,095	23,806	16,104	(1,421)	(6,188)	(1,166)	(233)	30,552	17,778

UNION GAS LIMITED
Continuity of Storage Additions
Year ended December 31, 2012
($000s)

Line No.	Particulars ($000's)	CWIP - Dec. 31/11		2012 Cap Ex		CWIP - Dec. 31/12		Adjustments		2012 Additions	
		Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated
1	Maintenance Capital	676	85	8,301	1,552	(5,239)	(598)	(516)	(210)	3,222	829
2	Major Maintenance - Dawn J	-	-	1,564	496	-	-	(1,444)	(243)	120	253
3	Storage Support	745	160	1,238	402	(235)	(69)	1	-	1,749	493
4	Expansion - Subtotal	-	5,943	520	223	-	(6,166)	-	-	520	-
5	Total Storage	1,421	6,188	11,623	2,673	(5,474)	(6,833)	(1,959)	(453)	5,611	1,575

Union Gas Limited
Examples of Asset Allocation between Regulated and Unregulated by Storage Pool
As of December 31, 2011[1]

		Allocation Percentage		
Asset Class	**Operations**	**Sombra Pool**	**Dawn 167 Pool**	**Dawn 156 Pool**
Land	Regulated	62.34%	80.14%	62.34%
	Unregulated	37.66% [2]	19.86% [3]	37.66%
Land Rights	Regulated	62.34%	N/A	43.46%
	Unregulated	37.66%	N/A	56.54%
Structures & Improvements	Regulated	62.34%	80.14%	62.34%
	Unregulated	37.66%	19.86%	37.66%
Storage Wells	Regulated	62.34%	62.34%	31.56%
	Unregulated	37.66%	37.66%	68.44%
Field Lines	Regulated	62.34%	62.34%	14.94%
	Unregulated	37.66%	37.66%	85.06%
Compressor Equipment	Regulated	62.34%	80.14%	35.75%
	Unregulated	37.66%	19.86%	64.25%
Measuring & Regulating Equipment	Regulated	62.34%	90.06%	26.42%
	Unregulated	37.66%	9.94% [4]	73.58%
Base Pressure Gas	Regulated	62.34%	62.34%	62.34%
	Unregulated	37.66%	37.66%	37.66%
Total – Regulated %		63%	69%	32%
Total – Unregulated %		37%	31%	68%
Total – Regulated Asset Value		$16,917,481	$12,253,384	$19,462,268
Total – Unregulated Asset Value		$10,123,102	$5,575,640	$41,964,923
Total – Pool Asset Value		$27,040,583	$17,829,024	$61,427,191

[1] To be used for the allocation of 2012 Maintenance Capital Projects

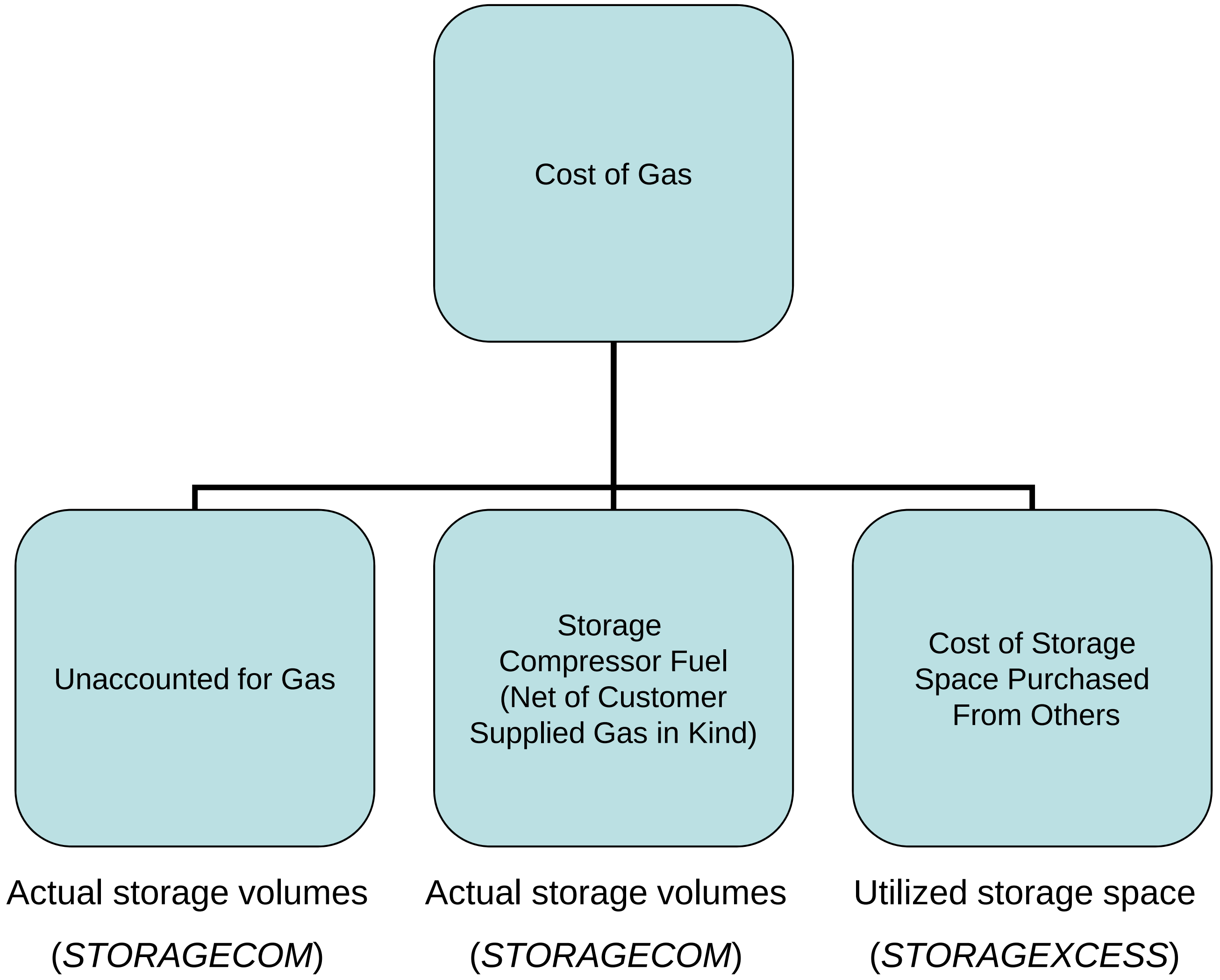
[2] See Schedule 6, page 1 of 2 (storage lines, wells, and compression)

[3] See Schedule 7, page 2 of 2 (storage and transmission - compression)

[4] See Schedule 7, page 2 of 2 (storage and transmission - measuring and regulating)

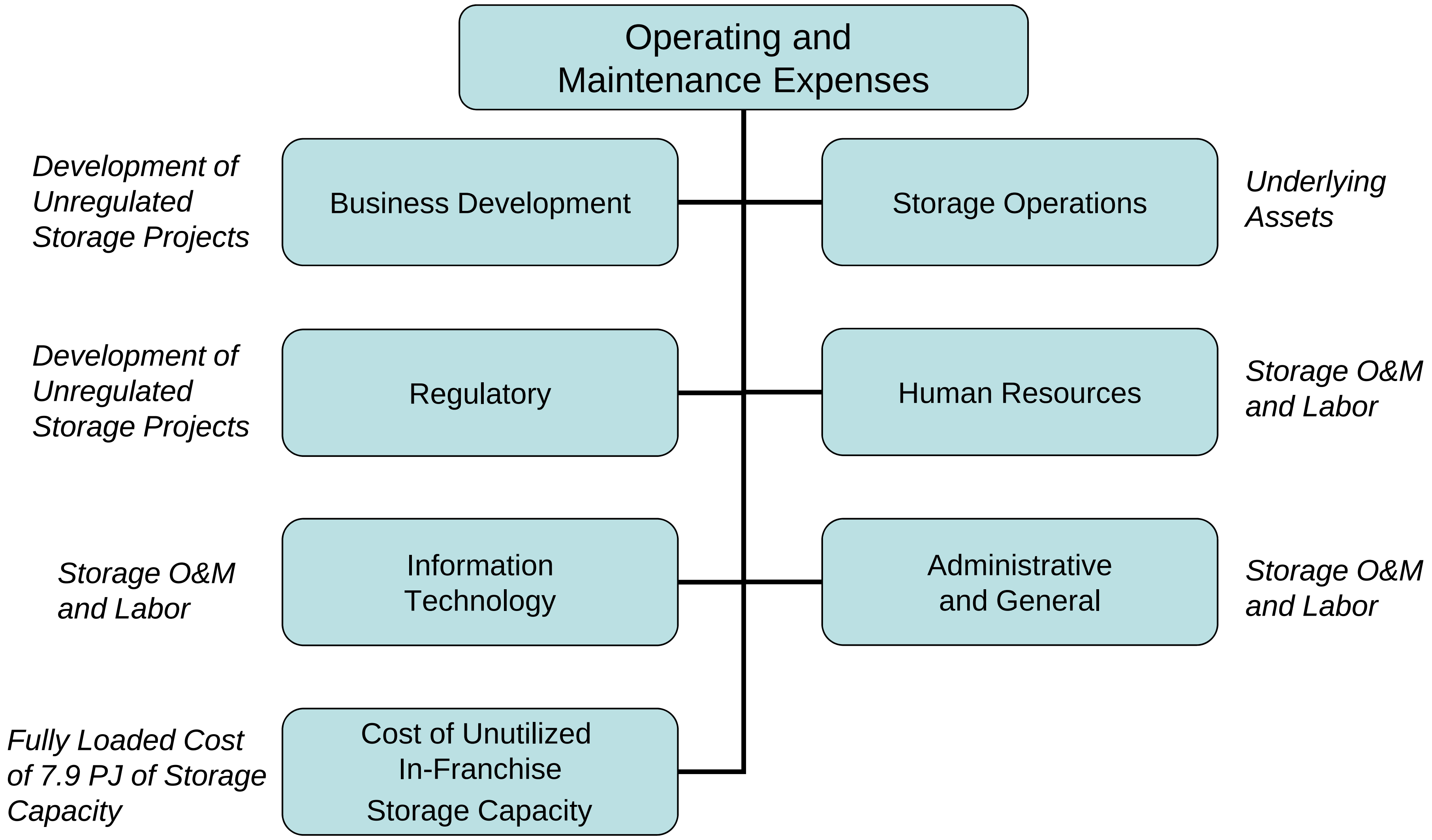
Schedule 12

Union Gas Limited
Separation of Regulated and Unregulated Storage Costs – Cost of Gas



Schedule 13

Union Gas Limited
Separation of Regulated and Unregulated Storage Costs – O&M Expenses



Operating and Maintenance Expenses

Development of Unregulated Storage Projects

Business Development

Storage Operations

Underlying Assets

Development of Unregulated Storage Projects

Regulatory

Human Resources

Storage O&M and Labor

Storage O&M and Labor

Information Technology

Administrative and General

Storage O&M and Labor

Fully Loaded Cost of 7.9 PJ of Storage Capacity

Cost of Unutilized In-Franchise Storage Capacity

Union Gas Limited
O&M Expense Allocation Factors and Illustrative Examples
O&M Expense Allocation Factors for 2007 and 2012

O&M Category	O&M Sub-Category	Allocation Factor Type	Allocation Factor Description	2007 Unregulated Allocation %	2012 Unregulated Allocation %
Storage General (internal orders are 100% storage) Note: Use asset split by asset location where available	Supervision	PP&E	Total Weighted Average Unregulated Factor	38.3%	58.4%
	Wells	PP&E	Wells Unregulated Factor	37.7%	63.9%
	Lines	PP&E	Lines Unregulated Factor	37.7%	60.0%
	Compressors	PP&E	Compressors Unregulated Factor	39.4%	60.6%
	Measuring & Regulating	PP&E	M&R Unregulated Factor	37.7%	59.9%
	Rents	PP&E	Total Weighted Average Unregulated Factor	38.3%	58.4%
	Other	PP&E	Total Weighted Average Unregulated Factor	38.3%	58.4%
Storage General (internal orders are 100% storage)	Dehydration	Cost Study	Cost Study Allocation (Dehydration Demand)	24.8%	69.0%
Storage Shared (internal orders are split between storage & transmission)	Wells	PP&E	Wells Unregulated Factor	37.7%	50.6%
	Lines	PP&E	Lines Unregulated Factor	37.7%	48.3%
	Compressors	PP&E	Compressors Unregulated Factor	20.4%	37.7%
	Measuring & Regulating	PP&E	M&R Unregulated Factor	22.2%	30.4%
	Supervision	Cost Study	Cost Study Allocation (O&M STO Split)	9.8%	13.0%
	Rents	Cost Study	Cost Study Allocation (O&M STO Split)	9.8%	13.0%
	Other	Cost Study	Cost Study Allocation (O&M STO Split)	9.8%	13.0%
Storage Support	N/A	Actual Expenses	Unregulated Storage O&M Expenses to Total Operational O&M Expenses	2.5%	2.9%

Union Gas Limited
O&M Expense Allocation Factors and Illustrative Examples
Choice of Cost Allocation Methods and Allocation Factors by Storage Category

		Examples for Calendar Year 2012				
Storage Category	Allocation Method	I/O #	Description	Unregulated Allocation Factor (1)		Schedule 14 Group
1) Storage General						
Dehydration	Cost Study Allocator	330240	Dawn Dehy Operations	69.0%	Cost Study Allocation (Dehy Demand)	Storage Operations
Wells	PP&E Allocations and KPMG PP&E Model	330007	Bentpath Wells Operations	37.7%	Regulated vs. Unregulated Storage Assets Allocation (by Asset Name)	Storage Operations
Lines	PP&E Allocations and KPMG PP&E Model					
Compressors	PP&E Allocations and KPMG PP&E Model					
M&R	PP&E Allocations and KPMG PP&E Model					
Supervision	PP&E Allocations and KPMG PP&E Model					
Rents	PP&E Allocations and KPMG PP&E Model					
Other	PP&E Allocations and KPMG PP&E Model					
2) Storage Shared	PP&E Allocations and KPMG PP&E Model					
Wells	PP&E Allocations and KPMG PP&E Model					
Lines	PP&E Allocations and KPMG PP&E Model					
Compressors	PP&E Allocations and KPMG PP&E Model	330243	Dawn A Operations	37.7%	PP&E Allocators - Compressors - Storage Shared	Storage Operations
M&R	PP&E Allocations and KPMG PP&E Model					
Supervision	Cost Study Allocator	342101	STO Administrative Support	13.0%	Cost Study Allocation (STO O&M Expense Split)	Storage Operations
Rents	Cost Study Allocator					
Other	Cost Study Allocator					
3) Unregulated Storage	PP&E Allocation	220469	Heritage Compressor Operations	100%	Determined at time IO was opened as Heritage Pool is 100% unregulated	Storage Operations
4) Non Storage	Determined when IO was opened	Transmission/Distribution-only IOs				
5) Storage Support	Most recent total O&M actual reg/unreg split (Human Resources, Information Systems, Finance)	316762	Information Systems Administration	2.9%	Actual Expenses - Unregulated Storage O&M Expenses to Total O&M Expenses	Information Technology
	Time estimates (Business Development, Regulatory Projects, and Certain Engineering Groups)	240892	Business Development	27%	Storage Support - Time Estimate	Business Development

(1) See page 1 of 3 of Schedule 14 under the column, "2012 Unregulated Allocation %"

Union Gas Limited
O&M Expense Allocation Factors and Illustrative Examples
Applicaton of Selected Allocation Factors to O&M Expenses by Individual IO and Employee

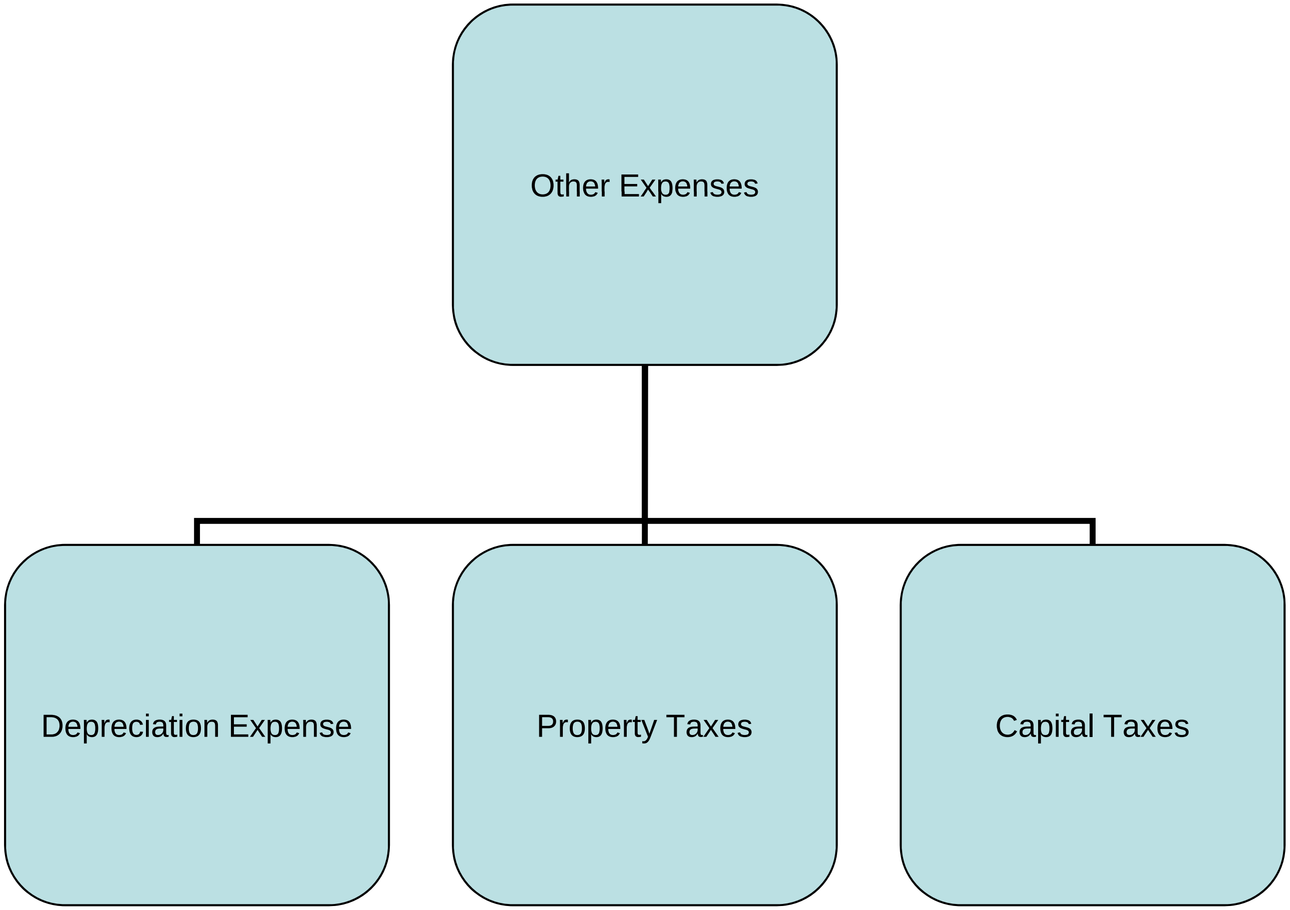
		A	B	C	D	E	F	
Internal Order	Internal Order Category	2012 $000s	Allocator	Total O&M	Regulated O&M	Unregulated O&M	Capitalization	Total
123456	Storage Shared - Compressors	1,000	37.7%	90.0%	56.1%	33.9%	10.0%	100.0%
234561	Storage Support - Time Estimate	1,000	10.0%	80.0%	72.0%	8.0%	20.0%	100.0%
345612	Storage Support - Unregulated to Total O&M	1,000	2.9%	100.0%	97.1%	2.9%	0.0%	100.0%
	Total	3,000						
			Cost Center No.		4457	5792	2265	
			Cost Center Name		Dep't Name Regulated O&M	Dep't Name Unregulated O&M	Dep't Name Capitalization	Total
			Cost Center Amount		$ 2,252	$ 448	$ 300	$ 3,000

Column	
A	Internal Order cost
B	From Schedule 14 Allocation Factors or Time Estimate
C	100% less Capitalization %
D	100% less Capitalization % less Unregulated %
E	100% less Capitalization % times 2012 Allocator
F	Capitalization %

The resulting allocated amounts are assigned to each Internal Order which result in
an aggregation of the costs in a Regulated O&M, Unregulated O&M, or Capitalization Cost Center

Schedule 15

Union Gas Limited
Separation of Regulated and Unregulated Storage Costs – Other Costs



Other Expenses

Depreciation Expense

Property Taxes

Capital Taxes

- Depreciation rates for Unregulated storage assets
- Depreciation for general plant – allocated on the same basis as general plant

Actual property tax for Dawn assets – allocated between regulated and unregulated based on gross storage plant

Allocated based on the percentage of unregulated storage assets to total assets (excluding general plant)

Union Gas Limited
Reconciliation of Storage Utilization and Available Capacity
Summary of Short Term Storage
(October 31, 2012)

Short-Term Peak Storage Sales	Contract	Space (PJs)	Activity (PJs)	Activity (103m3)	Storage Turn Over Rate	Revised Storage Turn Over Rate
Unutilized Storage to 100 PJs from Union Integrated Supply Plan (ISP)		12.0				
Customer 1	HUB Contract 1	1.1	1.4	36,468	1.3	0.7
Customer 2	HUB Contract 2	1.1	3.2	84,353	3.0	1.5
Customer 3	HUB Contract 3	1.1	1.1	27,949	1.0	0.5
Customer 4	HUB Contract 4	1.1	1.2	30,978	1.1	0.6
Customer 5	HUB Contract 5	1.1	1.1	27,949	1.0	0.5
Customer 6	HUB Contract 6	1.1	5.5	146,015	5.2	2.6
Customer 7	HUB Contract 7	0.5	0.7	18,402	1.3	0.7
Customer 8	HUB Contract 8	1.1	1.1	27,948	1.0	0.5
Customer 9	HUB Contract 9	1.1	1.2	32,465	1.2	0.6
Customer 10	HUB Contract 10	1.1	1.0	27,295	1.0	0.5
Customer 11	HUB Contract 11	2.1	15.7	415,943	7.5	3.7
Subtotal		12.1	33.1	875,766	2.7	1.4
Customer 12	Expired prior to October 31, 2012		1.5	40,624		
Customer 13	Expired prior to October 31, 2012		1.1	27,923		
Customer 14	Expired prior to October 31, 2012		1.1	27,949		
Customer 15	Expired prior to October 31, 2012		1.1	27,897		
Customer 16	Expired prior to October 31, 2012		4.3	114,943		
Customer 17	Expired prior to October 31, 2012		0.5	13,974		
Customer 18	Expired prior to October 31, 2012		1.8	46,725		
Customer 19	Expired prior to October 31, 2012		4.5	119,361		
Customer 20	Expired prior to October 31, 2012		1.1	27,949		
Total Short Term Peak Storage Sales		12.1	50.0	1,323,110		
Excess/(Shortfall)		(0.1)				

Union Gas Limited
Reconciliation of Storage Utilization and Available Capacity
Summary of Long Term Storage
(October 31, 2012)

	Space (PJs)	Activity (PJs)	Storage Turn Over Rate
Capacity			
Total Official Working Capacity (1)	164.0		
Less: Reserved for In-Franchise Customers	(100.0)		
Available for Ex-Franchise Customers	64.0		
Add: 3rd Party Storage Capacity	15.9		
Available Capacity for Long Term Storage	79.9		
Add: Resource Optimization (2)	18.5		
Total Available Storage Capacity	98.4		
Sales			
Long Term Peak Storage	95.7	199.0	1.0
High Deliverability Storage	2.7	30.7	5.7
Total Long Term Storage Sales	98.4	229.8	1.2

Notes:
(1) As per Union's Integrated Supply Plan (ISP)
(2) Combination of resource gas loans and space optimization.

Filed: 2013-10-31
EB-2013-0365
Exhibit A
Tab 2
Appendix B

PP&E Allocators for O&M Mapping Model

Allocator	O&M I/O Classification	O&M Sub-Category	2013 Rate Allocations
Total Weighted Average Unregulated Factor	Storage General (internal orders are 100% storage) Note: Use asset split by asset location where available	Supervision	58.4%
Wells Unregulated Factor		Wells	63.9%
Lines Unregulated Factor		Lines	60.0%
Compressors Unregulated Factor		Compressors	60.6%
M&R Unregulated Factor		M&R	59.9%
Total Weighted Average Unregulated Factor		Rents	58.4%
Total Weighted Average Unregulated Factor		Other	58.4%
Wells Unreguated Storage Factor	Storage Shared (internal orders are split between storage & transmission)	Wells	50.6%
Lines Unregulate Storage Factor		Lines	48.3%
Compressors Unregulated Storage Factor		Compressors	37.7%
M&R Unregulated Storage Factor		M&R	30.4%

Other Allocators

Allocator	O&M I/O Classification	O&M Sub-Category	2013 Rate Allocations
Cost Study Allocation (Dehy Demand)	Storage General (internal orders are 100% storage)	Dehydration	69.0%
Cost Study Allocation (O&M STO Split)	Storage Shared (internal orders are split between storage & transmission)	Supervision	13.0%
		Rents	13.0%
		Other	13.0%
Unregulated Storage O&M to Total Operational O&M	Storage Support	N/A	2.9%

Regulated vs Unregulated Storage Assets Allocation

as at December 31, 2011
To be used for 2012 Maintenance Capital Projects

Storage Pools

		Oil City	Mandaumin	Mandaumin (Sarnia Airport)	Bluewater	HTLP Custody Transfer	Dow Moore	Waubuno	Payne	Bickford
Asset Class		X 139	X 140	X 140	X 145	X 148	X 151	X 152	X 153	X 154
Land	Reg	80.14%	62.34%	N/A	N/A	N/A	N/A	62.34%	62.34%	62.34%
	Nreg	19.86%	37.66%	N/A	N/A	N/A	N/A	37.66%	37.66%	37.66%
Land Rights	Reg	62.34%	62.34%	N/A	62.34%	N/A	62.34%	62.34%	62.34%	N/A
	Nreg	37.66%	37.66%	N/A	37.66%	N/A	37.66%	37.66%	37.66%	N/A
Structures & Improvements	Reg	N/A	62.34%	0.00%	N/A	N/A	N/A	62.34%	62.34%	62.34%
	Nreg	N/A	37.66%	100.00%	N/A	N/A	N/A	37.66%	37.66%	37.66%
Storage Wells	Reg	51.06%	62.34%	N/A	51.06%	N/A	N/A	62.34%	43.24%	62.34%
	Nreg	48.94%	37.66%	N/A	48.94%	N/A	N/A	37.66%	56.76%	37.66%
Field Lines	Reg	62.34%	62.34%	N/A	62.34%	N/A	N/A	62.34%	62.34%	62.34%
	Nreg	37.66%	37.66%	N/A	37.66%	N/A	N/A	37.66%	37.66%	37.66%
Compressor Equipment	Reg	N/A	N/A	0.00%	N/A	N/A	N/A	62.34%	35.54%	62.34%
	Nreg	N/A	N/A	100.00%	N/A	N/A	N/A	37.66%	64.46%	37.66%
Measuring & Regulating Equipment	Reg	90.06%	62.34%	100.00%	62.34%	0.00%	N/A	62.34%	62.34%	62.34%
	Nreg	9.94%	37.66%	0.00%	37.66%	100.00%	N/A	37.66%	37.66%	37.66%
Base Pressure Gas	Reg	62.34%	62.34%	N/A	62.34%	N/A	62.34%	62.34%	62.34%	62.34%
	Nreg	37.66%	37.66%	N/A	37.66%	N/A	37.66%	37.66%	37.66%	37.66%
Total Regulated - %age		64%	62%	92%	58%	0%	62%	63%	52%	62%
Total Unregulated - %age		36%	38%	8%	42%	100%	38%	37%	48%	38%
Total Regulated - Asset Values		6,472,631.59	18,212,960.52	816,730.70	2,986,270.46	-	8,081,371.77	4,409,011.29	8,082,658.92	14,755,804.47
Total Unregulated - Asset Values		3,617,061.00	11,003,294.32	72,749.04	2,151,352.98	231,000.20	4,882,376.00	2,638,002.59	7,340,224.70	8,875,171.65

Regulated vs Unregulated Storage Assets Allocation

as at December 31, 2011
To be used for 2012 Maintenance Capital Projects

Storage Pools

		Sombra	Enniskillen	Bentpath	Terminus	Rosedale	Dawn 167	Oil Springs East	Dawn 47 & 49	Dawn 59 & 85
Asset Class		X 155	X 156	X 157	X 158	X 159	X 160	X 162	X 163	X 164
Land	Reg	62.34%	62.34%	62.34%	N/A	N/A	80.14%	80.14%	62.34%	62.34%
	Nreg	37.66%	37.66%	37.66%	N/A	N/A	19.86%	19.86%	37.66%	37.66%
Land Rights	Reg	62.34%	62.34%	62.34%	N/A	62.34%	N/A	62.34%	N/A	62.34%
	Nreg	37.66%	37.66%	37.66%	N/A	37.66%	N/A	37.66%	N/A	37.66%
Structures & Improvements	Reg	62.34%	62.34%	62.34%	62.34%	N/A	80.14%	80.14%	62.34%	62.34%
	Nreg	37.66%	37.66%	37.66%	37.66%	N/A	19.86%	19.86%	37.66%	37.66%
Storage Wells	Reg	62.34%	50.60%	62.34%	62.34%	62.34%	62.34%	45.61%	62.34%	22.54%
	Nreg	37.66%	49.40%	37.66%	37.66%	37.66%	37.66%	54.39%	37.66%	77.46%
Field Lines	Reg	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%	40.89%
	Nreg	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%	59.11%
Compressor Equipment	Reg	62.34%	62.34%	62.34%	N/A	N/A	80.14%	80.14%	N/A	N/A
	Nreg	37.66%	37.66%	37.66%	N/A	N/A	19.86%	19.86%	N/A	N/A
Measuring & Regulating Equipment	Reg	62.34%	62.34%	62.34%	62.34%	N/A	90.06%	90.06%	62.34%	35.35%
	Nreg	37.66%	37.66%	37.66%	37.66%	N/A	9.94%	9.94%	37.66%	64.65%
Base Pressure Gas	Reg	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%	62.34%
	Nreg	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%	37.66%

Total Regulated - %age	63%	59%	62%	62%	62%	69%	70%	62%	35%
Total Unregulated - %age	37%	41%	38%	38%	38%	31%	30%	38%	65%
Total Regulated - Asset Values	16,917,481.24	7,491,313.19	14,719,619.08	4,665,789.45	5,765,096.20	12,253,384.37	16,082,103.14	6,549,205.52	6,007,921.96
Total Unregulated - Asset Values	10,123,102.04	5,277,191.50	8,872,355.61	2,805,270.50	3,468,075.95	5,575,639.54	6,919,492.56	3,938,265.54	11,179,689.38

Regulated vs Unregulated Storage Assets Allocation

as at December 31, 2011
To be used for 2012 Maintenance Capital Projects

Storage Pools

		Dawn 156	Edys Mills	Booth Creek	Bentpath East	Dow A Plant	Black Creek	Heritage Pool	Jacob Pool	Head Office
Asset Class		X 165	X 167	X 168	X 169	X 170	X 171	X 173	X 174	X 050
Land	Reg	62.34%	80.14%	N/A	62.34%	80.14%	N/A	0.00%	0.00%	N/A
	Nreg	37.66%	19.86%	N/A	37.66%	19.86%	N/A	100.00%	100.00%	N/A
Land Rights	Reg	43.46%	62.34%	62.34%	62.34%	62.34%	62.34%	0.00%	0.00%	62.34%
	Nreg	56.54%	37.66%	37.66%	37.66%	37.66%	37.66%	100.00%	100.00%	37.66%
Structures & Improvements	Reg	62.34%	80.14%	62.34%	62.34%	80.14%	N/A	0.00%	0.00%	N/A
	Nreg	37.66%	19.86%	37.66%	37.66%	19.86%	N/A	100.00%	100.00%	N/A
Storage Wells	Reg	31.56%	52.11%	62.34%	54.56%	50.79%	N/A	0.00%	0.00%	N/A
	Nreg	68.44%	47.89%	37.66%	45.44%	49.21%	N/A	100.00%	100.00%	N/A
Field Lines	Reg	14.94%	62.34%	62.34%	62.34%	62.34%	N/A	0.00%	0.00%	62.34%
	Nreg	85.06%	37.66%	37.66%	37.66%	37.66%	N/A	100.00%	100.00%	37.66%
Compressor Equipment	Reg	35.75%	80.14%	N/A	N/A	75.14%	N/A	0.00%	0.00%	N/A
	Nreg	64.25%	19.86%	N/A	N/A	24.86%	N/A	100.00%	100.00%	N/A
Measuring & Regulating Equipment	Reg	26.42%	90.06%	62.34%	62.34%	90.06%	N/A	0.00%	0.00%	62.34%
	Nreg	73.58%	9.94%	37.66%	37.66%	9.94%	N/A	100.00%	100.00%	37.66%
Base Pressure Gas	Reg	62.34%	62.34%	62.34%	62.34%	62.34%	N/A	0.00%	0.00%	N/A
	Nreg	37.66%	37.66%	37.66%	37.66%	37.66%	N/A	100.00%	100.00%	N/A

Total Regulated - %age	32%	71%	62%	61%	68%	62%	0%	0%	62%
Total Unregulated - %age	68%	29%	38%	39%	32%	38%	100%	100%	38%
Total Regulated - Asset Values	19,462,268.08	11,280,769.31	2,199,134.68	9,684,855.15	20,168,652.40	1,005,670.95	-	-	9,799,320.58
Total Unregulated - Asset Values	41,964,923.16	4,623,163.17	1,326,234.13	6,216,271.82	9,571,293.74	607,577.00	13,329,709.52	-	5,919,637.00

Regulated vs Unregulated Storage Assets Allocation

as at December 31, 2011
To be used for 2012 Maintenance Capital Projects

Dawn Plant

		Dawn Plant Trans Non Mainline	Dawn Yard	Dawn J	Dawn Dehy Plant	Dawn Plant Trans Mainline	Dawn A Compressor	Dawn B Compressor	Dawn C Compressor	Dawn D Compressor
Asset Class		X 184	X 186	X 187	X 188	X 189	X 190	X 191	X 192	X 193
Land	Reg	100.00%	80.14%	N/A	N/A	100.00%	80.14%	N/A	N/A	80.14%
	Nreg	N/A	19.86%	N/A	N/A	N/A	19.86%	N/A	N/A	19.86%
Structures & Improvements	Reg	100.00%	80.14%	57.55%	66.35%	100.00%	80.14%	80.14%	80.14%	80.14%
	Nreg	N/A	19.86%	42.45%	33.65%	N/A	19.86%	19.86%	19.86%	19.86%
Compressor Equipment	Reg	100.00%	80.14%	57.55%	45.38%	100.00%	80.14%	80.14%	80.14%	80.14%
	Nreg	N/A	19.86%	42.45%	54.62%	N/A	19.86%	19.86%	19.86%	19.86%
Measuring & Regulating Equipment	Reg	100.00%	90.06%	57.55%	N/A	100.00%	90.06%	N/A	N/A	N/A
	Nreg	N/A	9.94%	42.45%	N/A	N/A	9.94%	N/A	N/A	N/A
		*See note below				*See note below				
Total Regulated - %age		100%	80%	58%	47%	97%	84%	79%	80%	81%
Total Unregulated - %age		0%	20%	42%	53%	3%	16%	21%	20%	19%
Total Regulated - Asset Values		-	20,035.00	22,404,661.31	6,923,728.43	16,930,309.13	22,546,047.82	22,552,758.21	20,324,385.24	63,902,727.24
Total Unregulated - Asset Values		-	4,965.00	16,526,114.20	7,696,964.88	446,055.00	4,392,311.53	5,933,185.69	4,955,347.97	15,435,195.27

Filed: 2013-10-31
EB-2013-0365
Exhibit A
Tab 2
Appendix C

Regulated vs Unregulated Storage Assets Allocation

as at December 31, 2011
To be used for 2012 Maintenance Capital Projects

Dawn Plant

		Dawn E Compressor	Dawn F Compressor	Dawn G Compressor	Dawn I Compressor	Vector Interconnect @ Dawn
Asset Class		X 194	X 195	X 196	X 198	X 225
Land	Reg	N/A	N/A	N/A	N/A	N/A
	Nreg	N/A	N/A	N/A	N/A	N/A
Structures & Improvements	Reg	100.00%	80.14%	80.14%	N/A	100.00%
	Nreg	N/A	19.86%	19.86%	100.00%	N/A
Compressor Equipment	Reg	100.00%	80.14%	80.14%	N/A	100.00%
	Nreg	N/A	19.86%	19.86%	100.00%	N/A
Measuring & Regulating Equipment	Reg	N/A	N/A	N/A	N/A	100.00%
	Nreg	N/A	N/A	N/A	N/A	N/A

Total Regulated - %age	100%	80%	77%	0%	94%
Total Unregulated - %age	0%	20%	23%	100%	6%
Total Regulated - Asset Values	29,732,436.16	44,368,144.88	31,272,937.72	-	641,967.21
Total Unregulated - Asset Values	-	10,931,154.40	9,098,253.50	65,584,146.97	38,736.84

COMMUNICATE M4, M5A AND M7 RATE CLASS ELIGIBILITY CHANGES

In its EB-2011-0210 Decision, the Board directed Union to communicate M4, M5A and M7 Rate Class Eligibility changes to relevant customers. There are three discrete eligibility changes being implemented. This evidence addresses the progress to date for each of the three initiatives.

In EB-2011-0210, Union proposed changes to its Rate M4, Rate M5A and Rate M7 eligibility criteria effective January 1, 2014. Union proposed to lower the eligibility criteria for the M4 and M5A rate classes to a daily contracted demand of 2,400 m^3 from 4,800 m^3 and a minimum annual volume of 350,000 m^3 from 700,000 m^3 and add an interruptible option to the M4 rate class. Union also proposed to lower the eligibility criteria for the M7 rate class from a combined firm, interruptible and seasonal daily contracted volume of 140,870 m^3 and a minimum annual volume of 28,327,840 m^3 to a daily contracted demand requirement of greater than 60,000 m^3.

At p. 99 of the EB-2011-0210 Decision, the Board directed Union to:

> *"communicate these proposals to the relevant customers as agreed to by Union in its reply argument."*

In the reply argument, Union agreed to communicate the eligibility changes to relevant customers that would qualify for contract rate classes under the new criteria using direct mail.

1.0 Response to Directive

All M4 and M5A customers that are required to transition to M7 due to their usage profile were informed by direct letter from their Account Manager of the coming rate class change. The letter was supplemented with a Q&A supplying answers to a number of questions the rate class change might raise. This information was sent during the week of July 15 and is attached at Tab 3, Appendix A. In addition to this initial communication, each of these customers will also be participating in the annual contract renewal discussions. As part of this process, Account Managers will be able to describe the implications of the rate class change in detail for the customers and answer any further questions that may not be addressed in the Q&A. Union will send a final notification to these customers reminding them of the rate class change at the start of the 2014 calendar year, prior to the implementation.

Union identified, that by lowering the threshold of annual consumption to qualify for the South bundled M4 and M5A rate classes, approximately 650 current M2 customers would become eligible for contract rates, although not every customer that meets the new minimum consumption threshold level is likely to proceed to contract. Union applied a number of tests and filters to work toward determining which of these customers could potentially benefit by transitioning to a contract rate. To reinforce sustainability of consumption, Union applied a test which required that customer’s demonstrate two consecutive years of consumption above the new minimum threshold volume.

Union prepared an estimated rate comparison schedule for each of the customers comparing the annual delivery cost as a general service M2 customer to the annual delivery cost of a contract rate M4 firm customer. Included in this calculation Union estimated a customer capital cost to pay for installation of telemetering equipment to provide for daily consumption reads. Union used $12,000 per meter as an estimate of the installation cost, although the actual cost will vary by location. Within the customer population is a subset group of customers that may have previously been on a contract rate already. This customer group has already invested in the metering installation and therefore are exempt from the need to pay for metering again. The installations are still in place and operating.

After applying the aforementioned tests and analysis, Union determined that 165 customers of the 650 customer population could potentially find an economic benefit by moving to a contract rate. Union sent a direct written communication to each of these customers advising them of the availability of the contract rate and inviting them to find out further information by either calling an Account Manager or a staffed centralized number. This information was sent during the week of July 15 and is attached at Tab 3, Appendix B.

2.0 Adding an Interruptible Component to the Firm M4 Rate Class

Union has added an interruptible component to the currently Firm M4 rate class. Union will broadcast the availability and the applicability of this new service feature as of January 1, 2014 through an email communication (Enerline and Factsline) in the fourth quarter of 2013. Union will promote the availability of this service to contract customers likely to find this service feature of value during the annual contract renewal discussions.

July 2013

Dear Customer,

In 2012, Union Gas received approval from the Ontario Energy Board (OEB) for a change in the eligibility requirements for our bundled contract rate classes M4, M5A and M7. This eligibility change was part of our 2013 rate case and becomes effective on January 1, 2014. You can review this announcement by viewing our January 30 Enerline.

These rate schedule changes affect our current M4 and M5A customers with daily contract demands (CD) greater than 60,000 m^3. Based on your current contract parameters, you will be affected by this change and will transition to the M7 rate class on January 1, 2014.

I will be meeting with each of my customers affected by this change during our regular contract renewal discussions over the next few months. I will contact you directly to set up a convenient time to discuss your transition and to answer any questions you may have about the M7 rate class. I've also included a reference sheet with some commonly asked questions for your review.

If you have questions before we meet, feel free to contact me directly. You may also want to discuss these changes with your energy marketer or consultant who can also provide helpful guidance.

I look forward to speaking with you soon.

Regards,

Account Manager
Contact Info

Filed: 2013-10-31
EB-2013-0365
Exhibit A
Tab 3
Appendix A

Making the Move to Rate M7

Background

Union Gas' 2013 Cost of Service (COS) filing proposed lower eligibility requirements to qualify for the M4, M5A and M7 contract rate classes. In addition, Union Gas proposed to reduce the maximum contracted demand for Rate M4 and Rate M5A to 60,000 m^3/day from 140,870 m^3/day. This change was approved by the Ontario Energy Board (OEB) and is effective **January 1, 2014**.

What this means for you

This change affects current M4 and M5A customers with daily contract demands (CD) greater than 60,000 m^3. Based on your current contract parameters, you will be affected by this change and will transition to the M7 rate class on January 1, 2014.

Q&A:

What is Rate M7?

Rate M7 is for large commercial and industrial customers who have signed a contract with Union Gas for a combination of firm and/or interruptible and/or seasonal service with a daily contract demand greater than 60,000 m^3.

Why did Union Gas lower the eligibility requirement for Rate M7?

It's good rate making practice to have a sufficient number of customers in each rate class. Modifying the eligibility criteria for Rates M4, M5A and M7 adds customer numbers to each of the affected contract classes.

When will the change to Rate M7 occur?

For customers that qualify for rate M7, the change in rate class will automatically occur on the January 1, 2014 implementation date.

Can I change my contract parameters on the implementation date – January 1, 2014?

Contract parameter changes are made on your contract renewal date. As the January 1, 2014 transition to the M7 contract rate will occur between your contract renewal dates, no contract parameter changes will be made on implementation day.

Why do I have to change rate class?

The revised M4, M5A and M7 eligibility criteria are placed into effect by OEB-approved rate orders on January 1, 2014. On that date your consumption parameters will no longer fit within the parameters of the 2014 M4/M5A rate classes. Instead, your current contract parameters will fall within the new M7 rate class.

How will my Rate M7 monthly bills compare with my current Rate M4/M5A bills?

The monthly bill will vary from customer to customer. However, it is expected this change will result in bills remaining relatively similar through the transition period in 2014. The Rate M7 interruptible delivery commodity charge will be cost neutral to you, compared to your 2013 costs, as you make this transition January 1, 2014. The firm service will be re-priced using your current firm contract parameters at the Rate M7 firm rates. After the transition, your interruptible rates will be based on customary contract renewal negotiations with your account manager based upon existing market conditions and contract requirements.

Annual Contract Renewal Considerations:

Are there any other rate options available to me other than Rate M7?

Customers may also have the option, on contract renewal, to elect the new Rate T1 service which was introduced January 2013. This service is available to customers who meet the T1 annual volume requirement of 2,500,000 m^3.

I’m currently an interruptible customer; can I switch to firm service?

If you are currently an interruptible customer and would like to choose firm service, please discuss this with your account manager as part of your contract renewal negotiations. Firm service is subject to capacity availability. Making the transition from interruptible to firm service may result in costs to you if system reinforcements are required.

How do I determine how much of my load I can make interruptible?

This will vary from customer to customer but your account manager will be able to assist you with this decision. Questions to ask yourself are “Can I turn off certain equipment associated with a portion of the gas load if requested? Can I switch over all or a portion of the gas load to an alternate fuel if required?” If you are currently an interruptible customer and would like to make changes to your service, please discuss this with your account manager as part of your customary contract renewal negotiations.

Who can I contact with questions?

As always, please contact your account manager directly if you have any questions about this transition or any part of your contract. You can also find additional rate information on our website at **uniongas.com/business**.

Filed: 2013-10-31
EB-2013-0365
Exhibit A
Tab 3
Appendix B

Important

Contract Service Option Available to You

Attention: Energy Procurement Manager

Union Gas is making changes to our contract service, and we're writing today to let you know about a new service option for your consideration. Effective Jan. 1, 2014, the volume requirement to become a contract rate customer is being lowered. This means that customers like yourself, who use a large volume of natural gas (more than 350,000 meters cubed per year), will have a new contract rate service option available.

Why consider contract rate service?

Depending on the nature of your business and your natural gas usage patterns, becoming a contract rate customer can offer a number of benefits:

- reduced natural gas delivery rates
- more gas service options
- better access to usage data

Cost considerations for your business:

Converting to contract rate service has a set-up cost. Equipment and installation can cost approximately $12,000 per meter. You must also provide a dedicated analog phone line and electrical hook-up for this equipment.

In some cases, customers may be required to cover the expense of other equipment upgrades that may be necessary to meet certain code standards. These would be identified during an initial inspection of your site.

What do I do now?

Making the decision to enter into contract rate service is completely voluntary. You are not required to make any changes to your current natural gas service.

We encourage you to review the options for your business and discuss them with your energy marketer or consultant (if applicable).

Attached is a reference sheet with additional information and some commonly asked questions. To learn more about contract rate service, please contact **Lynn Lajoie** either by email llajoie@uniongas.com or phone 1-800-360-9203 extension 76227. She'd be happy to answer your questions.

Thank you for your continued use of natural gas.

Sincerely,

Union Gas Contract Team

Filed: 2013-10-31
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Exhibit A
Tab 3
Appendix B

Considering Natural Gas Contract Service?

Commonly Asked Questions:

What is contract service?

Customers who meet certain qualifying criteria have the option to sign a contract with Union Gas. Being on contract requires a customer to meet certain commitments and obligations regarding their gas use in exchange for paying a reduced delivery rate. Contract customers are supported by a Union Gas account manager.

Will I save money by signing a contract?

This will vary from customer to customer. Making the move to contract service has the potential to reduce your delivery rates – but savings are dependent on a number of factors specific to your business, such as how much natural gas you use and your usage pattern throughout the year. You should discuss your service options with your energy consultant, energy marketer, or directly with Union Gas.

Is there a cost to become a contract rate customer?

Starting as a contract rate customer requires a change to your current metering equipment. The new equipment and installation can cost approximately $12,000 per meter. You must also provide a dedicated analog phone line and electrical hook-up. (Note: If your business has already installed telemetry metering equipment at your location, the $12,000 per meter charge would not apply).

In some cases, you may also be required to cover the expense of any equipment upgrades that may be necessary to meet certain code standards. These would be identified during an initial inspection of your site.

Even with these initial set up costs, making the move to contract service will make economic sense for some customers. This depends on a number of factors specific to your business, such as how much natural gas you use and your usage pattern throughout the year.

Who can I contact with questions?

If you think you may be a candidate for contract service and are interested in more information from Union Gas, please contact **Lynn Lajoie** either by email llajoie@uniongas.com or phone 1-800-360-9203 extension 76227. She can provide you with more details about contract service, as well as a rate comparison of your current costs and what they might look like as a contract rate customer. If you are supported by an energy marketer or consultant, they can also provide you with helpful advice.

Parkway Delivery Obligation

The purpose of this evidence is to describe Union's proposal to shift the Parkway delivery obligation to Dawn. In the EB-2011-0210 Settlement Agreement, the parties agreed to establish a Parkway Obligation Working Group ("POWG") to review Union's Parkway delivery obligation and determine whether or not any changes should be made in whole or in part to that obligation after 2013. In its EB-2011-0210 Decision, the Board directed Union to report to the Board during its 2014 rates proceeding, on the proposal, if any, in respect to the Parkway delivery obligation as established by the POWG process.

The POWG did not reach consensus on a proposal to shift the Parkway obligation to Dawn. Union is, however, proposing to transition the Parkway delivery obligation to Dawn using temporarily available Dawn-Parkway capacity, shortfall capacity, expected Dawn-Kirkwall turnback capacity from ex-franchise customers and Dawn-Parkway turnback capacity from in-franchise customers (some direct purchase customers have chosen to contract for M12 capacity directly to meet their Parkway delivery obligation and source their supply at Dawn). Transitioning the obligations at Parkway to Dawn will start in April 2014. Union's proposal is described below under the following headings:

1. Introduction
2. History of the Parkway Delivery Obligation
3. Delivery Commitment Credit

4. Parkway Delivery Obligation Policies
5. Parkway Obligation Working Group
6. Union’s Proposal to Reduce the Direct Purchase Parkway Delivery Obligation
7. Delivery Obligation Policies
8. Cost Allocation and Rate Impacts

1.0 Introduction

Direct purchase customers in Union’s Southern franchise area (“Union South”) are obligated to deliver gas to Union at various receipt points upstream or on Union’s system, including the interconnect with TCPL at Parkway. With the exception of unbundled customers, this delivery obligation is required every day of the year unless otherwise agreed to by Union. A portion of Union’s deliveries on behalf of sales service customers is also delivered at Parkway.[1] These delivery points have been determined through an historical allocation of Union’s upstream transportation contracts.

The amount of gas that a customer is obligated to deliver at any delivery point is referred to as their Daily Contract Quantity or “DCQ”. Approximately 564 TJ/d of direct purchase customers’ DCQ are obligated to be delivered at Parkway either directly or through upstream capacity allocated from Union.

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[1] Union’s Parkway delivery obligation proposal does not include sales service deliveries to Parkway.

Union relies on the obligated deliveries at Parkway from direct purchase customers and sales service customers in the design of the Dawn-Parkway transmission system. As a result of the current obligated Parkway deliveries of 662 TJ/d (564 TJ/d by direct purchase customers and 98 TJ/d by sales service), Union's Dawn-Parkway system is physically smaller than it otherwise would be. All customers benefit from the reduced facilities size through lower delivery and transportation rates.

Union South in-franchise customers also benefit because Parkway obligated deliveries reduce their allocation of Dawn-Parkway transmission system costs. In effect, Union South in-franchise customers receive a 'distance credit' as a result of the obligated deliveries at Parkway, which recognizes that design day demands supplied from Parkway are transported over a shorter distance than design day demands supplied from Dawn. Since Dawn-Parkway costs are allocated to Union South in-franchise rate classes on the basis of Dawn-Parkway design day demands, the primary beneficiary of the "distance credit" are Union South general service rate classes (Rate M1 and Rate M2).

The Parkway delivery obligation, however, primarily resides with Union's large volume contract rate classes. As a result, large volume direct purchase customers have requested that Union eliminate the Parkway delivery obligation and allow customers to deliver gas to Union at Dawn because the gas supply cost to direct purchase customers to maintain the obligation exceeds the delivery rate benefit of the obligation.

As indicated above, Union is proposing to transition the Parkway delivery obligation to Dawn using temporarily available Dawn-Parkway capacity, shortfall capacity, expected Dawn-Kirkwall turnback capacity from ex-franchise customers and Dawn-Parkway turnback capacity from in-franchise customers. Transitioning the obligations at Parkway to Dawn will start in April 2014. Table 1 below provides Union's forecast for the reduction of the direct purchase Parkway delivery obligation by year.

Table 1

Parkway Obligation Changes - 2014 - 2019+
(TJ/day)

Line No.	Particulars	Apr-14	Nov-15	Nov-16	Nov-17	Nov-18	Nov-19 +
1	**Direct Purchase Parkway Obligation before**	564	352	352	352	352	185
2	**Temporary/Shortfall Capacity**	-146	0	28	118	0	0
3	**Ex-Franchise M12 Dawn - Kirkwall turnback ***	0	0	-28	-118	-111	0
4	**In-franchise M12 Dawn - Parkway turnback**	-66	0	0	0	-56	-62
5	**Surplus required**	0	0	0	0	0	-123
6	**Direct Purchase Parkway Obligation after**	352	352	352	352	185	0
7	**Annual Reduction (TJ)**	212	0	0	0	167	185
8	**Cumulative direct purchase obligation reduction**	38%	38%	38%	38%	67%	100%

*** Dawn-Parkway equivalent capacity**

Effective January 1, 2019, the reduction in Parkway obligated deliveries and M12 demands of 379 TJ/d results in: (i) an increase in costs of approximately $15.4 million, allocated to Union South in-franchise rate classes, (ii) a reduction in costs of approximately $15.4 million, allocated to ex-franchise rate classes, and (iii) a minimal decrease in costs allocated to Union North in-franchise rate classes.

Starting in April, 2014, Union proposes to reduce the Parkway obligation by 212 TJ/d or 38% of the overall direct purchase obligation. This initial reduction includes 146 TJ/d of temporarily available capacity. This capacity is only available temporarily because it is required to meet firm contractual commitments starting November 1, 2015. The remaining 66 TJ/d will be facilitated by turnback of existing Dawn-Parkway M12 capacity held by in-franchise customers. In-franchise M12 turnback would be at the voluntary selection of M12 contract holders. Union expects this would be economically beneficial to customers as the increase in their delivery rates associated with the turnback is expected to be less than their current M12 tolls. The expected delivery rate increase for in-franchise rate classes associated with this reduction in the Parkway delivery obligation is approximately $8.5 to $9.0 million, starting January 1, 2015.

Beginning November 1, 2015 Union will manage the resulting capacity shortfall and maintain the reduced direct purchase Parkway delivery obligation and the costs that are included in rates for the temporary capacity described above.

Union proposes to use M12 Dawn-Kirkwall capacity turned back by ex-franchise customers on November 1, 2016 and November 1, 2017 to replace the shortfall capacity with expected M12 Dawn to Kirkwall turnback. Starting on November 1, 2018 as a result of using 2018 M12 Dawn-Kirkwall capacity turned back by ex-franchise customers in conjunction with M12 Dawn-Parkway capacity held by in-franchise customers, the direct purchase Parkway delivery obligation is forecast to be reduced by 379 TJ/d or 67%, from the current level of 564 TJ/d to 185 TJ/d. The expected delivery rate increase for in-franchise rate classes associated with this second reduction in the Parkway obligation is an additional amount of approximately $6.7 million, starting January 1, 2019.

There is insufficient M12 Dawn-Kirkwall capacity turned back by ex-franchise customers and M12 Dawn-Parkway capacity held by in-franchise customers to eliminate the remaining Parkway obligated deliveries of 185 TJ/d. Union proposes to use 62 TJ/d of M12 Dawn-Parkway capacity held by in-franchise customers to further reduce the Parkway delivery obligation. The options to eliminate the remaining 123 TJ/d of Parkway delivery obligation in 2019 and beyond will be evaluated at a later date, and Union will address this at the time of its 2019 cost-of-service rebasing proceeding.

As explained further below in this in the evidence, shifting the direct purchase customers' Parkway delivery obligation to Dawn will require additional Dawn-Parkway capacity dedicated to serve customers, increasing the delivery rates for all in-franchise customers. The cost allocation and rate impacts of this proposal are discussed in more detail in Section 8.0.

Currently, Union's sales service customers deliver 98 TJ/d of supply at Parkway. Union's Parkway delivery obligation proposal does not include the transition of these quantities from Parkway. Should Union move all or a portion of the sales service Parkway delivery obligation to Dawn, the cost impacts will be treated the same as the costs to transition the direct purchase Parkway delivery obligation to Dawn.

2.0 History of the Parkway Delivery Obligation

Since the inception of direct purchase services in 1985, Union has facilitated requests for in-franchise system sales customers to switch to direct purchase services by allocating upstream transportation capacity previously used to serve them as sales service supplied customers. From 1985 to 2001, Union facilitated the movement of South system supply customers to direct purchase primarily through an allocation/assignment of its long-haul Firm Transportation ("FT") capacity on TCPL from Empress Alberta to Parkway. System supply customers at the time requested this transition to direct purchase given the economic benefits of direct purchase relative to remaining system supply customers.

By November 2001, the portfolio underlying Union's sales service supply had changed significantly. The remaining amount of TCPL capacity supporting sales service supply had become smaller and new upstream capacity on the Alliance and Vector pipelines arriving at Dawn had been introduced.

In RP-1999-0017, Union proposed to allocate a pro-rata share (or “vertical slice”) of its upstream transportation portfolio to customers moving from sales service to direct purchase. As part of the RP-1999-0017 Settlement Agreement, Union and the Industrial Gas Users Association (“IGUA”) and one other intervenor supported the grandfathering of upstream pipeline capacity and receipt point allocations to existing direct purchase customers. At this time, customers preferred to keep their TCPL long-haul capacity they originally requested and did not want to transport gas on Alliance or Vector.

Effective November 1, 2001, customers moving from sales service to direct purchase were facilitated through a pro-rata (“vertical slice”) allocation/assignment of Union’s upstream capacity portfolio arriving at Dawn and Parkway. For example, in 2013, a customer with a DCQ of 1000 GJ/d would be required to take a pro-rata share on each upstream pipeline resulting in the customer being assigned 270 GJ/d on Alliance/Vector, 320 GJ/d on Vector, 150 GJ/d on Panhandle, 80 GJ/d on Trunkline and 180 GJ/d on TCPL. For administrative ease, at the choice of customers, movement from system to direct purchase with contract DCQ < 300 GJ/d continued to be facilitated through an allocation of upstream capacity on TCPL arriving at Parkway.

During the RP-1999-0017 proceeding, direct purchase customers also noted their desire for greater delivery point flexibility so as not to be restricted to the Parkway delivery point and to be able to access gas supplies at Dawn. Three options to provide this flexibility were identified at the time: build additional Dawn-Parkway capacity; acquire capacity from existing M12 customers; or pursue a temporary reduction in M12 capacity that TCPL previously had contracted. Union proposed that the rate impacts associated with building or acquiring capacity would be passed through to in-franchise customers since it was in-franchise customers who wanted and benefited from delivery point flexibility.

The option chosen was to negotiate with TCPL for a temporary reduction of their M12 Dawn-Parkway capacity. The term of the reduction was three years, effective November 1, 2000, in an amount that facilitated a temporary reduction of 20% of Union’s direct purchase customers’ Parkway DCQ obligation. The costs associated with providing this flexibility were incorporated into in-franchise rates based on: in-franchise design day demand for the revenue associated with the temporary assignment of M12 Dawn-Parkway capacity; and, in-franchise delivery volume for the associated incremental fuel costs. In the Board’s RP-1999-0017 Decision, the proposal was accepted and Union’s direct purchase customers were given 20% relief of the Parkway obligated deliveries for three years. There was no consensus amongst stakeholders to extend this arrangement beyond October 31, 2003

The direct purchase and sales service delivery obligations have remained relatively stable since 2003. However, as Union’s upstream capacity contracts expired or renewed, customers have continued to be provided the opportunity to turnback certain portions of the upstream capacity underlying their contract DCQ and replace the allocated/assigned arrangements with their own arrangements arriving at Dawn and Parkway.

As a result of grandfathering the delivery obligations for direct purchase customers and the diversification of Union’s sales service supply (contracting upstream paths that end at Dawn), the sales service gas supply portfolio delivers a higher percentage of gas at Dawn (63%) compared to Parkway (30%). Direct purchase customers deliver the majority of their gas at Parkway (70%) compared to (30%) at Dawn. The sales service portfolio also delivers 7% of its gas at Kirkwall. As of August 1, 2013, direct purchase customers have delivery obligations of 564 TJ/d at Parkway and 245 TJ/d at Dawn while the sales service portfolio has delivery obligations of 98 TJ/d at Parkway and 202 TJ/d at Dawn.

3.0 Delivery Commitment Credit

Prior to 2003, in-franchise customers were paid a Delivery Commitment Credit (“DCC”) recognizing the overall system benefit of direct purchase customers delivering gas at specific points, including Parkway.

The DCC was a volumetric-based financial credit paid to direct purchase customers who agreed to obligate their deliveries to Parkway. This payment recognized the Dawn-Parkway transmission system benefit (i.e. the Dawn-Parkway transmission system is smaller than it otherwise would be without the Parkway delivery obligation) of direct purchase customers delivering their gas at Parkway. To offset the DCC, approximately $27 million of DCC costs were allocated to in-franchise customers based on the Dawn-Parkway design day demands. Said another way, in-franchise customers were charged for a level of Dawn-Parkway transmission costs as if the Parkway delivery obligation did not exist and a full facilities solution replaced it.

In RP-1999-0017, Union proposed to eliminate the DCC on grounds that:

1. The rationale for the DCC was generally not understood;
2. It required the continuation of existing deferral account mechanisms through the 2000-2002 Performance Based Regulation period;
3. It was unique to Union’s Southern operations; and,
4. It did not exist for other North American pipeline companies.

In the RP-1999-0017 Settlement Agreement (p. 18), parties agreed that:

> *“the DCC will be eliminated in a manner which is revenue neutral to all end-use customers.”*

The DCC was ultimately eliminated in the 2003 Customer Review Process (RP-2002-0130). Union proposed that, for each rate class, the DCC payment be eliminated and delivery rates be lowered by the amount of the foregone DCC payment in recognition of the benefit of the avoided facilities costs. Under Union's proposal, the rate classes receiving the DCC credits would have been reduced by the same amount of the credit being paid.

Intervenors opposed to Union's proposal wanted the DCC eliminated based on how the DCC costs were recovered in rates. Under this proposal, the rate classes that were allocated the costs of the DCC would be reduced by the DCC costs.

The Board decided that the DCC credit should be phased out over five years in direct proportion to the DCC costs recovered in rates for each rate class. It also decided that direct purchase customers continue to assume the responsibilities of the delivery of commodity at specific delivery points. The Board noted that the natural gas market had developed to the point where there were more sustainable incentives to participate independently in the market aside from the DCC. The Board stated that:

> *"Direct purchasers volunteer to assume responsibilities associated with the delivery of commodity at negotiated delivery points because they believe on the basis of their business judgment [that they] can procure and deliver the*

> *commodity more cheaply than can the system operator," (RP-2002-0130, Decision, para 260).*

The Board further noted that compliance with contractual obligations to delivery gas should be achieved through penalty provisions. As such, the Parkway delivery obligation continued for direct purchase customers without the DCC and direct purchase customers are obligated to deliver gas at Parkway through their direct purchase contracts with Union.

4.0 Parkway Delivery Obligation Policies

Prior to 2005, consumption growth due to new direct purchase customers not previously served by Union's sales service or increased consumption by existing direct purchase customers did not require an allocation of Union's upstream capacity. Instead, these additional needs were managed by customers through additional deliveries to Union's system, primarily at Parkway. At that time, Union also entered the appropriate upstream pipeline transportation queues and contracted for long-term capacity on behalf of direct purchase customers at their request.

In response to a Board directive from RP-2003-0063, Union began posting a number of direct purchase policies on its website. The Southern direct purchase DCQ policy was posted in 2005 and confirmed that customer growth would be managed through deliveries at Parkway or at a point otherwise agreed to by Union and the customer.

This policy was changed in late 2007 to recognize whether the customer's location was served using the Dawn-Parkway system or not in the determination as to whether growth would be managed through additional deliveries at Dawn or Parkway. If the customer was located west of Dawn (i.e. not served by the DawnParkway system), the incremental needs were managed by obligated deliveries at Dawn or Parkway at the customer's option. All other growth continued to be managed by obligated deliveries at Parkway. The policy has not changed since 2007.

5.0 Parkway Obligation Working Group

The Parkway Obligation Working Group ("POWG") which included intervenors, in-franchise customers, Board Staff and Union, met five times to discuss the Parkway delivery obligation.

During the initial October 10, 2012 meeting, Union outlined the history of the Parkway delivery obligation, the Dawn-Parkway transmission system requirements and the cost allocation methodologies associated with the Parkway delivery obligation. The presentation is provided at Tab 4, Appendix A. At the meeting, IGUA requested that the Parkway delivery obligation be moved to Dawn. Union responded to further questions at the meeting and through written information requests which are provided at Tab 4, Appendix B.

The POWG met on May 1, 2013 and discussed a position paper provided by IGUA, which can be found at Tab 4, Appendix C.

As a result of the meeting, Union agreed to review options to reduce or eliminate the Parkway delivery obligation for Union South direct purchase customers and provide the rate impacts associated with those options.

At the third meeting, on July 16, 2013 Union presented four options to the POWG that could reduce or eliminate the Parkway delivery obligation. A summary of the options, provided at the meeting, is attached at Tab 4, Appendix D. The four options described at the meeting, were:

i) Re-purpose M12 turn back
ii) Re-allocate the Dawn and Parkway delivery obligations between System and direct purchase customers
iii) Build Dawn-Parkway facilities
iv) Purchase a Winter peaking service

i) M12 Turnback

Under this option, Union would re-purpose M12 turnback capacity. Capacity that was formerly being used by the ex-franchise market and was turned back to Union would be re-purposed to reduce the Parkway obligation for in-franchise customers. The cost of this transportation would be built into Union South delivery rates. This option was initially discussed as one that would start with turnback in 2016 and therefore allowed for a reduction of a portion of the Parkway delivery obligation as early as 2016. This results in a gradual increase in in-franchise rates as M12 capacity is turned back by ex-franchise customers over time and re-deployed to cover the capacity needed to eliminate the Parkway obligation for in-franchise customers.

ii) Re-allocate Dawn and Parkway delivery obligations between System and direct purchase customers

Under this option Union would re-allocate the Dawn and Parkway delivery obligations across all customers, sales service and direct purchase, on a pro-rated basis.

The relative proportions of Dawn and Parkway deliveries between sales service customers and direct purchase customers are different. This is primarily due to the grandfathering of DCQ delivery obligations for direct purchase customers, as described earlier, and the evolution of the DCQ delivery obligation policies over time. As described earlier, in RP-1999-0017 Union agreed with customers to grandfather direct purchase customers' delivery obligations, which resulted in direct purchase customers maintaining their original delivery obligations, predominately at Parkway. Most of Union's contract rate customers were subject to grandfathering as they had already elected direct purchase before the introduction of the vertical slice. During the same timeframe, the sales service portfolio evolved to include a mix of supply arriving at Dawn and Parkway as a result of new upstream transportation paths including Alliance and Vector. While customers moving from sales service to new direct purchase arrangements would have received a vertical slice allocation since its implementation, the total DCQ obligation associated with those customers has been relatively small relative to the DCQ obligations of grandfathered customers.

The direct purchase option has been available to customers, since 1985, or over 27 years. Union's delivery obligation policies for direct purchase customers have evolved over time resulting in slightly different delivery obligations for direct purchase customers depending on when the obligations were made.

If the re-allocation option was implemented, all customers, whether sales service or direct purchase, and whether east or west of Dawn would have the same proportionate delivery obligations at Dawn and Parkway.

While this option provides equity among all customers, it does not meet the objective of eliminating the Parkway obligation for direct purchase customers. In addition, re-allocating the delivery obligated points would force direct purchase customers to change their existing gas supply arrangements, making the gas supply arrangements more complicated for some direct purchase customers. In some instances customers that currently have 100% obligated Dawn deliveries would need to assume a mix of delivering gas at both Dawn and Parkway. Union understands that direct purchase customers prefer a simple gas supply portfolio and prefer not to deliver gas at multiple points.

This option would also not be immediately possible because many customers make gas supply arrangements many months ahead of time and would not be able to unwind those contracts. Further, the re-allocation of the Parkway obligation would require some customers to purchase incremental services to meet their obligation at Parkway and incur different costs.

iii) Build Facilities

Under this option Union would build incremental facilities on the Dawn-Parkway system to provide the capacity needed to eliminate the need for the Parkway delivery obligation. If Union subsequently received Dawn-Parkway capacity turnback following the construction of the facilities, Union would be in a position of having unutilized capacity on the Dawn-Parkway system that it may not be able to sell. Building new Dawn-Parkway capacity (offset partially by any turnback of Dawn-Parkway capacity) to meet market growth while using Dawn-Kirkwall turn back to reduce in-franchise delivery obligations at Parkway results in a more rational development of the Dawn-Parkway system.

iv) Winter Peaking Service (“WPS”)

Under this option Union would purchase a WPS from a third party to provide the required delivery of gas at Parkway during the winter months if required. This option would be a centrally managed solution by Union and would ensure reliability in deliveries to Parkway.

While this option could provide some relief of the Parkway delivery obligation in the short term, there are no guarantees that such a service would be available in the long-term at a reasonable cost. Recent decisions by the NEB in TCPL’s mainline hearing have resulted in substantial changes in the tolls and flow of gas into Ontario at Parkway. Under current market conditions, a WPS service to reduce the Parkway delivery obligation would come at an uncertain cost and may not be available for the entire direct purchase Parkway delivery obligation. Further, the service may not be economically available year to year in the long-term making it only a temporary solution.

At the fourth meeting on August 2, 2013 meeting, Union provided responses to questions from the July 16, 2013 meeting. The responses can be found at Tab 4, Appendix E.

Finally at the September 4, 2013 meeting, Union presented its initial proposal to use turnback capacity on its Dawn-Parkway system to eliminate the Parkway delivery obligation for direct purchase customers. The presentation can be found at Tab 4,

Appendix F. After receiving feedback from the POWG, Union revised its proposal. In developing this revised proposal Union established the following criteria to assess each option discussed at the July 16, 2013 meeting and guide the development of the implementation proposal:

1. Offers a permanent solution at a known cost;
2. Facilitates a complete transition of all direct purchase Parkway delivery obligations
3. Balances the desire to address the Parkway delivery obligation for direct purchase customers while ensuring a rational development of the Dawn-Parkway system;
4. Treats all direct purchase customers the same regardless of location, direct purchase service type, or rate class; and,
5. Stages the implementation over a number of years as capacity becomes available thereby managing rate impacts to all customers.

Using turnback of capacity on Union's Dawn-Parkway system best meets the criteria set out above. The use of turn back provides a permanent, equitable solution for all direct purchase customers at a known cost while balancing the desire to address the Parkway delivery obligation for direct purchase customers while ensuring the rational development of the Dawn-Parkway system.

6.0 Union's Proposal to Reduce the Direct Purchase Parkway Delivery Obligation

6.1 Summary

As indicated above, beginning April 2014 Union proposes to use Dawn-Parkway capacity that is temporarily available until October 31, 2015, and, thereafter, ex-franchise M12 Dawn-Kirkwall and in-franchise M12 Dawn-Parkway turnback capacity to provide the long-term capacity necessary to support the reduction of the Parkway delivery obligation for direct purchase customers on a pro-rata basis.

Union will re-allocate Dawn-Parkway demand and commodity costs to applicable rate classes based on Board-approved cost allocation methodologies. The cost allocation and rate impacts of Union's proposal can be found at Section 8.0.

This proposal does not impact the sales service portfolio. Nor does this proposal impact the facilities applications currently before the Board under EB-2012-0433 and EB-2013-0074.

6.2 Proposal to Reduce the Parkway Delivery Obligation

Union will begin to reduce the Parkway delivery obligation effective April 1, 2014 for 146 TJ/d. This volume combined with a pro-rata proportion of the M12 Dawn-Parkway capacity eligible for turnback from in-franchise customers provides an initial total reduction of 212 TJ/d or 38% of the direct purchase delivery obligation at Parkway.

Based on current forecasts, Union proposes to use 146 TJ/d of Dawn-Parkway capacity from April 1, 2014 to October 31, 2015 by reserving temporarily available capacity that could otherwise be sold in the S&T markets as short-term transportation revenue during Union's incentive regulation period. The cost associated with this capacity at 2014 proposed M12 tolls plus fuel is approximately $6.1 million.

As outlined in EB-2013-0074, the temporary capacity is required for the Dawn-Parkway expansion and is no longer available after October 31, 2015. Beginning November 1, 2015 Union will manage the resulting capacity shortfall and maintain the reduced direct purchase Parkway delivery obligation and the costs that are included in rates for the temporary capacity described above. Union will continue to provide and manage the shortfall using an appropriate combination of resources to best manage its risk and underlying commitment to rate certainty for customers in this proposal.

Union's current forecast, as outlined in Table 1, will result in this 146 TJ/d of temporarily available capacity being replaced by Dawn-Kirkwall M12 turnback capacity of 28 TJ/d in 2016 and 118 TJ/d in 2017 at which time Union will no longer need to manage the shortfall capacity. Union proposes to use M12 Dawn-Kirkwall capacity turned back by ex-franchise customers starting Nov 1, 2016 in conjunction with M12 Dawn-Parkway capacity held by in-franchise customers to reduce the Parkway delivery obligation for direct purchase customers on a pro-rata basis. Existing in-franchise M12 Dawn-Parkway capacity holders will be eligible to turnback their capacity to Union in the same proportion and on the same timeline as the temporarily available capacity/shortfall capacity is available and/or as ex-franchise Dawn-Kirkwall turnback occurs. Union will continue to use M12 Dawn-Parkway capacity turned back by ex-franchise customers to minimize the size of future Dawn-Parkway builds for new ex-franchise load. This balances the market demand for growth downstream of Parkway with the request to eliminate the Parkway delivery obligation and allows for the rational development of the Dawn-Parkway system. Union's proposal to use M12 Dawn-Kirkwall turnback for this initiative is based on a greater probability of turnback on this path given the rapid development of the Marcellus basin in close proximity to the export market at Niagara.

6.2.2 Turnback Forecast – Ex-Franchise M12 Dawn-Kirkwall Capacity

Union is forecasting the turnback of three contracts held by ex-franchise customers totaling 304 TJ/d of Dawn-Kirkwall capacity:

2016 – 31.7 TJ/d contract held by Consolidated Edison
2017 – 134.1 TJ/d contract held by TransCanada Pipelines
2018 – 138.6 TJ/d contract held by Keyspan Gas/National Grid

M12 Dawn-Kirkwall turnback capacity is not hydraulically equivalent to Dawn-Parkway deliveries. Gas that is moved from Dawn-Parkway must move 40 km further than it would compared to the Dawn-Kirkwall path and it must be compressed to a higher pressure at Parkway. If Union receives one unit of Dawn-Kirkwall capacity, it cannot move the entire unit of gas to Parkway. The net effect of “re-purposing” the Dawn-Kirkwall capacity is that only a portion of the Dawn-Kirkwall capacity is available when converted to move gas from Dawn-Parkway. To compensate for this, Union has calculated an average Parkway equivalency factor for the purpose of this proposal at approximately 84% based on the configuration of the Dawn-Parkway system for each year. The net result is that every 100 TJ/d of Dawn-Kirkwall turnback will provide approximately 84 TJ/d of eligible capacity to reduce the Parkway delivery obligation.

The actual equivalency factor will change over time with changes to the design day deliveries to all of Union’s markets along and from the Dawn-Parkway system and the physical capabilities of the transmission system.

This is Dawn-Kirkwall turnback of 304 TJ/d, adjusted for Parkway equivalency, provides 257 TJ/d of capacity to reduce the Parkway delivery obligation.

Union has already held a reverse open season for 2015 as part of the Parkway growth project (EB-2013-0074). Capacity that was turned back as part of that reverse open season (49 TJ/d) is being used to offset part of the 2015 growth on the Dawn-Parkway system. Union expects to hold a new capacity open season for Dawn-Parkway and Kirkwall-Parkway capacity for service starting November 1, 2016. As part of this process, Union will conduct a future reverse open season for turnback capacity effective November 1, 2016. Any Dawn-Parkway capacity turned back will be used to offset any new market requirements at Parkway. Any M12 Dawn-Kirkwall turnback received in this reverse open season or subsequent reverse open seasons will be used to first replace the temporary capacity and second to further reduce the Parkway delivery obligation. This may result in the forecasted turnback capacity in November 2017 and November 2018 being turned back one to two years earlier than expected. If this occurs and totals more than 146 TJ/d, it will allow the Parkway delivery obligation reduction earlier than currently depicted in Table 1.

Any delay in the forecasted Dawn-Kirkwall capacity turnback in excess of 146 TJ/d will result in a corresponding delay in the transition of the Parkway delivery obligation beyond 2018.

6.2.1 Turnback Forecast – In-franchise M12 Dawn-Parkway

Existing in-franchise M12 Dawn-Parkway capacity holders will be eligible to turnback their capacity to Union in the same proportion and on the same timeline as the temporary capacity/shortfall capacity is available and/or as ex-franchise Dawn-Kirkwall turnback occurs. For example, on April 1, 2014, these customers will be given the option to turn back 38% of their M12 capacity that is used to meet their individual Parkway obligation. There are currently seven customers with a total Parkway delivery obligation of 184 TJ/d holding a total of 187 TJ/d of M12 Dawn-Parkway capacity. Union's proposal assumes that each of these customers continue to hold their M12 capacity and voluntarily turn it back to Union as the direct purchase Parkway obligation transition to Dawn occurs, as depicted in Table 1. Any in-franchise M12 Dawn-Parkway turnback capacity received earlier than required will continue to be used to reduce the Parkway delivery obligation but will be allocated pro-rata to all direct purchase customers.

In-franchise Dawn-Parkway capacity holders will be eligible to turnback their M12 Dawn-Parkway capacity in the same proportion, up to the amount of their Parkway delivery obligation and receive a corresponding shift in their delivery obligation to Dawn. This will be implemented in parallel with the temporary capacity/shortfall capacity and/or M12 Dawn-Kirkwall turnback to ensure that all customers, whether they hold a contract for M12 Dawn-Parkway capacity or not, receive an equivalent reduction in their Parkway delivery obligation.

6.2.3 Turnback Forecast – Surplus Required

Union's ability to reasonably forecast turnback in 2019 and beyond is limited due to the changing natural gas markets. However, Union is committed to working with customers to provide sufficient access to turnback capacity to fully transition the identified Parkway delivery obligations to Dawn as soon as practical. The options to eliminate the remaining obligation in 2019 and beyond will be evaluated at a later date, and Union will address this at the time of its 2019 cost-of-service rebasing proceeding.

6.3 Eligibility

Union's proposal for transitioning the direct purchase customers' Parkway delivery obligation to Dawn includes all Union South direct purchase customers (bundled, semi-unbundled and unbundled) with obligated deliveries at Parkway. Based on August 1, 2013 contracted quantities the direct purchase customer Parkway delivery obligation is 564 TJ/d for 682 direct purchase contracts. This total quantity can be further subdivided by service type as outlined below:

Bundled (M1, M2, M4, M5, M7, M9)	161 TJ/d
Semi-Unbundled (T1, T2, T3)	397 TJ/d
Unbundled (U2)	6 TJ/d
Total	564 TJ/d

Currently Union's sales service customers also deliver 98 TJ/d of supply at Parkway. Union's Parkway delivery obligation proposal does not include the transition of these quantities from Parkway. The gas supply planning for the sales service customers is guided by a long standing set of principles that are intended to ensure that customers receive secure, diverse gas supply at a prudently incurred cost.

Union may, at some future date, as part of its annual gas supply planning process consider changes to the sales service portfolio that may result in changes to the capacity or quantities delivered at Parkway. Should Union move all or a portion of the sales service Parkway delivery obligation to Dawn, the cost impacts will be treated the same as the costs to transition the direct purchase Parkway delivery obligation to Dawn. The cost allocation methodology can be found at Section 8.0 and is consistent with how those costs have been allocated in the past

6.4 Implementation – 100% Transition Threshold

To simplify the administration of the Parkway delivery obligation reduction for small direct purchase customers, Union proposes to establish a threshold for Parkway delivery obligation changes. Direct purchase customers that have a Parkway delivery obligation that is within the threshold would receive priority and be allowed to move 100% of their Parkway obligation to Dawn at the first opportunity. Direct purchase customers with a Parkway delivery obligation greater than the threshold would have their Parkway delivery obligation reduced over time as described earlier and as capacity becomes available.

Setting the threshold level balances the simplification of contract administration for smaller quantities with the ability to reduce the Parkway obligation for all other contracts.

Table 2 provides the number of direct purchase contracts and the Parkway delivery obligation ranges based on contract information as of August 2013.

Table 2

Daily Parkway DCQ (GJ/d)	# of contracts	Total Parkway Obligation (GJ/d)	Cumulative # of contracts	Cumulative Obligation (GJ/d)
1-49	159	3,728	159	3,728
50-74	68	4,282	227	8,010
75-99	67	5,725	294	13,735
100-149	89	10,965	383	24,700
150-199	54	9,112	437	33,812
200-249	33	7,328	470	41,140
250-299	23	6,337	493	47,477
300+	189	516,267	682	563,744

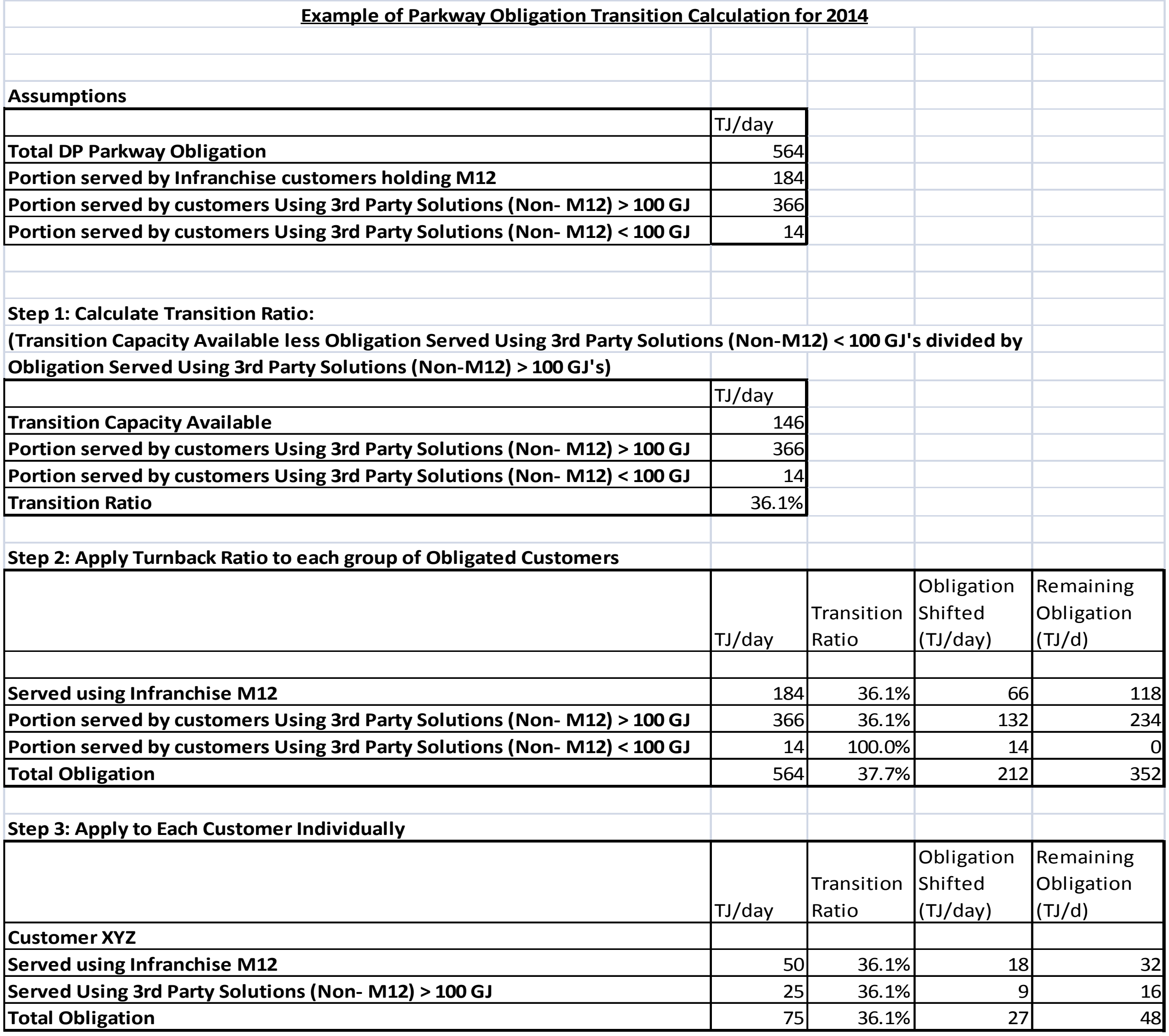
Union proposes the threshold be set at 100 GJ/d. This threshold level allows 294 of 682 direct purchase contracts, or approximately 43% of Union's direct purchase contacts, to shift the Parkway delivery obligation to Dawn using less than 3% of the total required turnback capacity. As a result, the first 13,735 GJ/d of temporary capacity would be immediately applied to fully transition those 294 contracts with the remaining 388 contracts being transitioned over time as described earlier.

Union would apply the same threshold test in subsequent years through the transition as capacity becomes available.

6.5 Capacity Allocation Method

Figure 1 below is an example of how a hypothetical customer’s Parkway delivery obligation reduction would be calculated for April 1, 2014. The example assumes the customer is meeting their obligation using a combination of M12 Dawn-Parkway capacity and third party solutions.

Figure 1



Example of Parkway Obligation Transition Calculation for 2014

Assumptions

	TJ/day
Total DP Parkway Obligation	564
Portion served by Infranchise customers holding M12	184
Portion served by customers Using 3rd Party Solutions (Non- M12) > 100 GJ	366
Portion served by customers Using 3rd Party Solutions (Non- M12) < 100 GJ	14

Step 1: Calculate Transition Ratio:
(Transition Capacity Available less Obligation Served Using 3rd Party Solutions (Non-M12) < 100 GJ's divided by Obligation Served Using 3rd Party Solutions (Non-M12) > 100 GJ's)

	TJ/day
Transition Capacity Available	146
Portion served by customers Using 3rd Party Solutions (Non- M12) > 100 GJ	366
Portion served by customers Using 3rd Party Solutions (Non- M12) < 100 GJ	14
Transition Ratio	36.1%

Step 2: Apply Turnback Ratio to each group of Obligated Customers

	TJ/day	Transition Ratio	Obligation Shifted (TJ/day)	Remaining Obligation (TJ/d)
Served using Infranchise M12	184	36.1%	66	118
Portion served by customers Using 3rd Party Solutions (Non- M12) > 100 GJ	366	36.1%	132	234
Portion served by customers Using 3rd Party Solutions (Non- M12) < 100 GJ	14	100.0%	14	0
Total Obligation	564	37.7%	212	352

Step 3: Apply to Each Customer Individually

	TJ/day	Transition Ratio	Obligation Shifted (TJ/day)	Remaining Obligation (TJ/d)
Customer XYZ				
Served using Infranchise M12	50	36.1%	18	32
Served Using 3rd Party Solutions (Non- M12) > 100 GJ	25	36.1%	9	16
Total Obligation	75	36.1%	27	48

As of April 1, 2014, the forecast Parkway delivery obligation for direct purchase customers is 564 TJ/d. Of this, 184 TJ/d is met by customers using contracted M12 Dawn-Parkway capacity and the remaining 380 TJ/d is being met by customers using third party solutions.

As noted in Figure 1, in 2014, the quantity available to facilitate the transition of Parkway obligation for customers that use third party solutions to meet their Parkway obligation is forecast to be 146 TJ/d.

The first step is to determine the quantity required to fully transition the Parkway obligation to Dawn for small direct purchase customers. The quantity required for 2014 is 14 TJ/d.

The next step is to calculate the transition ratio to be applied to larger customers using third party solutions. After subtracting the quantity required by small direct purchase customers, the resulting transition ratio is 36% (i.e. (146 TJ/d – 14 TJ/d) / (380 TJ/d – 14 TJ/d)).

The next step is to apply this same ratio to the remaining M12 capacity held by in-franchise customers to support their Parkway DCQ. In this case, the resulting Parkway DCQ reduction for these customers would be 66 TJ/d (i.e. 184 TJ/d x 36%).

This allocation method ensures that all customers receive an equitable proportional reduction in their Parkway obligated DCQ regardless of whether they hold M12 Dawn-Parkway capacity or not.

7.0 Delivery Obligation Policies

Union reviews its external policies that impact customers periodically to ensure that they meet customer and Company needs and are current. Any proposed changes to those policies are brought forward to an external policy review group composed of interveners, end use customers and other interested parties. Union will manage any changes to the direct purchase related policies as a result of the Parkway delivery obligation proposal through this process.

Throughout the transition period, Union will experience changes in demands within its in-franchise markets. If growth occurs, it may come in the form of new customers or incremental load from existing customers. Union proposes that load growth, new loads or incremental loads, be handled consistent with existing direct purchase policies in that customers located east of Dawn will initially be obligated at Parkway. This Parkway delivery obligation will subsequently be eligible for transition to Dawn with equivalent priority to existing customers awaiting transition. This aligns with Union's guiding principle of ensuring equitable treatment for all customers with Parkway obligated deliveries. Consistent with current policies, load growth located west of Dawn will continue to have the option of a Dawn obligation.

8.0 Cost Allocation, Rate Impacts and Rate Implementation

8.1 Introduction

Union proposes to include the cost allocation impacts of the Parkway delivery obligation changes in Union South in-franchise delivery rates, Union North in-franchise storage rates and ex-franchise transportation rates, starting January 1, 2015.

Union is also proposing subsequent rate adjustments to in-franchise and ex-franchise rate classes from 2016 to 2019.

Finally, Union proposes to track the rate variances associated with the timing differences between the effective dates (e.g. April 1 or November 1) of the Parkway delivery obligation changes each year and the inclusion of the cost allocation impacts in rates (January 1 of the following year) in a new deferral account. The balance in the new deferral account will be disposed of as part of Union's annual deferral account disposition proceeding.

The cost allocation, rate impacts and Union's proposed rate implementation for the Parkway delivery obligation proposal are described in more detail below.

8.2 Cost Allocation

In Union's 2013 Board-approved cost allocation study, there are four types of costs associated with the Dawn-Parkway transmission system. These costs are a) Dawn-

Parkway Easterly transmission demand costs, b) Dawn transmission compression demand costs, c) Dawn and Dawn-Parkway transmission compressor fuel, and d) unaccounted for gas. The current Board-approved methodology for each type of cost is described below. Union is not proposing any changes to the Board-approved cost allocation methodologies for the Dawn-Parkway transmission system.

Dawn-Parkway Easterly Transmission Demand Costs

In Union's 2013 Board-approved cost allocation study, the costs associated with Dawn-Parkway Easterly transmission demand are allocated between in-franchise and ex-franchise rate classes using distance weighted Dawn-Parkway design day demands (i.e. commodity kilometers). This cost allocation methodology recognizes that the Dawn-Parkway transmission system is designed to meet easterly design day requirements and that a rate class' use of the Dawn-Parkway transmission system depends on that rate class' design day demands and the distance those design day demands are required to be transported on the Dawn-Parkway transmission system.

For Union South in-franchise customers, Parkway obligated deliveries reduce the allocation of Dawn-Parkway transmission demand costs. In effect, Union South in-franchise customers receive a 'distance credit' for obligating to deliver supply at Parkway, which recognizes that design day demands supplied from Parkway are transported over a shorter distance than design day demands supplied from Dawn.

When determining the Union South in-franchise distance weighted demands, Union measures the distance from Dawn to the transmission lateral that is used to serve the in-franchise design day demands east of Dawn. For the design day demands served from Parkway, Union measures the distance from Parkway to the transmission lateral that is used to serve the in-franchise demands west of Parkway. As a result, the Union South in-franchise customers' Parkway obligated deliveries reduce the distance Union South in-franchise design day demands are required to be transported on the Dawn-Parkway transmission system.

As described above, Union's Parkway delivery obligation proposal will decrease the level of Parkway obligated deliveries by Union South in-franchise customers. As the level of Parkway obligated deliveries is reduced, more Union South in-franchise design day demands on the Dawn-Parkway transmission system will be served from Dawn. As a result, the distance weighted design day demands for Union South in-franchise customers will increase. The change in the distance weighted demands also includes the decrease in the M12 demands. The Dawn-Parkway distance weighted design day demands are provided in Table 3 below.

Table - 3

Dawn-Parkway Distance Weighted Design Day Demands (10^6m^3 x km/d)

Line No.	Particulars	2013 Updated (1)	2019	Variance
		(a)	(b)	(c) = (b - a)
1	Union North In-franchise	2,017	2,017	0
2	Union South In-franchise	3,588	5,829	2,241
3	Ex-franchise	28,758	26,734	(2,024)
4	Total	34,363	34,580	217

Notes:
(1) 2013 Board-approved including the Brantford to Kirkwall Pipeline and Parkway D Compressor Project Rate M12 demands of 363,000 GJ/d and Union North in-franchise demands of 70,000 GJ/d.

As shown in Table 3, line 2 and line 3, the reduction in the Parkway obligated deliveries of 379 TJ/d increases the Union South in-franchise distance weighted demands included in rates by 2,241 10^6m^3 x km/day by 2019. The offsetting decrease in the Rate M12 design day demands of 379 TJ/d decreases the Rate M12 distance weighted demands included in rates by 2,024 10^6m^3 x km/day by 2019.

Accordingly, the Dawn-Parkway transmission demand costs allocated to Union South in-franchise customers will increase beginning in 2015 as the Parkway obligated deliveries are reduced. The allocation of Dawn-Parkway transmission demand costs to Union North in-franchise customers and ex-franchise customers will decrease as Union South in-franchise customers' use of the Dawn-Parkway system on design day increases. There is no change in the overall level of Dawn-Parkway transmission demand costs.

Dawn Transmission Compression Demand Costs

In Union's 2013 Board-approved cost allocation study, the costs associated with Dawn transmission compression demand are allocated between in-franchise and ex-franchise rate classes in proportion to design day demands.

Consistent with the allocation of Dawn-Parkway transmission demand costs described above, the Parkway obligated deliveries by Union South in-franchise customers reduce the demands and the transmission compression horsepower requirements at Dawn on design day. Accordingly, the Parkway obligated deliveries reduce the allocation of Dawn transmission compression demand costs to Union South in-franchise customers.

Union's Parkway delivery obligation proposal will decrease the level of Parkway obligated deliveries provided by Union South in-franchise customers. As the level of Parkway obligated deliveries is reduced, the Dawn transmission compression horsepower requirements to serve Union South in-franchise customers on design day will increase. The change in Dawn compression design day demands is provided in Table 4 below.

Table - 4

Dawn Compression Design Day Demands ($10^3m^3/d$)

Line No.	Particulars	2013 Updated (1)	2019	Variance
		(a)	(b)	(c) = (b - a)
1	Union North In-franchise	8,750	8,750	0
2	Union South In-franchise	26,007	35,979	9,971
3	Ex-franchise	125,795	115,824	(9,971)
4	Total	160,553	160,553	0

Notes:
(1) 2013 Board-approved including the Brantford to Kirkwall Pipeline and Parkway D Compressor Project Rate M12 demands of 363,000 GJ/d and Union North in-franchise demands of 70,000 GJ/d.

As shown in Table 4, line 2 and line 3, the reduction in the Parkway obligated deliveries of 379 TJ/d increases the Union South in-franchise Dawn compression design day demands by 9,971 10^3m^3 by 2019. The offsetting decrease in the Rate M12 demands of 379 TJ/d decreases the Rate M12 Dawn compression design day demands by 9,971 10^3m^3 by 2019.

Accordingly, the Dawn transmission compression demand costs allocated to Union South in-franchise customers will increase beginning in 2015 as the Parkway obligated deliveries are reduced. The allocation of Dawn transmission compression demand costs to ex-franchise customers will decrease as Union South in-franchise customers' use of

Dawn transmission compression increases. There is no change in the overall level of Dawn transmission compression demand costs.

Dawn and Dawn-Parkway Transmission Compressor Fuel

In Union's 2013 Board-approved cost allocation study, the costs associated with the compressor fuel at Dawn and the Dawn-Parkway transmission system are allocated between in-franchise and ex-franchise rate classes based on transmission volumes on the Dawn-Parkway system. The Dawn-Parkway transmission volumes include in-franchise delivery volumes and ex-franchise transportation volumes transported east of Dawn and west of Parkway.

Union's Parkway delivery obligation proposal will increase the Union South in-franchise volumes that travel east of Dawn and reduce the M12 Dawn-Parkway and Dawn-Kirkwall transmission volumes. Accordingly, the allocation of Dawn and Dawn-Parkway transmission compressor fuel costs to Rate M12 will decrease beginning in 2015 through to 2019. The Rate M12 cost reduction is offset by a cost allocation increase to Union South and Union North in-franchise rate classes and other ex-franchise rate classes. There is no change in the overall level of compressor fuel costs.

Unaccounted For Gas ("UFG")

In Union's 2013 Board-approved cost allocation study, the costs associated with transmission-related UFG are allocated between in-franchise and ex-franchise rate classes based on transmission volumes. The transmission volumes include the Union South in-franchise delivery and ex-franchise transportation volumes.

Union's Parkway delivery obligation proposal will reduce the Rate M12 transmission demands, as outlined in the Parkway delivery obligation transition plan in Table 1, and as a result, will decrease the allocation of UFG costs to Rate M12 beginning in 2015 through to 2019. The Rate M12 cost reduction is offset by a cost allocation increase to Union South and Union North in-franchise rate classes and other ex-franchise rate classes. There is no change in the overall level of UFG costs.

8.3 Rate Impacts

To calculate the rate impacts in 2019 associated with Union's Parkway delivery obligation proposal, Union used the 2013 Board-approved cost allocation study, updated for the Parkway West and Brantford to Kirkwall Pipeline and Parkway D Compressor Station Projects, as filed in EB-2012-0433 and EB-2013-0074.

Using the current Board-approved cost allocation methodologies, Union updated the allocation of Dawn-Parkway Easterly transmission demand, Dawn transmission compression demand, Dawn and Dawn-Parkway transmission compressor fuel and UFG costs to reflect the proposed reduction of 379 TJ/d in Parkway obligated deliveries by Union South in-franchise customers and 379 TJ/d of M12 Dawn-Kirkwall and Dawn-Parkway turnback capacity.

To determine the costs associated with the temporarily available capacity effective April 1, 2014 Union used the proposed 2014 M12 demand and commodity charges. Specifically, based on proposed 2014 M12 rates, the annual costs of the temporarily available capacity of 146 TJ/d effective April 1, 2014, are approximately $6.1 million. As noted earlier, Union will maintain these costs in rates when the temporarily available capacity is no longer available for the period from November 1, 2015 to October 31, 2016. Effective November 1, 2016, the annual costs of the shortfall capacity of 118 TJ/d are $4.9 million. The actual costs of the temporarily available capacity and shortfall capacity to be managed by Union will be based on Union's proposed 2015, 2016 and 2017 M12 rates.

Union has allocated the costs of the temporarily available/shortfall capacity to Union South in-franchise rate classes based on 2013 Board-approved cost allocation methodologies. The M12 transportation demand costs have been allocated to rate classes in proportion to 2013 Board-approved Dawn-Parkway design day demands. The M12 transportation commodity costs (compressor fuel and UFG) have been allocated to rate classes in proportion to Union South in-franchise delivery volumes for customers located east of Dawn.

Effective January 1, 2019, the reduction in Parkway obligated deliveries and M12 demands of 379 TJ/d results in: (i) an increase in costs of approximately $15.4 million, allocated to Union South in-franchise rate classes, (ii) a reduction in costs of approximately \$15.4 million, allocated to ex-franchise rate classes, and (iii) a minimal decrease in costs allocated to Union North in-franchise rate classes.

The cost allocation impacts of Union's Parkway delivery obligation proposal for 2015 to 2019 are provided at Schedule 1 through Schedule 5. These schedules include a breakdown of the cost allocation changes associated with Dawn-Parkway Easterly transmission demand, Dawn transmission compression demand, Dawn and Dawn-Parkway transmission compressor fuel, and UFG costs.

Based on 2013 Board-approved rates, and including the 2018 costs associated with the Parkway Projects, the bill impact for the average Rate M1 residential customer in Union South consuming 2,200 m^3 per year is an increase of \$5.58 in 2019. For the average Rate 01 residential customer in Union North consuming 2,200 m^3 per year, the bill impact is a decrease of approximately (\$0.04) in 2019. Please see Schedule 6 for the Rate M1 and Rate 01 bill impacts in 2019.

Please see Schedule 7 for the calculation of 2019 bill impacts for typical customers in all in-franchise rate classes.

For ex-franchise customers taking M12 Dawn-Parkway transportation service, including the 2018 costs associated with the Parkway Projects, the rate is expected to decrease by \$0.001/GJ/d from \$0.091/GJ/d to \$0.090/GJ/d in 2019. The current approved 2013 and estimated 2019 M12 transportation rates are provided at Schedule 8.

Please see Schedules 9 and 10 for the calculation of the temporarily available capacity costs and the allocation of costs to Union South in-franchise rate classes in 2015 to 2017.

8.4 Rate Implementation

Union proposes to include the cost allocation impacts of the Parkway delivery obligation proposal in Union South in-franchise delivery rates, Union North in-franchise storage rates and ex-franchise transportation rates, starting January 1, 2015.

Union is also proposing subsequent rate adjustments to in-franchise and ex-franchise rate classes from 2016 to 2019. Please see Schedule 11 for the proposed 2015 to 2019 rate adjustments.

Lastly, Union is also requesting a new deferral account. Union is requesting a new deferral account to track the rate variances associated with the timing differences between the effective dates (e.g. April 1 or November 1) of the Parkway delivery obligation changes and the temporary capacity and the inclusion of the cost allocation impacts in rates (January 1 of the following year).

This approach will ensure that the cost allocation impacts of Union’s Parkway delivery obligation proposal are recovered or refunded from customers based on the effective date of each year (e.g. April 1 or November 1). Union’s proposed rate adjustments and deferral account treatment will ensure in-franchise and ex-franchise rates reflect the cost allocation and rate impacts of Union's proposal at the same time the proposal takes effect.

For example, while Union is proposing to adjust rates effective January 1, 2015 to reflect a reduction of 212 TJ/d in Parkway obligated deliveries, the actual effective date is April 1, 2014. Union's proposal to record the rate variances associated with this timing difference in a deferral account will ensure that Dawn-Parkway transmission system costs are recovered from Union South in-franchise customers and refunded to Union North in-franchise customers and ex-franchise customers on April 1, 2014.

To determine the deferral account adjustments, Union will include the reduction in Parkway obligated deliveries and M12 demands in the 2013 Board-approved cost allocation study, updated for the 2014 to 2018 Parkway West, Brantford to Kirkwall and Parkway D Compressor Station Projects.

The inclusion of the reduction in Parkway obligated deliveries and M12 demands in the 2013 Board-approved cost allocation study, updated for the 2014 to 2018 Parkway Projects, will enable Union to determine the annual cost allocation impacts associated with Union's proposal.

To determine the deferral account adjustments for 2014 through 2018, Union will prorate the annual cost allocation impacts to reflect nine months of costs for 2014 and two months of costs for 2015 through 2018. Union will also include the prorated costs of the temporarily available capacity in the calculation of the 2014 through 2018 deferral account adjustments.

Parkway Obligation Working Group

October 10, 2012

Agenda

- Purpose of the Parkway Obligation Working Group
- System Implications of the Parkway Obligation
- History of Parkway Obligation/Policies
- Delivery Commitment Credit
- DCQ Breakdown
- Current Cost Allocation and Rate Design
- Customer Presentation (IGUA)
- Next Steps

The Purpose of the Parkway Obligation Working Group

Section 3.17 of Union’s EB-2011-0210 Settlement Agreement outlines that:

- The parties agree that a Working Group will be established to review Union’s Parkway delivery obligation and whether or not any changes should be made in whole or in part to that obligation after 2013.
- The parties further agree that Union will report to the Board as part of its application to set rates for 2014 on the outcome of the Working Group process, and Union’s proposal, if any, in respect of the Parkway delivery obligation arising from the Working Group process.

Today's Objectives

Today's objectives are to:

- Provide an understanding of the system implications of the Parkway obligation
- Provide the historical context and the delivery obligation policies
- Provide an overview of the cost allocation associated with Parkway
- Determine the next steps

System Implications of the Parkway Obligation

Parkway Delivery Obligation

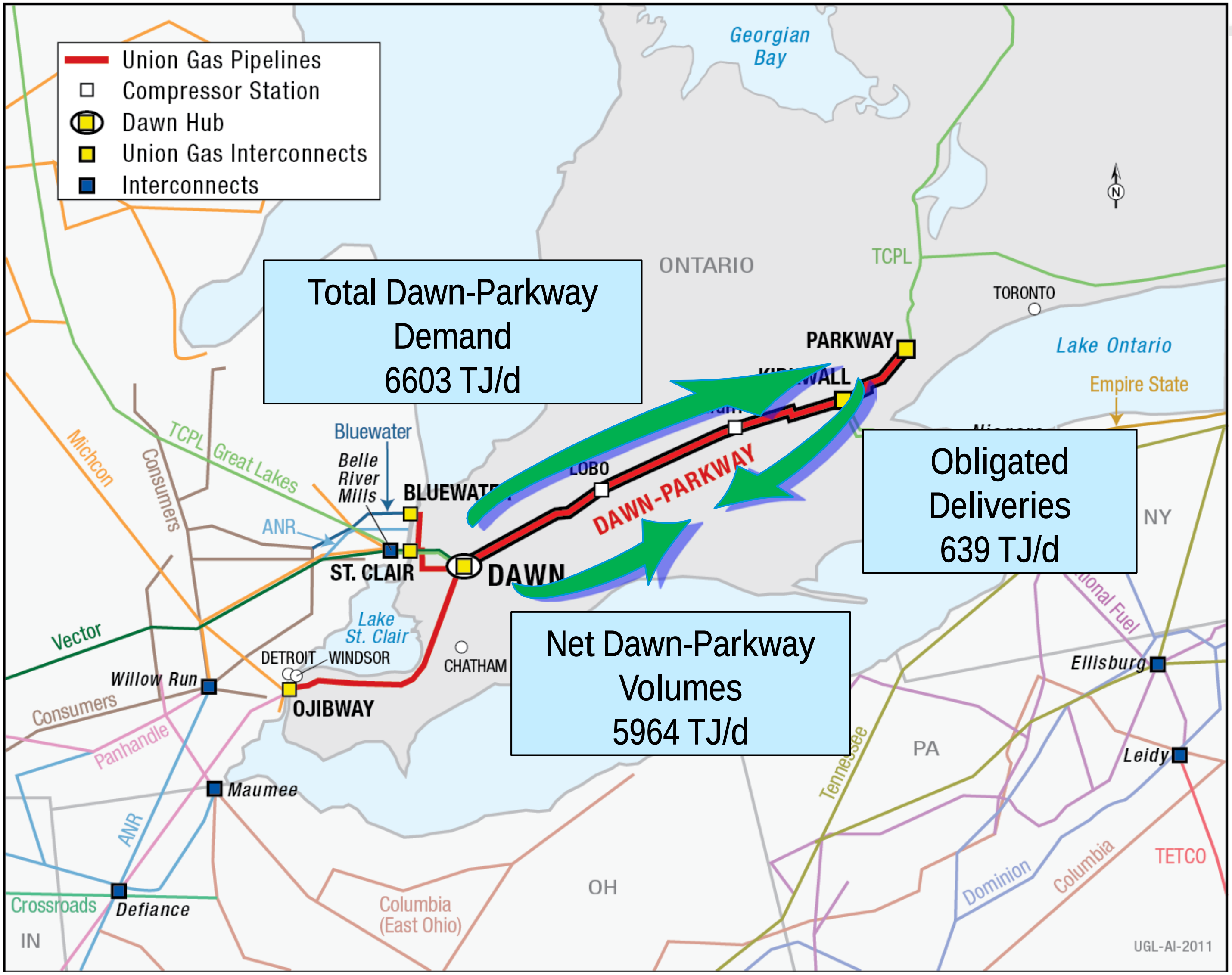
Union relies on obligated Parkway deliveries in designing the Dawn-Parkway transmission system.

- These volumes, plus the physical capacity of the Dawn-Parkway facilities, equal the total capacity of the Dawn-Parkway system.
- As a result of these deliveries the Dawn-Parkway transmission system is smaller than would otherwise be necessary.

Removal of obligated deliveries at Parkway would:

- Require replacement volumes to be sourced from Dawn and shipped on the Dawn-Parkway system.
- Increase the volume of gas compressed at Parkway.

System with Parkway Obligation

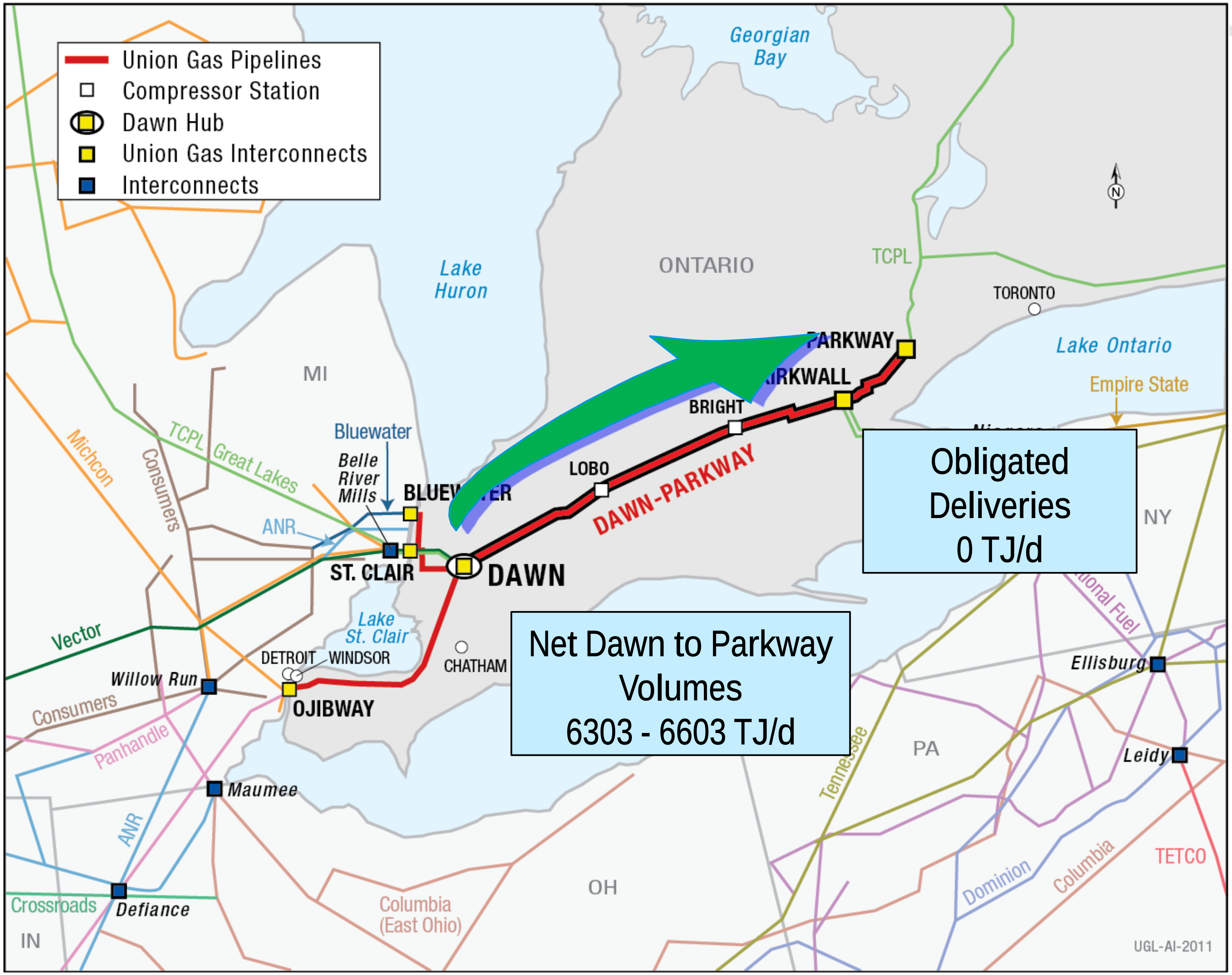


Total Dawn-Parkway Demand
6603 TJ/d

Obligated Deliveries
639 TJ/d

Net Dawn-Parkway Volumes
5964 TJ/d

System Without Parkway Obligation



Obligated Deliveries
0 TJ/d

Net Dawn to Parkway Volumes
6303 - 6603 TJ/d

A Spectra Energy Company

System Planning Assumptions

- For purposes of determining facility impacts if the Parkway obligation is removed, the following assumptions have been made:
  - The obligation and customer arrangements are based on W13/14 levels at 639 TJ/d
  - Customers will turn back between 0-340 TJ/d of existing Dawn to Parkway capacity
  - Maximum Dawn to Parkway build requirement is 639 TJ/d
  - Minimum Dawn to Parkway build requirement is estimated at 300 TJ/d

- *These numbers may change based on future contracted demands on the Dawn to Parkway system and contracting arrangements made. Removing obligated deliveries does not guarantee customers will turn back any associated Dawn-Parkway contracts*

Estimated Facility Requirements

- If Union constructed facilities to eliminate the Parkway obligation, the proposed facilities to mitigate the minimum 300 TJ/d of increased Dawn to Parkway demand would include the following:

Project	Capacity Increase (TJ/d)	Cost
Parkway Compression	600 (Compression)	$75 MM
Hamilton-Milton 48"	225	$90 MM
Lobo C Compression	200	$100 MM
Total	425 Dawn-Parkway 600 Parkway Compression	$265 MM

- Cost estimates are high level and could range between (+50% / -25%). Capacity is based on current forecast and will change relative to forecast supplies and demands.
- The combination of pipeline and compression facilities estimates are based on the expected demand on the Dawn to Parkway system. Pipeline and compression facilities can change based on actual contracted demands at the time of agreement.

History of Parkway Obligation/Policies

History of Delivery Obligation

- 1985 to 2001
  - 100% of DP customer's Daily Contract Quantity (DCQ) was facilitated by allocating Union's TCPL capacity from Empress to Parkway/Union CDA
- In 2000 (RP-1999-0017)
  - Delivery Point Flexibility introduced as part of settlement
    - 3-year, 20% system-wide solution to allow Dawn instead of Parkway as a receipt point (Nov.1/00 – Oct 31/03)

History of Delivery Obligation

- In 2001 (RP-1999-0017)
  - Vertical Slice approved to recognize diversity of Union's portfolio and reduction of TCPL capacity
    - General service customers' obligated DCQ allocated in the same proportion as Union's transportation portfolio
    - Obligation point is associated with the transportation path
  - Existing customers with Western DCQ's (i.e. 100% TCPL) were grandfathered (i.e. not subject to vertical slice)
- In 2003 (RP-2002-0130)
  - No consensus among customers to continue with Delivery Point Flexibility beyond Oct 31/03
    - Costs were removed from rates
  - Union committed to posting policies and create a working group to identify required policies and review them periodically

History of Delivery Obligation, cont'd

- In 2008, as a result of the NGEIR settlement
  - DCQ Policy updated
    - New end user located East of Dawn - Ontario deliveries obligated at Parkway
    - New end user located West of Dawn – option to have Ontario deliveries obligated at Dawn
  - DCQ policy for very large customers introduced

Union’s Direct Purchase Services

Service Type	Service	Service Features Pertaining to Obligation Points	Obligation Point
Bundled	*Western Buy/Sell*	•*Union purchased gas from end user at Empress* •*Union sold gas to end user at their facility*	*Empress*
	Ontario Buy/Sell	•*Union purchased gas from end user at Parkway* •*Union sold gas to end user at their facility*	*Parkway*
	Western Bundled-T	•End user purchases gas at Empress •Union transports end user’s gas to Parkway using Union’s contracted TCPL capacity	Empress
	Ontario Bundled-T	•End user responsible for transporting their gas to Parkway and/or Dawn for delivery to Union	Parkway/Dawn
Semi-unbundled	T1/T3	•End user responsible for transporting their gas to Parkway and/or Dawn for delivery to Union	Parkway/Dawn
Unbundled	Unbundled (U2)	•U2 customer purchases gas they need to meet daily requirements of their end user using a combination of storage and transportation assigned from Union.	Parkway Call currently for up to 22 days

Policies Relevant to Parkway Obligation

Policy	Relevance to Parkway Obligation	Obligation Point
Vertical Slice 2003 ➔	End users transferring from sales service to DP receive a proportionate assignment of Union’s upstream transportation capacity	Dawn/Vector Parkway
Vertical Slice Turn Back 2003 ➔	Offers DP end users the opportunity to turn back their assigned slice of Union’s upstream transportation capacity.	Dawn/Vector Parkway
Daily Contracted Quantity 2005 ➔	Identifies where the DP end user is obligated to deliver their gas to Union	Empress Parkway Dawn/Vector Dawn
TCPL Turn Back 2006 ➔	Offers DP end users the opportunity to turn back TCPL upstream transportation capacity.	Parkway

Delivery Commitment Credit

Summary of the DCC

What was the DCC?

- The delivery commitment credit ("DCC") was a volumetric credit paid to direct purchase customers who agreed to obligate their deliveries at Parkway.
- This payment recognized the system benefit of direct purchase customers maintaining their Parkway obligation.

How was it calculated?

- Originally the DCC represented the difference between the Ontario buy/sell price and Union's weighted average cost of gas ("WACOG") as approved in EBRO 412-III
- In EBRO 499 and onwards, the DCC rate was based on the avoided cost of transmission and storage facilities using existing M12 storage and transmission rates
  - Based on this methodology the DCC was increased from \$3.88/10^3m^3 to \$4.25/10^3 m^3
  - This resulted in approximately \$27 million of DCC costs being allocated to in-franchise customers

How was it included in rates?

- The costs of the DCC payout were recovered from all in-franchise rate classes based on the Dawn to Parkway design day demands.

History of DCC Continued

- Parties agreed that “the DCC will be eliminated in a manner which is revenue neutral to all end-use customers.” (RP-1999-0017)
- The DCC was ultimately dealt with in the 2003 customer review process. (RP-2002-0130)
- Union proposed that, for each rate class, the DCC payment be eliminated and delivery rates be lowered by the amount of the foregone DCC payment in recognition of the benefit of the avoided facilities costs.
- Those opposed wanted DCC eliminated based on how the DCC costs were recovered in rates.

History of DCC Continued

- Ultimately, the Board Decided that:
  - The DCC credit be phased out over four years in direct proportion to the DCC costs recovered in rates for each rate class.
  - Direct Purchasers assume the responsibilities of the delivery of commodity at specific delivery points.
  - Assuming the risks associated with that choice does not entitle them to compensation.
  - Compliance with contractual obligations should be achieved through penalty provisions.

DCQ Breakdown

Total South Deliveries

		Dawn			Parkway			Kirkwall		Percentage		
Line No.		East	West	Total	East	West	Total	Total	Total	Dawn	Parkway	Kirkwall
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	South BT - General Service	25,154		25,154	73,129		73,129	-	98,283	26	74	-
	South BT - Contract											
2	M1/M2	-	150	150	302	211	513	-	663	23	77	-
3	M4	105	1,462	1,567	25,849	14,639	40,488	-	42,055	4	96	-
4	M5	156	16,068	16,224	10,960	13,970	24,930	-	41,154	39	61	-
5	M7	3,155	143	3,298	7,363	10,834	18,197	-	21,495	15	85	-
6	M9	-	-	-	6,255	-	6,255	-	6,255	-	100	-
7	Total	3,416	17,823	21,239	50,729	39,654	90,383	-	111,622	19	81	-
8	T1/T2	39,805	183,699	223,504	209,608	128,322	337,930	-	561,434	40	60	-
9	T3	-		-	32,079		32,079	-	32,079	-	100	-
10	Unbundled	6,130		6,130	15,022		15,022	-	21,152	29	71	-
11	Total Direct Purchase	74,505	201,522	276,027	380,567	167,976	548,543	-	824,570	33	67	-
12	South Sales Portfolio			183,218			90,531	21,101	294,850	62	31	7
13	Total South Portfolio			459,245			639,074	21,101	1,119,420	41	57	2

Current Cost Allocation and Rate Design

Cost Allocation – Benefit of Parkway Deliveries

- There are two primary demand costs impacted by Union South in-franchise customers’ obligated deliveries at Parkway.
- Dawn Station transmission compression and Dawn-Parkway demand costs allocated to Union South in-franchise rate classes are reduced as a result of these customers delivering volumes at Parkway.
- In effect, Union South in-franchise customers receive a ‘credit’ on these costs by committing to deliver gas at Parkway.

2013 – Dawn Station Demand Cost Allocation

Dawn Transmission Compression Costs

- Union allocates Dawn Station transmission compression demand costs based on design day demands from Dawn.
- Union South in-franchise design day demands served from Dawn are reduced by approximately 40% as a result of Parkway obligated deliveries.

2013 – Dawn Station Demand Cost Allocation

Rate Class	Dawn Compression Allocation Units (10^3m^3)	%	Allocated Costs ($ 000's)	Direct Assigned Costs ($ 000's)	Total Costs ($ 000's)
M1	13,183	9%	1,758	-	1,758
M2	4,435	3%	591	-	591
M4	1,288	1%	172	-	172
M5	12	0%	2	-	2
M7	594	0%	79	-	79
M9	212	0%	28	-	28
M10	7	0%	1	-	1
T1	4,766	3%	636	-	636
T3	1,496	1%	200	-	200
C1	-	0%	-	553	553
M12	116,184	78%	15,495	-	15,495
R01	5,156	3%	688	-	688
R10	1,365	1%	182	-	182
R20	359	0%	48	-	48
R100	25	0%	3	-	3
Total	**149,083**	**100%**	**19,883**	**553**	**20,436**

Cost Allocation – Benefit of Parkway Deliveries

Dawn-Parkway Costs

- Union allocates Dawn-Parkway demand costs based on commodity kilometres (i.e. distance weighted demands).
- The commodity kilometres calculation considers in-franchise demands at each Dawn-Parkway lateral and the distance required from Dawn or Parkway to serve those demands.
- Parkway deliveries serve in-franchise demands west of Parkway. The remaining demands are served from Dawn.
- Total commodity kilometres for Union South in-franchise customers are 3,588 $10^6m^3/d$*km.
- Currently, the average unit of demand for Union South customers travels approximately 82 km.
- By comparison, M12 and Union North demands from Dawn to Parkway travel 228 km.

Cost Allocation – Benefit of Parkway Deliveries

Dawn-Parkway Costs (continued)

- Absent Parkway deliveries, all Union South in-franchise demands would be served from Dawn.
- Total commodity kilometres for Union South in-franchise customers would increase by more than 100% from 3,588 to 7,373 $10^6m^3/d*km$.
- The average unit of demand for Union South customers would travel approximately 169 km.
- Parkway obligated deliveries provide a ‘distance credit’ of 3,785 $10^6m^3/d*km$.

2013 - Dawn-Parkway Demand Cost Allocation

Rate Class	Dawn-Parkway Allocation Units ($10^6m^3/d*km$)	%	Allocated Costs ($ 000's)	Direct Assigned Costs ($ 000's)	Total Costs ($ 000's)
M1	1,820	6%	8,601	-	8,601
M2	612	2%	2,894	-	2,894
M4	178	1%	841	-	841
M5	2	0%	8	-	8
M7	82	0%	388	-	388
M9	29	0%	139	-	139
M10	1	0%	4	-	4
T1	658	2%	3,110	-	3,110
T3	207	1%	976	-	976
C1	-	0%	-	106	106
M12	26,557	84%	125,533	666	126,199
R01	1,189	4%	5,621	-	5,621
R10	315	1%	1,488	-	1,488
R20	83	0%	392	-	392
R100	6	0%	27	-	27
Total	**31,737**	**100%**	**150,021**	**771**	**150,793**

Proportion of Average 2013 Rate by Rate Class

Rate Class	Dawn-Parkway and Dawn Transmission Compression Costs ($000's) (a)	Rate Class 2013 Annual Volume (10^3 m^3) (b)	Rate Class 2013 Unit Rate DTE & DTC (¢/m^3) (c) = (a/b)*100	Rate Class 2013 Average Delivery Rate (¢/m^3) (d)	DTE & DTC as a % of Total Rate (e) = (c/d)
M1	10,360	2,876,411	0.3602	13.8075	2.6%
M2	3,485	956,651	0.3643	5.1931	7.0%
M4	1,012	385,002	0.2630	3.3177	7.9%
M5	10	532,451	0.0018	2.2818	0.1%
M7	467	147,143	0.3172	2.7701	11.5%
M9	167	60,750	0.2748	1.2639	21.7%
M10	5	189	2.7252	2.9185	93.4%
T1	3,745	5,164,982	0.0725	1.0508	6.9%
T3	1,176	272,712	0.4311	1.7097	25.2%
M12	141,694				
R01	6,309	855,598	0.7373	21.0564	3.5%
R10	1,670	316,269	0.5280	7.9134	6.7%
R20	440	628,164	0.0700	2.0633	3.4%
R100	31	1,895,488	0.0016	0.8613	0.2%

Cost Allocation – Benefit of Parkway Deliveries

- Without Parkway obligated deliveries, approximately $15 to $18 million in existing Dawn compression and Dawn-Parkway costs would be re-allocated to Union South in-franchise customers.
- Costs associated with new Dawn compression and Dawn-Parkway facilities would be allocated to Union South, Union North and ex-franchise customers in proportion to the revised Dawn Compression and Dawn-Parkway allocation factors.

Customer Presentation (IGUA)

Next Steps

From:	Ripley, Chris
Sent:	October-25-12 6:22 PM
To:	Eric Nadeau; Khalil Viraney; csmith@torys.com; wmcnally@opsba.org; jay.shepherd@canadianenergylawyers.com; randy.aiken@sympatico.ca; EGDRegulatoryProceedings@enbridge.com; fcass@airdberlis.com; pete_serafini@transalta.com; laura-marie_berg@transalta.com; paul.clipsham@cme-mec.ca; DavidMacIntosh@nextcity.com; spainc@rogers.com; angela.wong@opg.com; mbuonaguro@piac.ca; jwightman@econalysis.ca; jim.gruenbauer@kitchener.ca; vyoung@aegent.ca; gord.cameron@blakes.com; David.Butters@appro.org; jwolnik@elenchus.ca; Murray Ross; john.beauchamp@nortonrose.com; Jim Bartlett; Elizabeth Swanson; nick@sixnatgas.com; jfstacey@interlog.com; bott@justenergy.com; nruzycki@justenergy.com; ian.mondrow@gowlings.com; newtonma@rogers.com; rwarren@weirfoulds.com; jgirvan@uniserve.com; drquinn@rogers.com; tbrett@foglers.com; Marion.Fraser@rogers.com; mark.rubenstein@canadianenergylawyers.com; paul.kerr@shell.com; pthompson@blg.com; opgregaffairs@opg.com; Kitchen, Mark; booth@rotman.utoronto.ca; JMarcinko@justenergy.com; KDullet@blg.com; mark.crane@gowlings.com; Lisa DeAbreu; nancy.hammond@shell.com
Subject:	Union Gas - Parkway Obligation Working Group - Meeting #1 Takeaways
Attachments:	Attachment 1 - RP-1999-0017 -Unbundling Evidence.pdf.pdf; Attachment 2 - RP-2002-0130 - DCC Evidence.pdf.pdf; Attachment 3 - RP-2002-0130 - Decision.pdf.pdf; Attachment 4 - Rate Impacts.pdf.pdf; Attachment 5 - Parkway Obligation Working Group Kickoff.pdf.pdf; Attachment 6 - Union South Sales 50 percent Parkway analysis.pdf.pdf

Union Gas - Parkway Obligation Working Group

Meeting #1 Takeaways

Below are the responses to information requests received at the Parkway Obligation Working Group kickoff meeting. This information will be posted to Union's website by end of day Friday.

1. To provide the level of contract demand between Dawn and Parkway.
   In-franchise Demand: 1648 TJ/day
   Northern and Eastern: 263 TJ/day
   Parkway (Suction): 1638 TJ/day
   Parkway (Compressed): 2537 TJ/day
   Obligated Deliveries: 639 TJ/day

2. To provide the volumes that are redelivered for the Union North.
   Please refer to 1 above.

3. To provide the relevant DCC evidence and Board Decision.
   Please refer to Attachments 1 - 3.

4. To provide an explanation of the direct assigned costs in C1 and M12.
   - The Dawn Station costs directly assigned to the C1 rate class are for the provision of the Dawn to Dawn-TCPL transportation service.
   - The Dawn-Parkway costs directly assigned to the M12 rate class are customer billing costs and for the provision of F24-T service.
   - The Dawn-Parkway costs directly assigned to the C1 rate class are customer billing costs.

5. To show the cost impact, by rate class, of removing the Parkway obligation.

Please refer to Attachment 4. Union has outlined the rate impacts of two scenarios. Scenario 1 assumes that there are no obligated deliveries, no incremental costs (or facilities) incurred and no M12 turnback. Scenario 2 assumes that there are no obligated deliveries, $265 million in costs are incurred for facility expansion, and there is 300,000 GJ/d in M12 turnback.

Below is an index of each schedule found in Attachment 4:

Schedule	Details
1	Scenario 1 - Summary of 2013 Total Revenue Requirement by Rate Class as filed 2012-07-13 versus 2013 Total Revenue Requirement by Rate Class excluding Parkway Obligated Deliveries
2	Scenario 1 - Summary of 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation as filed 2012-07-13 versus 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries
3	Scenario 1 - Summary of 2013 Dawn-Parkway Demand Cost Allocation as filed 2012-07-13 versus 2013 Dawn-Parkway Demand Cost Allocation excluding Parkway Obligated Deliveries
4	Scenario 1 - Summary of 2013 Dawn Station Demand Cost Allocation as filed 2012-07-13 versus 2013 Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries
5	Scenario 2 - Summary of 2013 Total Revenue Requirement by Rate Class as filed 2012-07-13 versus 2013 Total Revenue Requirement by Rate Class excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities
6	Scenario 2 - Summary of Total 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation as filed 2012-07-13 versus Total 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities
7	Scenario 2 - Summary of Total 2013 Dawn-Parkway Cost Allocation as filed 2012-07-13 versus Total 2013 Dawn-Parkway Demand Cost Allocation excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities
8	Scenario 2 - Summary of Total 2013 Dawn Station Demand Cost Allocation as filed 2012-07-13 versus Total 2013 Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities
9	Summary of Parkway Obligated Deliveries Scenarios - Rate Impacts
10	Dawn-Parkway and Dawn Station Demand Costs as filed 2012-07-13 as a Percentage of Average Delivery Rates
11	Scenario 1 - Dawn-Parkway and Dawn Station Demand Costs as a Percentage of Average Delivery Rates with No Parkway Obligated Deliveries
12	Scenario 2 - Dawn-Parkway and Dawn Station Demand Costs as a Percentage of Average Delivery Rates with No Parkway Obligated Deliveries, Reduced M12 Demands and New Facilities

6. To add C1 to slide 30 of the presentation.

   Please refer to Attachment 5. Slide 30 has been updated.

7. To determine if there would be a rate impact if the South Sales portfolio deliveries were split 50% at Parkway and 50% at Dawn.
    - There would be no delivery rate impact if the South Sales portfolio deliveries were split 50% at Parkway and 50% at Dawn.
    - Please refer to Attachment 6 for the impact on gas costs.

8. To determine if the south sales portfolio on line 12 of slide 22 broken out by east and west and, if so, to do it.
   The data to split the south sales portfolio on line 12 of slide 22 by east and west of Dawn is not available.

Meeting #2

Meeting #2 will be scheduled for November 28 or December 5 at which time IGUA will make a presentation.

If you have any questions, please let contact me.

Chris.

Chris Ripley
Manager, Regulatory Applications
Union Gas Limited

Office 519-436-5476
Cell 519-365-0450

Appendices

1.0 UNBUNDLING OVERVIEW

Introduction

The purpose of this evidence is to describe Union's proposed unbundled service offerings. Union's unbundled service proposals have been developed and discussed with numerous customers and stakeholders through an extensive consultation effort which began in October, 1998 . Customer consultations have taken place with all customer groups prior to and during the development of these proposals and have provided significant input. The Market Design Task Force ("MDTF") discussions and recommendations have also been a significant source of input. The customer consultation process has taken various forms ranging from one on one discussions, customer groups and full customer/stakeholder sessions.

Subsequent to the customer consultations in July, Union has addressed various stakeholder comments and questions and has driven out further details associated with the unbundling proposals. This more detailed assessment of the unbundling proposals included examining the operational implications of the proposed services. Union's unbundling proposals represent a contractual entitlement to the unbundled service and accordingly must be designed in a manner that allows customers to access and Union to provide the maximum contractual entitlement to the service on a daily basis. This has resulted in some changes to the unbundling proposals from those last discussed with stakeholders. The changes, as outlined in the evidence are related primarily to the unbundled storage service where the structure and parameters of the service have been adjusted to better align with the operation of Union's system and Union's other market based storage services.

Description

Unbundling is the separate offering and pricing of discrete elements of service which Union currently provides to customers on a fully packaged or bundled basis for a single price. These discrete elements include:

- the purchase of natural gas,
- the acquisition and management of upstream pipeline capacity,
- storage,
- delivery to the end use customer,
- billing.

The offering of an unbundled service will result in a contractual relationship between Union and a customer. Union will be required to perform (offer service) to the maximum service entitlement on a daily basis and the customer will have a similar obligation to operate within the defined parameters of the service on a daily basis. In contrast, under a bundled service, Union provides service on an “as required” basis to meet infranchise demand requirements.

A degree of unbundling has already occurred within Union's market area with the purchase of natural gas and some of the pipeline capacity management. The purchase and sale of natural gas in Ontario has previously been restricted by legislative barriers, which has in turn led to mechanisms such as the buy-sell and ABC service that have allowed the benefits of deregulation to flow to customers while continuing to operate within the legislative framework. However, consistent with recently enacted legislation in Ontario, and changes in market and regulatory trends throughout North America, Union and its customers see both the need and benefit to pursue further unbundling. Throughout this evidence, references to unbundled services are related to the new or future unbundled options proposed, as distinct from current services such as T-service.

The Objectives of Unbundling

Union participated in the Ontario Energy Board sponsored Market Design Task Force (MDTF) which sought and achieved industry consensus on a number of unbundling issues. Union's unbundling proposals are broadly consistent with the conclusions reached by the MDTF. Consistent with the MDTF report, Union has focused the next phase of unbundling on upstream transportation and storage, with billing to be dealt with in a separate process as described later in this evidence.

Union is pursuing unbundling because:

a. it is consistent with market changes, demands from customers for greater choice and a more competitive marketplace.

b. it is consistent with and facilitates the transfer of the retail customer relationship to other energy service providers, where appropriate.

Union is pursuing unbundling at this time in order to:

a. Respond to customer demand for further unbundled services.

b. Allow continued development of the competitive marketplace.

c. Address the implications of the new unbundled service option concurrent with the development and movement to a comprehensive Performance Based Regulation (PBR) mechanism.

Union has designed the proposed unbundled services in a way which preserves the rates and service levels of the existing bundled services. This approach was clearly supported by many customers during the consultative process. Union has attempted to minimize the ratepayer impacts related to unbundling and where costs may materialize, to address these possible costs as non-routine adjustments within its PBR proposal.

1.1 THE UNBUNDLING PROPOSAL

1.1.1 Unbundling Approvals Being Sought

Union's application found at Exhibit A, Tab 2 seeks approval for the unbundling of certain rates charged for the sale, distribution, transportation and storage of gas. Union's unbundling proposals are based on the rates approved by the Board in E.B.R.O. 499. Union notes that while the terms and conditions of the proposed unbundled services are new, the unbundled service rates are consistent with the E.B.R.O. 499 rates and generally represent a disaggregation of the bundled service rates into the unbundled service rates. The unbundled rate approvals being sought would be adjusted over the next five years on a basis consistent with Union's PBR proposal.

1.1.2 Rationale Supporting Unbundling

To date, Union's unbundling efforts have focused on unbundling upstream transportation, storage and delivery services for Union's in-franchise distribution customers.

Retail Energy Marketers ("REM's") and industrial customers continue to express interest in having unbundled services as a choice. Union has had discussions with customers to define and clarify the unbundled services, how they will operate and how they could be used by customers. In this regard, Union recognizes that REM's will require their own customer care infrastructure and a wholesale bill from Union to be able to contract for the unbundled service on behalf of customers in the small volume market as REM's currently have no way to bill for the new unbundled services. The development of a wholesale billing service will be addressed through a separate application and regulatory process, including customer consultation. In general, this has been consistent with the REM's readiness to assume the retail billing relationship and given that a wholesale billing service requires significant input and decisions from REM's and the OEB. It is also noted that the application required to address the development of a wholesale billing service will need to address the terms and conditions under which Union would offer such a service including the customer communication program necessary to ensure small volume customers (primarily residential) are aware of their choices and industry changes related to the new unbundled service options.

The introduction of unbundled services is new for both Union and customers. It is Union's expectation that as experience is gained through operating the unbundled services, certain changes may be necessary to adjust the services based on administrative or operating considerations. In Union's view, this is not unexpected and Union is committed to continue working with customers to review the experience gained through operating the new services.

1.1.3 Unbundling Timing

Union had originally targeted April 1, 2000 as the effective date for unbundling, including the elimination of the Delivery Commitment Credit ("DCC") and the ability to facilitate retail billing by REM's. The desire by certain stakeholders to lengthen the consultative process and most recently the support by parties to move into a more formal regulatory process has resulted in a shift in the implementation timing originally contemplated. Union is now targeting September 1, 2000 as the earliest effective date for unbundling. This timing reflects the projected time to move through a more formal regulatory process for both upstream transportation and storage and wholesale billing. Union notes that some of the systems necessary to facilitate wholesale billing are also required by industrials to operate the unbundled service (ie. web communication of actual consumption, nominations, etc.). As such, the September 1, 2000 effective date applies to all unbundled services. It is noted that this timing does anticipate the successful negotiation (ADR Settlement) of most issues such that the time to address issues through the formal hearing process is minimized. Should a successful settlement of issues not be reached, the timetable may be impacted accordingly. Please see Appendix A for a summary of the critical milestones supporting the September 1, 2000 target date.

1.1.4 Unbundling Principles

In developing the unbundling proposals, Union has relied on the following principles:

a. Customers will retain the option of electing either a bundled or unbundled service offering.

b. Union will make available in the unbundled service, the operational capability of the transportation and storage assets that are used to provide the bundled service.

c. Union will minimize stranded costs to the extent possible. To the extent that stranded costs or costs directly related to unbundling arise, those costs should be borne by all customers as a cost of creating a new choice available to all customers.

d. The unbundling proposals are based on the cost allocation methodologies underpinning rates as approved by the Board in E.B.R.O. 499. For the most part, the unbundling proposals do not create a shift in cost causality which would warrant any change to the existing cost allocation methodology. The only change considered necessary as a direct result of the unbundling proposals was the allocation of system integrity storage space and delivery/redelivery reserve costs. These changes are explained more fully in Tab 4.

e. Union's unbundling proposals will continue to be based on the rate design principles supporting Board approved E.B.R.O. 499 rates.

f. The unbundled services have been designed in a manner which in no way jeopardizes or significantly increases the costs of maintaining the integrity and reliability of Union's system.

g. Union has structured the terms and conditions of the unbundled service in a manner that places the risks and rewards of managing them with the user.

h. Union will grandfather all existing allocations/assignments of upstream transportation in Union South related to all prior direct purchase arrangements.

Union considers it essential to address the definition of the new unbundled services and the pricing of those services (ie. under PBR) concurrently. Unbundling in isolation will create financial and market share downside for Union in respect of its short-term storage and transportation business as unbundling will create a more open and competitive market for these services. Consequently, in the absence of any changes to balance out this risk, rates under a pure cost of service model would need to be higher. However, the balancing of all upside and downside risks for Union in a more competitive environment is addressed through the pricing flexibility and responsiveness provided within the PBR proposal.

1.1.5 Unbundling Proposals – Evidence Overview

The evidence supporting Union’s unbundling proposals is structured in a manner which addresses upstream transportation first, followed by storage and other unbundling related issues. Union’s upstream transportation proposals are found in Section 1.3. The evidence related to the unbundling of upstream transportation is structured in a manner which addresses the Southern Operations area first followed by the Northern and Eastern Operations area. For the Southern Operations area, the evidence also addresses other issues related to the unbundling of upstream transportation such as the elimination of the Delivery Commitment Credit, delivery commitments at Parkway, and options to increase shipper delivery point flexibility. These issues are closely linked to the unbundling of upstream transportation and accordingly must be addressed.

The upstream transportation and storage proposals address separately the allocation methodologies for the Southern and Northern and Eastern operations areas. The unique nature of each area is reflected in the rates approved in E.B.R.O. 499 and the unbundling proposals continue to reflect these differences.

Lastly, the evidence addresses certain transitional and other issues related to the unbundling proposals including an overview of the need for and timing of a further application required to address the unbundling of the billing function.

1.2 UNBUNDLING OVERVIEW

Unbundled services for the various customer classes have been designed with consistent terms and conditions that allow access by all customers. However, not all customers will find the new unbundled services attractive. Unbundled services give the customer more control. However, the additional control requires more attention and involvement in activities such as the daily nomination and balancing of transportation flows, storage injections and withdrawals, with consumption. Some customers have indicated that they are not interested in acquiring this greater level of control given the greater degree of management needed for unbundled services and, as such, prefer to retain their current bundled service. Unbundled services represent a choice available to those customers wishing a higher degree of flexibility and control and willing to take on the obligations to manage the unbundled service to obtain the benefits.

When contracting for unbundled services, customers must plan one day in advance and nominate a mix of volumes from storage, spot gas, and firm upstream transportation to meet their anticipated consumption for a given day. In the case of daily metered customers, the accountability for projecting daily consumption and balancing rests with the customer. For non-daily metered end-users, the projected daily consumption will be provided to the marketer by Union based on a forecast algorithm which takes into account certain factors, including the forecast temperature for a given day. All supplies (upstream transportation, spot gas and storage) are managed by the customer and the balance between total supplies and consumption must be maintained daily within specific tolerance limits.

1.3 UPSTREAM TRANSPORTATION

1.3.1 Overview (Southern and Northern and Eastern Operation Areas)

Union's unbundling proposal as it relates to the allocation and management of upstream transportation will differ between the various TCPL delivery areas because of the significant differences in the way Union provides delivery capacity into these areas.

In the Southern market area, Union serves the demand , through a portfolio of firm upstream pipeline capacity operated at 100% load factor and storage which is used to provide seasonal balancing and peaking requirements .

In the Northern and Eastern areas, Union has served demand through a combination of storage, upstream capacity (mainly firm TCPL) into each of the six separate TCPL areas, additional Storage Transportation Services ("STS") contracted with TCPL to allow Union to shift deliveries from one area to another, and capacity on the Dawn-Trafalgar transmission system. The combination of all of these contracted services allow Union to efficiently serve firm demands in all areas by centrally planning and operating all assets and supplies. The unbundling proposal in the Northern and Eastern area provides for some continued aggregation of the STS capacity and Dawn Trafalgar capacity in order to unbundle upstream transportation in an efficient manner and to avoid significant increases in costs to bundled service customers in the various TCPL delivery areas.

1.3.2 Southern Operations Area Methodology and Related Proposals

Customer Responsibility for Upstream Transportation Capacity

As a general principle, existing customers electing either a bundled or unbundled direct purchase arrangement on Union's system are obligated to take an assignment of Union's upstream transportation capacity. Union has entered into upstream transportation capacity contracts over the years for the purpose of serving and providing capacity to end-users within its franchise area. The OEB has approved the inclusion of the costs associated with these transportation contracts in Union's cost of service. Some customers are either unwilling or unable to hold upstream transportation capacity contracts directly for a variety of reasons. The upstream transportation capacity contracts held by Union reflect a variety of terms (from 1-15 years) and it is not possible for Union to remove itself from these contracts immediately without incurring significant costs.

Union recognizes that the transportation tolls associated with its upstream transportation contracts may be more or less than the market value of the capacity at any point in time. Currently, TCPL capacity can be purchased in the secondary market for less than posted tolls. However, two years ago, the opposite was true and TCPL capacity was trading at a premium in the market place. Given the current market conditions, if Union were unable to turnback the capacity to TCPL or was in a position of holding unutilized capacity, this would result in an immediate cost to the contract holder (ie. Union). In Union's view, it is not appropriate for Union to be put into a position of having to liquidate its upstream contracts simply due to market conditions which happen to exist at a point in time. Managing upstream capacity in this fashion would focus solely on short-term market conditions and would result in higher costs to all or certain customer groups depending on the regulatory decisions related to the disposition of these costs.

The manner in which Union facilitates direct purchase and the manner in which the unbundling proposals described herein have been designed is to minimize any stranded costs associated with upstream transportation capacity. The unbundling proposals transfer the rights and obligations of the existing upstream transportation contract portfolio to those parties contracting for the unbundled service. Union has and will continue to provide as much flexibility as possible without incurring stranded upstream transportation costs that would affect the cost of service to all customers on Union's system.

1.3.3 Existing Upstream Transportation Allocation Methodology

To date, Union has facilitated primarily bundled direct purchase arrangements. The direct purchase arrangements in place reflect either an actual (ie. Ontario direct purchase) or a notional (ie. Western direct purchase) assignment/allocation of TCPL capacity only. This approach of allocating 100% TCPL capacity to facilitate direct purchase has been endorsed by the Ontario Energy Board on numerous occasions, most recently in E.B.R.O. 493/494.

All bundled direct purchase arrangements (except in those circumstances where customers have contracted for TCPL capacity directly themselves) are underpinned by a Western direct purchase contract which ties the direct purchase arrangement to Union's TCPL capacity. Union has and will authorize an Ontario point of delivery on an annual basis that results in Union facilitating an assignment of the TCPL capacity for a one year term. Should the direct purchase arrangement be terminated or the customer no longer wish to take a direct assignment of Union's upstream transportation capacity, the upstream transportation capacity (ie. TCPL) returns to Union. In this circumstance, the customer reverts back to a Western direct purchase arrangement or is returned to system. In short, customers electing direct purchase in Union South have an obligation related to the upstream transportation contracted by Union in the past to serve their demands.

Union has facilitated direct purchase in the manner outlined above recognizing the very strong link between the bundled direct purchase "delivery" service and Union's upstream transportation capacity. Union has structured direct purchase contracts in a manner which recognizes the obligation to deliver gas on a firm daily basis at Parkway given Union's reliance on TCPL Firm Transportation ("FT") at Parkway from both a system design and operating perspective. In other words, bundled direct purchase on Union's system has generally consisted of a mandatory 100% assignment or allocation of Union's TCPL upstream transportation at cost and an associated obligation to deliver gas using this TCPL capacity on a firm basis 365 days a year.

It is also noted that all existing bundled direct purchase customers are essentially served by a "portfolio" of Union's upstream TCPL transportation contract terms. As such, any permanent assignment and/or turnback of this capacity must respect the fact that all bundled direct purchase customers are equally served by the "portfolio".

The assignment of upstream transportation capacity to facilitate direct purchase as described above has generally been characterized as a "temporary one year assignment". In the case of bundled direct purchase arrangements, these assignments are truly one year assignments which are cancelable either by Union or the customer. Under a bundled direct purchase arrangement, Union is the underlying contract holder of the TCPL capacity and is required to take back and manage this capacity should the capacity no longer be required by the customer or the direct purchase arrangement is terminated. Again, Union wishes to emphasize that should a customer no longer wish to take an assignment of Union's capacity, the customer reverts back to a western direct purchase arrangement or is returned to system. In essence, the infranchise delivery service provided by Union cannot be provided without the direct purchase customer accepting an assignment of Union's upstream transportation capacity.

To summarize, the key terms and conditions associated with the upstream transportation assignment for all existing bundled direct purchase arrangement are as follows:

a) Obligation to deliver gas on a firm basis 365 days a year (ie. Parkway).
b) Mandatory assignment/use of Union's upstream transportation capacity.
c) Upstream transportation assignment cancelable by the customer or Union given proper notice.
d) All upstream transportation assignments are "tied" to the associated direct purchase redelivery contract.

1.3.4 Proposed Upstream Transportation Allocation Methodology

As of the "unbundling start date", (ie. effective date at which the unbundled service is approved and available to all customers). Union proposes to allocate/assign upstream transportation based on a "vertical slice" of Union's upstream transportation portfolio. The vertical slice will be based on the assets in the portfolio as at November 1 of any year . The vertical slice will include all portfolio components consisting of all of the various upstream transportation contracts and spot gas (ie. component of portfolio not underpinned by assets). In addition, the vertical slice methodology will apply to all system customers electing either a bundled direct purchase or unbundled service as of the unbundling start date. The vertical slice will be initiated (on the unbundling start date) using Union's portfolio effective November 1, 2000.

In the Southern Operations area, transportation capacity is allocated by computing a customer's Daily Contract Quantity (DCQ). In general, the DCQ is calculated by taking a customer's firm normalized consumption for the most recent 12 month period divided by 365 days. The allocation of capacity through the proposed vertical slice will be based on the DCQ. In subsequent years, the DCQ will be updated to reflect the normalized consumption for the most recent 12 month period. For bundled direct purchase customers, the DCQ is adjusted on an annual basis and the underlying capacity is similarly adjusted. For unbundled customers, the DCQ is adjusted annually but there will be no adjustment to the upstream capacity after the initial vertical slice allocation.

For all direct purchase arrangements (ie. Ontario and Western) operating and in place prior to the unbundling start date, all existing allocations or assignments of upstream transportation (ie. 100% TCPL FT) will be grandfathered (ie. both Western and Ontario direct purchase arrangements). In addition, all bundled direct purchase arrangements will continue to have terms and conditions associated with the upstream transportation assignment as outlined in Section 1.3.6.

However, in the case of the new unbundled services, the nature of the proposed unbundled service is such that there is no longer the strong “link” between the unbundled delivery service and the upstream transportation assignment. Unbundled customers must nominate sufficient supplies, on a daily basis, from upstream transportation and storage to meet their demand requirements. Consequently, Union proposes that customers electing the unbundled service have the flexibility to divert their upstream capacity 365 days a year with the only upstream obligation proposed under the new unbundled service being a 22-day obligation/call at Parkway. The Parkway obligation is dealt with in Section 1.3.12 . For the unbundled service, Union proposes that all upstream assets either directly assigned or allocated be one year evergreening agreements that will automatically roll over every year subject to one of the following :

a) Mutual agreement (Union and customer) to terminate the assignment.

b) Customer decontracts TCPL capacity via Union's TCPL turnback policy (as described further below).

c) Customer default.

d) Appropriate credit arrangements.

e) Underlying upstream contracts can be renegotiated with terms and conditions acceptable to the customer and Union (ie. renegotiation of Panhandle contracts) given that some assets allocated to customers have an expiry date and as such will need to be either renewed or replaced on expiry.

f) Changes resulting from future regulatory decisions. One example may be any changes TCPL may apply to the STS service would directly affect the allocation of the redelivery service.

The need for the above terms and conditions for the new unbundled services is to ensure that the risks and rewards associated with the unbundled service, including upstream transportation capacity, rest with the customer. Further, in Union's view, there is a mature market for secondary transportation in Ontario and Union should not be put in the position of having to actively manage upstream transportation capacity on behalf of customers electing the unbundled service. This is a necessary step towards evolving the competitive marketplace in Ontario that could eventually see Union much less active in planning for and managing contracts for upstream transportation capacity to Ontario.

In the Spring of 1999, Union implemented a TCPL turnback policy in order to provide flexibility to direct purchase customers in accessing discounted transportation capacity available in the marketplace. Union's TCPL turnback policy was designed in a manner which would eliminate any stranded upstream transportation costs. The ability to turnback TCPL capacity is an option available to both bundled and unbundled direct purchase customers. As such, customers have the ability to manage, over time, the upstream transportation assignment/allocation received from Union. The TCPL turnback policy is described in further detail in Section 1.3.8.

To summarize, the primary terms and conditions associated with upstream transportation assignments for the unbundled service are as follows:

a) 22-day commitment/call to deliver volumes at Parkway.
b) Customer obligated to take a mandatory assignment or allocation of Union's existing upstream assets.
c) One year perpetual evergreening agreements.

Vertical Slice Methodology

The vertical slice that will be used to allocate Union's upstream transportation portfolio will be based on the assets in the portfolio as at November 1 each year. Starting with November 1, 2000, this allocation will be frozen and all allocations in the subsequent 12 months will be based on this allocation. The vertical slice will be a proportional allocation of the transportation, exchanges and spot gas used to serve existing system customers moving to direct purchase. An example illustrating the vertical slice allocation methodology is found in Appendix B.

1.3.5 Upstream Transportation Capacity Details

The following table summarizes the various components of Union's Southern portfolio as at November 1998 and provides an indication of how capacity would be allocated with the vertical slice methodology. As noted in this evidence, the vertical slice will be implemented on the unbundling start date using Union's portfolio as at November 1, 2000. Union notes that the amount of TCPL FT capacity will continue to decline until November 1, 2000 as additional direct purchase is facilitated. The details of each transportation contract is attached in Appendix C.

Summary of System Portfolio – Union South
November 1998

South	Quantity ($10^3m^3/d$)	% of Portfolio
TCPL – FST	383.0	8.0
TCPL – FT	1572.0	32.9
Empress to Parkway-Exchanges	283.3	5.9
Empress to Dawn-Exchanges	778.5	16.3
Chicago to Dawn-Exchange	212.4	4.4
Panhandle	1558.0	32.5
Total	4787.2	100.0
Nova (AECO)*	874.3	

*Nova (AECO) capacity is used to move gas from AECO to Empress. This capacity will be allocated with Empress based TCPL FT and Exchanges.

1.3.6 Upstream Transportation Assignment Terms and Conditions

The terms and conditions associated with the assignment of upstream transportation for both the bundled direct purchase and unbundled service options are as outlined above.

In terms of US capacity currently held by Union, existing FERC rules prevent Union from directly assigning this capacity to customers. Union will endeavor to facilitate an allocation of this capacity in a manner acceptable to FERC. If Union is unable to facilitate this allocation of transportation assets, Union will replace this allocation with other assets within the portfolio.

The term of each assignment must also be considered when administering unbundling. In the case of TCPL capacity, the one year evergreening assignments that roll over every year will be administered as per the TCPL turnback policy. The other transportation contracts have a variety of terms that may have no automatic renewal provisions and may therefore require the contact to be renegotiated. When Union assigns/allocates an asset with no renewal provisions, the term of the assignment/allocation will match the term of the underlying contract held by Union. In other words, at the end of the assignment/allocation, the customer will no longer have or be responsible for the capacity and are obligated to replace the capacity. Union will however facilitate a pooled renegotiation if desired by REM’s for the capacity that can be extended through renegotiations. As an example, the Panhandle contract currently held by Union can be renegotiated at the end of the initial contract term with the volume, price and term subject to change. Union will also facilitate other options for acquiring transport through a queuing process.

In the Southern Operations area, Union will permanently assign upstream transportation capacity to the extent requested by customers. Customers will need to meet all financial and credit requirements of the transporter in order to effect the permanent assignment. In this regard, Union will, at its discretion, attempt to split its underlying contracts in order to provide to the extent possible a pro rata allocation of the underlying contract terms. Union's discretion in this instance will be governed by the materiality and administrative practicality associated with splitting the existing upstream transportation contracts at a point in time.

As described above, Union currently facilitates direct purchase through a mandatory one year assignment of upstream transportation capacity. In May of 1999, Union adopted its TCPL turnback policy (see Section 1.3.8) which allows parties having an assignment or allocation of Union's upstream transportation capacity to turn this capacity back to the extent Union has the corresponding ability to turnback its underlying capacity to TCPL (ie. capacity which Union currently has under one year renewable contracts). This policy was adopted and put in place in order to allow parties the ability to access discounted firm capacity currently available in the marketplace. However, Union notes that to the extent the market changes in the future and short term capacity is either unavailable or is not as attractively priced as it is today, customers may wish Union to enter upstream transportation queues on their behalf. In these circumstances, Union is prepared to enter into the appropriate transportation queues and contract for long term transportation capacity in order to ensure adequate transportation is available to Union's franchise. In these circumstances and depending upon future market conditions, Union continues to reserve the right in the future to seek a longer term commitment from customers in return for Union contracting for long-term capacity. Union may seek and the customer must be prepared to provide a longer term commitment for this incremental capacity in order to more closely match the contract term of the underlying capacity being acquired by Union on the customer's behalf. In Union's view, this is both fair and equitable given that Union is currently in a position, as a result of the TCPL turnback policy, of reducing the term flexibility currently available within its portfolio as it relates to the one year renewable contracts with TCPL. The net impact of facilitating the turnback of TCPL capacity will be to increase the underlying term of Union's transportation portfolio which may require, in the future, a longer term commitment from customers in return for Union contracting for new long term upstream capacity.

1.3.7 Transportation Clearinghouse

As described previously, customers are required to take a mandatory assignment (vertical slice) of Union's upstream transportation portfolio under either a bundled or unbundled arrangement subsequent to the unbundling start date. Union will attempt to accommodate customer requests for a different mix of transportation capacity, if possible. Union refers to this as an upstream transportation clearinghouse function which will be governed by the following principles:

a) Any change to a customer's upstream transportation allocation would be at Union's discretion.

b) The specific criteria and considerations that Union would take into account in facilitating changes in the transportation allocation are as follows:

- Union will facilitate a change in the transportation mix to the extent that there is an equal and offsetting request from another Union customer.
- Union can facilitate customer requests and Union and other customers are not exposed to costs associated with facilitating the request.
- Customers will need to provide sufficient notice to Union in advance of the contract start or contract renewal date.
- Union will treat all customers equitably based on the requests from customers received at a particular point in time.

1.3.8 TCPL Turnback Policy

In the spring of 1999, Union adopted a TCPL turnback policy in response to numerous requests from customers wishing to reduce their assignment of capacity from Union in order to access discounted capacity available in the secondary market. Union's TCPL turnback policy, as adopted was structured in a fashion to allow customers to reduce their assignment of upstream transportation capacity from Union at levels equal to the capacity Union could turnback to TCPL without incurring any direct costs (ie. stranded costs, unabsorbed demand charges, etc.). A copy of the April 5, 1999 letter written to the Ontario Energy Board outlining the background and details surrounding TCPL turnback policy is found at Appendix D.

Union notes that a customer's turnback of upstream transportation capacity originally assigned by Union gives rise to two related issues which are as follows:

a) The continued obligation by customers to deliver an equivalent amount of firm gas supply at Parkway.

b) The process required in the future to facilitate customer requests for additional upstream transportation capacity.

Union's TCPL turnback policy incorporated a condition that required customers to continue to provide obligated firm deliveries for 365 days at Parkway regardless of the amount of capacity turned back to Union. This condition is directly related to the current design of Union's system and the design of infranchise rates as discussed in Section 1.3.9.

In terms of the future process required to facilitate customer requests for increased upstream transportation capacity, Union has indicated to customers that it will continue to accept requests from customers through a queuing mechanism. Further, Union has indicated to customers that any such requests will need to be made on a timely basis in order to allow Union sufficient time to enter the applicable queues in order to apply for upstream transportation capacity.

1.3.9 Current System Design and Allocation of Benefits Associated with East End (Parkway) Deliveries

Union has historically relied on obligated East End deliveries at Parkway in designing the Dawn-Trafalgar transmission system. As a result of Union's ability to rely on Parkway deliveries, the Dawn-Trafalgar transmission system is smaller than it would otherwise be. The primary beneficiaries of this smaller and less expensive design have been infranchise customers through lower delivery rates in the Southern Operations Area, although all customers have benefited to some degree.

Dawn-Trafalgar transmission costs are allocated between infranchise and exfranchise customers in proportion to distance weighted design day demand. For that portion of infranchise design day demand that can be served by deliveries at Parkway, the distance on the Dawn-Trafalgar transmission system that the gas travels is measured from Parkway to each interconnected transmission lateral being used to serve infranchise demand. This distance is much smaller than if the distance was measured from Dawn to each lateral. Infranchise customers in the Southern Operations Area are in a sense receiving a "distance credit". The distance traveled by the remaining infranchise demand and all exfranchise demand is measured from Dawn to each lateral or take-off point (for exfranchise demand). Union has proposed, and the OEB has approved, this approach for many years and it was most recently confirmed by the Board in their E.B.R.O. 493/494 Decision dated March 20, 1997. Even though the gas delivered by infranchise customers on design day at Parkway physically flows to exfranchise customers, it is the infranchise customers who commit to obligate deliveries at Parkway that allow for the system design benefit. A flow diagram is found at Appendix E which identifies how Union forecasts to serve 1999 demand on the Dawn-Trafalgar system using a combination of Dawn-Trafalgar capacity and East End deliveries at Parkway.

Although infranchise demand accounts for 28% of total demand, allocating costs in the manner described above results in only 12% of the Dawn-Trafalgar transmission costs being allocated to infranchise customers in the Southern Operations Area. If Union could not rely on deliveries at

Parkway on design day, Dawn-Trafalgar costs would be higher and the infranchise customers' proportionate allocation of Dawn-Trafalgar costs would increase as a result of losing the distance credit. Under the existing methodology, it is primarily infranchise customers in the Southern Operations Area who would pay to replace the capacity currently being provided by East End deliveries at Parkway.

With reference to the line diagram found at Appendix E the total demand on the system and the total capacity of the system are balanced at 144,003 10^3m^3/day. An extremely critical element of this overall balance is the East End Deliveries of 21,300 10^3m^3/day which are supplies delivered on behalf of infranchise Union South customers at Parkway. Historically these supplies were part of Union's system supply portfolio dating back to the mid 1980's when deregulation first came into effect. When Union controlled all of the transportation, it nominated all of its FT gas to arrive at the East End of its system at Parkway. In doing so, Union minimized the facilities required on the Dawn-Trafalgar transmission system or required TCPL to contract for transportation on Union's system and to pay a share of the cost of the additional facilities. Since that time, Union has enabled customers to directly purchase their own Western Canadian natural gas and transport it to Ontario on Union's assigned TCPL capacity arriving at Parkway. It is this TCPL capacity, acquired over time by Union on behalf of its system customers, which by being delivered at Parkway optimizes the overall Dawn to Trafalgar system capacity by, in a sense, putting gas into both ends of the line. It was during the E.B.R.O. 412 proceedings that Union identified that costs would increase if customers were provided with delivery point flexibility. As a result, customers who have been temporarily assigned FT capacity from Union continue to obligate their deliveries at Parkway. In addition, as outlined above, Union continues to require an obligation to deliver volumes at Parkway to the extent customers reduce their upstream transportation assignment from Union through the TCPL turnback policy.

Eliminating the reliance of all East End deliveries at Parkway would result in the need for additional looping and compression on the Dawn-Trafalgar system as well as incremental compression at Dawn at a projected capital cost of $258 million. It would also eliminate the distance credit that infranchise customers currently receive. The combined impact of removing the distance credit and additional facilities would be an increase to delivery rates, excluding the impacts on fuel, of up to 27% under the existing cost allocation methodology.

Options to provide customers greater delivery point flexibility currently being investigated by Union are described in Section 1.3.13.

1.3.10 Delivery Commitment Credit ("DCC")

As described above, customers served by Union who then wish to elect a direct purchase arrangement (bundled or unbundled) must take a mandatory assignment of Union's upstream transportation which has to date been 100% TCPL FT. Customers with new incremental demands (not served previously by Union) have and continue to have the option of contracting for their own upstream transportation capacity. In either case, Union has generally required that all deliveries be obligated at Parkway (ie. delivered to Union on a firm basis 365 days a year). As noted above, this is necessary in order to preserve the design and operation of the Union system (ie. reliance on east end deliveries) and is consistent with the assumptions used in the design of all infranchise rates.

In addition to the above, Union currently pays a Delivery Commitment Credit (DCC) to customers managing their transportation capacity and obligating to deliver in accordance with the terms and conditions of the delivery service. The DCC mechanism arose historically from Union’s buy/sell pricing methodology where the DCC represented the difference between the Ontario buy/sell price and Union’s weighted average cost of gas (“WACOG”). The payment of the DCC was extended to bundled t-service customers when this service was introduced in order to maintain equivalency between the buy/sell and bundled-t direct purchase options. In E.B.R.O. 499, Union changed the methodology supporting the calculation of the DCC and based the calculation on the avoided cost of Dawn-Trafalgar transmission and storage costs. These payments total approximately $27 million per year and are recovered from all infranchise users of the delivery system.

The obligation to deliver means that Union must give approval before a customer can assign capacity to another infranchise user or divert supplies away from Union's franchise area. Having control over the deliverability at the east end of its system allows Union to design and operate the system with less capacity to move gas eastward from Dawn storage (during the winter peak) than would otherwise be required. All customers (both infranchise and exfranchise) benefit from this through lower rates.

As part of the unbundling proposal Union proposes to:

a. eliminate the payment of the DCC and the related charge (recovery) in delivery rates,

b. replace the current restrictions on diversions and assignments (ie. requirement for Union authorization) of capacity for unbundled customers with a right by Union to call on deliverability of supply at Parkway for up to 22 days between November 1 and March 31, and

c. retain current restrictions on diversions and assignments for all customers operating under a bundled direct purchase arrangement (including T1).

The elimination of the DCC and the proposal to move to a 22-day call back at Parkway for unbundled customers is outlined below.

1.3.11 Delivery Commitment Credit Elimination and Related Rate Adjustments

Union proposes that the Delivery Commitment Credit (DCC) currently paid to customers in the Southern Operations area be eliminated as close as possible to the time Union is able to provide a wholesale billing service, giving retail energy marketers the ability to bill end-use consumers.

The DCC was always premised on 365 days of constant delivery of gas to Union's franchise and must be eliminated to accommodate and align with the new unbundled service and the proposed flexibility provided to unbundled customers (ie. only a 22-day call obligation). Further justification supporting the elimination of the DCC is as follows:

(i) Rationale for the DCC is generally not understood.

(ii) Continuation of the DCC would require a continuation of the existing deferral account mechanisms to track the costs, with any variances to be flowed through under the proposed PBR mechanism.

(iii)The DCC is unique to Union's Southern operations area and does not exist for other North American pipeline companies.

Based on the above, Union proposes that the forecast 1999 DCC payout to each rate class be removed from each rate class' delivery rate to reflect the elimination of the DCC. Union's objective in handling the DCC elimination in this manner is to minimize the impact on individual customers.

In order to ensure customers are not harmed by this change and given that the DCC was a commodity-based payment, each rate class' delivery commodity charge would have to be reduced by the DCC payout that each rate class would have otherwise received. Union proposes that commodity charges for the M2, M4, M5A, M6A, and M10 rate classes be reduced to reflect the elimination of the DCC.

M7 and T1 customers may have contracted for both firm and interruptible delivery services. In these instances it may be necessary to allocate a customer's Obligated Daily Contract Quantity (DCQ) between their firm and interruptible delivery service. Union proposes that in instances where a customer's Obligated DCQ exceeds their firm Contract Demand (CD), that the excess be used to reduce the customer's interruptible delivery commodity charge.

Union plans to use each M7 and T1 customer's actual Obligated DCQ and firm CD at a point in time as close as possible to the effective date of the DCC being eliminated (excluding assignments). This will likely be 6-8 weeks prior to the effective date to provide sufficient time to create and process the required contractual amendments and discuss the changes with customers.

To promote customer neutrality Union is proposing a different treatment for the firm and interruptible delivery service components.

M7 and T1 firm delivery commodity charges (and unbundled equivalents) are not large enough to absorb the required firm rate reduction. If the required firm rate reduction was reflected as a uniform reduction to all customers' demand charges as an alternative, high load factor customers would see a net increase, and low load factor customers would see a net decrease in their cost. In order to avoid this Union is proposing to reduce delivery demand charges by utilizing a customer specific formula. Each individual customer's demand charge would be calculated in a manner that keeps their effective cost the same as it was prior to the DCC being eliminated. Union proposes that the reduction in the posted demand charge for each M7 and T1 customer be equal to:

$$(\text{Firm Service Obligated DCQ X 365 days X \$4.25 / } 10^3 m^3) / (\text{12 months X Firm CD})$$

Given the wide range of customer load factors within the M7 and T1 rate classes, Union anticipates monthly demand charges will range between 2 and 16 cents/m^3. In the future, the demand charge for new M7 and T1 customers will be determined in relation to existing comparable load factor customers.

Where necessary, M7 and T1 interruptible delivery commodity charges, which have historically been negotiated within a range, will also be reduced. All M7 and T1 interruptible customers supply their interruptible consumption using firm obligated deliveries and/or non-obligated deliveries. To promote customer neutrality, an adjustment needs to be made to the interruptible delivery charge of each individual customer to recognize the portion of their interruptible consumption supplied by obligated deliveries. In instances where there is significant year over year volatility in interruptible consumption due to production swings or alternate fuel competition, a tiered M7 and T1 interruptible delivery charge may be required. The first tier of a M7 and T1 customer’s interruptible delivery commodity charge would reflect the reduction in price that results from the elimination of the DCC using the customer’s actual interruptible consumption for the last 12 months. The second tier of a M7 and T1 customer’s interruptible delivery commodity charge would remain unadjusted from what existed 6-8 weeks prior to the effective date of the elimination of the DCC.

Union proposes that M9 and T3 demand charges be reduced uniformly to reflect the elimination of the DCC. Delivery commodity charges are not large enough to absorb the required rate reduction. However, due to the similarity in customer load factors, there is no need to reduce delivery demand charges by utilizing a customer specific formula.

Retail energy marketers will not be neutral to the elimination of the DCC. The reduction in the residential delivery rate will be less than the DCC retail energy marketers have been paid by Union. This is a consequence of not paying residential customers a DCC if they were buying system supply from Union but having all residential customers share in the DCC delivery rate reduction that results from eliminating the DCC.

1.3.12 Parkway Commitment

Today, virtually all Union South customers contract for a “bundled” service on Union’s system. The terms and conditions of the bundled service require customers to obligate to deliver gas volumes 365 days a year to Union. In addition, all diversions and assignments requested by customers contracting for a bundled service are restricted and must be authorized by Union in advance in order to maintain the integrity of Union’s system at the east end.

Today, the obligation to deliver is in most cases tied to the original upstream transportation assignment from Union to the customer. Moving forward, there are two significant changes that require Union to review how it manages the deliverability at Parkway required to maintain the integrity on Union’s system. These two changes are :

a) Bundled direct purchase customers who continue to have a 365 day delivery obligation now have the ability to turnback TCPL capacity via Union’s turnback policy. As such, the ability to clearly link the Parkway delivery obligation to the upstream transportation assignment no longer exists.

b) For customers taking the new unbundled service, Union is proposing to replace the current diversion and assignment restrictions with a 22 day call at Parkway in order to provide unbundled customers with more flexibility and to do so in a manner which avoids increasing costs to other system users or jeopardizing the integrity of Union's system.

Given these changes, the Parkway delivery obligations, from a practical perspective, can no longer be tied to the original upstream transportation assignment. As such, Union proposes that the Parkway delivery obligation for both bundled and unbundled customers no longer be tied to the original upstream transportation assignment, but rather be tied to the customers' Daily Contract Quantity ("DCQ"). In general, the DCQ is adjusted/recalculated on an annual basis at contract renewal. In the case of marketers serving M2 customers, the DCQ is adjusted to reflect changes in the number of customers served and the normalized average consumption of all customers served under a particular contract. To accommodate the above changes while still managing the deliverability required at Parkway, Union will track, by individual direct purchase contract, the proportion of Parkway capacity provided to individual customers or REM's. The proportion of Parkway capacity within each individual direct purchase contract will change annually as a result of capacity allocated by Union to customers according to the vertical slice proposal. On an annual basis, the weighted average percentage of Parkway capacity allocated by Union over time to an REM will be tracked and applied against the DCQ to derive that portion of the total DCQ that must be obligated to be supplied at Parkway. The weighted average percentage of Parkway capacity allocated by Union over time to an REM will not be impacted by any changes that an REM chooses to make in managing their individual portfolio. As an example, any TCPL FT capacity at Parkway that is turned back via Union's TCPL turnback policy must be replaced by an alternate firm supply at Parkway.

As customers move from one REM to another, the obligated Parkway portfolio percentage of the transferor will shift to the transferee. As an example, if customers currently served by REM A with a DCQ of 10,000 GJ's and an obligated Parkway portfolio percentage of 73.5% are transferred to REM B, the obligated Parkway DCQ that REM B would inherit as a result of attaining these customers will be 7,350 GJ's. This commitment would then blend into REM B's existing direct purchase contract, and any customer(s) subsequently leaving that contract would transfer at the new blended Parkway portfolio percentage.

To the extent that solutions to increase the flexibility to deliver supplies at locations other than Parkway are agreed to and implemented (as discussed in Section 1.3.13), the percentage reduction in Parkway deliveries system wide would be extended to each individual direct purchase contract. Using the above example, if Union were able to reduce the percentage of Parkway deliveries required by the system in total by 10%, REM B's obligated Parkway DCQ would be reduced by 735 GJ's (7,350 GJ's x 10%) to 6,615 GJ's.

To summarize, Union will continue to require that bundled customers deliver firm (365 days a year) supplies at Parkway at a level equal to the Parkway capacity allocated/assigned to customers at the time a switch from system gas to direct purchase is facilitated. Capacity allocations/assignments over time within individual direct purchase contracts will be blended together resulting in an obligated Parkway percentage. The Parkway delivery obligation for unbundled customers will be similarly based on the obligated Parkway percentage as described above but will be limited to the 22 day call at Parkway. Changes in the percentage of Parkway capacity allocated to REM's over time according to the proposed vertical slice allocation methodology will be individually tracked by direct purchase contract. This approach will ensure that Union maintains the existing level of Parkway deliverability required to operate the system and to ensure all firm demands can be served.

22 Day Call Requirement

Originally the "call" concept was considered to be similar to the Winter Peaking Services that Union contracts for from time to time. Upon further review and study it became clear that determining the number of days of call is more complex and is impacted by the following variables:

- the load duration curve for the Dawn Trafalgar system,
- the total unbundled Parkway DCQ,
- the average size of the call volume (on a per contract basis), and
- the potential variances in forecast versus actual weather

The load duration curve for the Dawn Trafalgar system shows the in-franchise demands during the winter period from the coldest days through to the warmest. This curve shows the highest demand occurring on the coldest days and the demand gradually decreasing as the weather gets warmer. The analysis using the current load duration profile indicated that assuming an average size of the call contract of 140 10^3m^3, that 22 days of callback would be sufficient coverage for up to 7650 10^3m^3 of unbundled DCQ. The average size of the unbundled DCQ contract is a significant factor in determining the number of required call days. The smaller the contracts the more effective use can be made of them in matching the specific deliveries at Parkway with the call rights.

In Union’s view, a 22 day call provides a greater level of flexibility to unbundled customers as compared to the 365 day firm supply commitment required for a bundled service and allows Union to maintain East End deliverability. If some customers prefer to be completely unrestricted in the ability to move capacity out of Union's franchise area or to deliver at a point other than Parkway, Union would evaluate the ability to purchase a peaking service on their behalf and charge them for it.

Union will exercise its call rights for up to 22 days during the winter season. It is noted that the 22 day call is not a curtailment of delivery or consumption by a customer, but a limited restriction on the ability to have contracted gas supply delivered at some point other than Parkway. The call would be applied in a way that would minimize the amount of supply call at Parkway and thereby allow deliveries at points other than Parkway or diversions of supply away from Parkway. Union will use predefined criteria in order to treat all shippers equitably.

The 22 day Parkway call (and option to pay winter peaking costs) applies to all unbundled customers. The current diversion and exchange restrictions will continue to apply to bundled services.

Union will exercise its Parkway call rights in a manner which:

a. minimizes the call only to the extent needed to meet anticipated East End deliverability requirements on a given day.
b. shares the impact of Parkway call across all shippers .
c. maximizes the system deliverability available through the Parkway call.

Union will attempt to exercise the Parkway call for a given customer in its entirety on a given day and will base the Parkway call on the following criteria:

1. the size of the shippers' delivered contract quantity, and
2. frequency of previous calls for that shipper.

Applying the above criteria means that a shipper will be more likely to be called on if the size of the shippers DCQ matches the call required by Union on a given day, and if it has been called on infrequently. Conversely, a shipper is less likely to be called on if the size of the shippers DCQ does not match up well against the call required by Union on a given day, and if it has been frequently called on previously during that winter.

Union will be more likely to exercise its Parkway call rights when it is colder and when a large volume of capacity is either being diverted from Parkway or delivered at points other than Parkway.

When Parkway call rights are exercised, impacted shippers will be notified by 5:30 p.m. on the day ahead and will have until 7:00 p.m. to renominate. These nomination confirmations and renomination deadlines are consistent with GISB standards and will be the minimum notice period provided by Union.

An example illustrating how the 22 day Parkway call would be administered is found at Appendix F.

Union will review on an annual basis the number of days of Parkway call projected to be required for the next winter period . Any changes required to the number of days of Parkway call will be primarily a function of the projected level of unbundled service and the average size of the unbundled contracts. Additionally, Union's experience in being able to meet its Parkway obligations for its in-franchise bundled and unbundled customers in the preceding winter period will be considered. Any change in the number of days of Parkway call will be reflected in the contract requirements established for the following winter period. The number of days of Parkway call will be adjusted as necessary at Union's discretion and reflected in customer contracts before the start of the next winter season. Union expects to complete this analysis and communicate any change in the number of days of Parkway call to all customers, in the spring of each year. This will provide Union and customers sufficient time to make any necessary changes to their supply plans for the next winter.

1.3.13 Options to Reduce Parkway Commitment and Increase Shipper Flexibility

In terms of both the existing bundled and new unbundled service offerings, customers have strongly indicated their necessity and desire for increased delivery point flexibility. All customers (bundled or unbundled) have indicated the desire for flexibility to access competitively priced gas supplies at Dawn and to not be restricted to Parkway. In respect of the unbundled service and the proposed 22-day Parkway call, customers have indicated that although the proposal provides greater flexibility relative to the current restrictions on assignments and diversions contained as part of the bundled service, that in fact any number of days of Parkway call limits the options and flexibility available to customers.

Recognizing the requirements by all customers (bundled and unbundled) for increased delivery point flexibility, Union has committed to finding a solution to provide the requested flexibility. Union has recently assembled a group to examine this issue and to consult further with customers in order to pursue all options and suggested solutions.

At this time, Union does not feel that the solution lies in attempting to reduce the number of days of Parkway call. The two primary reasons supporting this conclusion are :

a) Attempting to reduce the number of days of Parkway call is a solution that would be specific only to customers electing the unbundled service and would not be responsive to existing bundled customers seeking similar delivery point flexibility.

b) Focusing on reducing the number of days of Parkway call does not really provide greater flexibility – as noted above, customers have indicated that any number of days of Parkway call restricts the options available to customers in the marketplace.

Given the above, the options currently being examined by Union include building additional capacity on the Dawn-Trafalgar transmission system, acquiring additional Dawn-Trafalgar capacity that may exist should existing M12 shippers wish to decontract for capacity on Union's system and the ability to change the delivery points on upstream contracts. These options are clearly focused on reducing the amount of a customer's DCQ that must be obligated at Parkway. The economics and rate impacts associated with the options identified to date are currently being examined. Further work and customer consultation is required before Union will be in a position to further advance these options. Once these details are available, Union will provide an evidence update to all parties which outlines the options and the associated rate impacts.

Union notes that to the extent that a solution is found to increase delivery point flexibility, any costs associated with implementing this solution would need to be dealt with as a separate matter in the context of Union's PBR proposal. Union's PBR proposal is based on the existing system design and rates and any costs incurred to move away from the existing reliance on Parkway volumes in order to provide increased delivery point flexibility would need to be addressed as a separate matter and adjustment from a rates perspective.

1.4 NORTHERN AND EASTERN OPERATIONS AREA – METHODOLOGY AND RELATED PROPOSALS

1.4.1 Overview of Northern and Eastern Operations Area

In the Northern and Eastern Operations area the markets are served through a combination of Union storage and transportation capacity, TCPL FT and STS capacity and delivered gas supplies resulting in a complex system operation. All of the assets held by Union today are operated in an integrated manner in order to optimize the system and to attain the highest load factor at the lowest cost possible.

From a transportation perspective, there are six separate TCPL delivery areas with separate TCPL capacity contracted to each area. These six TCPL delivery areas are: Manitoba, Western, Northern, Sault Ste. Marie, Central and Eastern. In addition to firm TCPL FT capacity to each area, other assets consisting of storage (Dawn/LNG), Storage Transportation Service (STS), STS pooling rights, Dawn to Parkway capacity and other third party assets such as exchange contracts and other transportation capacity are used to provide the integrated service to all customers across all delivery areas in the North and East. In general, the firm capacity and other assets are used to transport Alberta supply to the market area. All other services listed above are used to transport volumes from Dawn (supplies from storage or US pipeline capacity) to the market areas and to transport volumes from the market areas to Dawn (storage) depending on seasonal or market conditions. Accordingly, there is no direct relationship between the assets used to serve an individual delivery area and the demand in that area.

Union currently manages all of the Northern and Eastern transportation assets and is able to manage market demand swings through the capability to nominate daily firm capacity, diversions, STS services and injections and withdrawals into and out of Dawn storage. Each delivery area in the North is unique. Given the current asset mix, not all delivery areas use all of the various transportation assets in the same way or to the same extent. However, all delivery areas have been managed on an integrated basis and rates have been set in a way that recognizes this integration. Given the integrated nature of the system, and the fact that no delivery area operates independent of another delivery area, the allocation of assets necessary to develop and offer an unbundled service provides two primary challenges :

i) Allocating sufficient assets/capacity to allow an unbundled customer to meet all or substantially all of their load requirements (ie. peak day).

ii) Allocating assets/capacity in a manner that leaves sufficient assets/capacity to provide service to the remaining bundled customers without significant cost increases.

In developing the unbundling proposals for the North and East, Union has attempted to balance these challenges. At a high level, the allocation of assets is based on both the current asset mix and current operation of the assets. In addition, Union attempted to allocate assets in manner that best allows customers to serve average and peak day demands. However, Union notes that unbundling will create a winter peak day shortfall. Union and customers electing the unbundled service will be required to meet any peak day shortfall by acquiring additional assets. In designing the unbundled service, Union has attempted to minimize this shortfall but cannot fully eliminate it given that the shortfall is a direct result of unbundling in the North and East. Overall, the benefits of operating the system on an integrated basis are diminished as a result of unbundling.

1.4.2 Existing Approach to Facilitating Direct Purchase in the Northern and Eastern Operations Area

To date, direct purchase in the North has been facilitated by allowing customers to provide their own supply in Alberta (ie. Empress). In general, customers in the North are not responsible for managing upstream transportation and storage. Union manages all assets on behalf of all customers and individual customers in the North have no Unabsorbed Demand Charge (“UDC”) risk. The majority of bundled direct purchase arrangements in the North are “Western” direct purchase arrangements and are more of a supply arrangement than a "true" direct purchase arrangement. In this context, it is noted that upstream transportation capacity has generally not been allocated or assigned to specific customers in contrast to how direct purchase has been facilitated and operated in the South. The historical approach to direct purchase in the North along with the operational differences described above results in certain differences in the design and structure of the unbundled service in the North as compared to the South. These differences are outlined in greater detail below.

1.4.3 Asset Allocation Details and Assignment Terms and Conditions

The methodology and approach to allocating assets/capacity in the North and East has been structured based on both the current asset mix and the current operation of all assets. The assets were allocated according to a three step process as follows:

1) Upstream transportation capacity (primarily TCPL FT)
2) Delivery/redelivery service (STS, Dawn-Trafalgar, Exchanges)
3) Storage

Two types of transportation service are required to serve markets in the North and East, upstream transportation capacity and the proposed delivery/redelivery service. Each of these are addressed below.

Allocation of Upstream Transportation Capacity

Bundled direct purchase arrangements, will continue to be provided in a manner similar to that which currently exists. Most bundled direct purchase arrangements will continue to be essentially supply arrangements in Alberta with no explicit allocation or assignment of upstream transportation capacity. However, there may be situations where the supply arrangements may change subject to the vertical slice process described below.

For the proposed unbundled service, Union proposes to allocate upstream transportation capacity in a manner similar to that outlined above for the Southern Operations Area. Union proposes to assign to customers a “vertical slice” of its portfolio at any given point in time. Union notes that the vertical slice will be comprised of all portfolio components including spot delivered supplies. To the extent Union’s portfolio contains spot gas at a point in time, customers electing the unbundled option would be responsible for arranging these supplies. Currently, Union’s transportation portfolio in the North is comprised of approximately 97% firm transport from Empress (TCPL and exchanges) capacity and 3% other. Union recognizes that to allocate capacity on a vertical slice containing a very small percentage of non-TCPL capacity may be very difficult. In addition, it may be inefficient for customers to manage supply arrangements for a small volume of U.S. supplies or exchanges. For this reason, Union proposes to provide an assignment of only TCPL FT capacity at this time and Union will continue to manage the U.S. supplies and exchanges for system supply purposes. Union’s proposal in this regard is consistent with the transportation clearinghouse concept outlined earlier for the Southern Operations area in Section 1.3.7. Union will continue to assign/allocate 100% TCPL capacity for both bundled direct purchase and unbundled customers as long as the overall level of TCPL FT capacity in the portfolio is greater than 60%. If the TCPL FT capacity falls below this 60% threshold, all new direct purchase customers and new unbundled customers will be allocated a vertical slice in the same manner as described for the Southern Operations area.

The proposed terms and conditions of upstream capacity assignments related to the unbundled service are proposed to be similar to those outlined for the South. Specifically, the terms and conditions of the assignment are as follows:

a) Customers required to take a mandatory assignment or allocation of Union's capacity.
b) Upstream transportation assignment or allocation is cancelable only by mutual agreement (ie. one year assignment is evergreened perpetually).
c) Upstream transportation assignment or allocation managed in accordance with Union's TCPL turnback policy.

In the Northern and Eastern Operations Area, Union is not in a position at this time to guarantee a permanent assignment of upstream transportation capacity (ie. TCPL FT). Union's Storage Transportation Service ("STS") contracts and the associated STS pooling rights are contractual rights Union has with TCPL based on Union's underlying portfolio of FT contracts. As such, Union can not guarantee a permanent assignment of TCPL FT capacity in the North at this time given both the uncertainty as to how that would impact the STS rights and Union's STS pooling rights currently in place today. Any impairment of these rights would result in Union being unable to physically operate and provide firm service to all customers in the Northern and Eastern Operations Area.

It is Union's view that there is a mature market for secondary transportation capacity and customers electing the unbundled service should be required to manage the capacity without Union having an ongoing obligation to manage capacity assigned to unbundled customers.

Allocation of TCPL FT Capacity

All current contracted firm capacity is allocated to its specific delivery area. The total amount of firm capacity in each delivery area was then allocated amongst all rate classes within each delivery area according to the following formula:

Average daily demand by rate class
\+ rate class allocation of excess firm capacity in the delivery area
= Firm transportation allocated to rate class

Definitions:

a) Average daily demand by rate class = total annual demand by rate class ÷ 365 days

b) Excess/shortfall of firm capacity by area = (total firm capacity to the area – average daily demand by area)

c) Peak day shortfall by rate class = [peak day demand by rate class – average daily demand by rate class]

Allocation of excess by rate class = [peak day shortfall by rate class ÷ peak day shortfall by area] x b) (only in circumstances where an "excess" exists)

In circumstances where the firm capacity in a delivery area is lower than the average daily demand (shortfall of firm capacity) in the delivery area, the firm capacity was allocated to each rate class in the delivery area in proportion to the average daily demand.

An example of this allocation is detailed below for the residential customers in the Eastern delivery area.

Example:

To determine the TCPL FT allocated to residential (Rate 01) customers in the Eastern delivery area, the average daily demand for the rate class was calculated by taking the total annual demand for the rate class and dividing by 365 days. The average daily demand for Rate 01 is assumed to be 650 10^3m^3/day in this example. Next, the excess firm capacity in the area is calculated by taking the total firm capacity in the area and subtracting the sum of the average daily demands for all the rate classes in the delivery area. The excess firm capacity in the Eastern area (in this example) is assumed to be 514 10^3m^3/day. The next step allocates the excess firm capacity within the delivery area to each rate class by multiplying the excess firm capacity (514 10^3m^3/day) by the peak day shortfall for the rate class (peak day demand by rate class – average daily demand for rate class) and dividing by the sum of the peak day shortfall for all rate classes in the delivery area. Assuming that the Rate 01 proportion of the peak day shortfall in the Eastern delivery area is 69.3%, the allocation of the excess TCPL FT to Rate 01 is 356 10^3m^3/day (514 x 0.693) resulting in a total of 1006 10^3m^3/day of TCPL FT allocated to Rate 01. This process is repeated for each rate class in each delivery area.

A summary of the allocation of firm transportation capacity for each rate class in each delivery area is attached in Appendix G.

The rationale underlying the above methodology is to allocate firm capacity by rate class and by customer in a manner which recognizes both the average daily demand by rate class and the peak day requirements of each rate class relative to the total firm capacity available to a given delivery area.

Customers electing the unbundled service and taking an assignment of Union's upstream TCPL FT capacity will have access to diversion rights (subject to TCPL's policy and procedures) within the FT service in order to optimize the transportation and any associated UDC.

1.4.4 Delivery / Re-delivery Service

In addition to the firm transportation (FT contracted with TCPL and transportation through the secondary market) and storage, bundled customers in the Northern and Eastern Operations Area today are served by a combination of other assets consisting of Storage Transportation Service (STS contracted with TCPL) and associated pooling rights, Dawn-Trafalgar capacity, and exchanges. For purposes of providing an unbundled service for the Northern and Eastern Operations Area, Union has bundled all of these other assets together under what has been termed a "delivery / re-delivery" service.

The delivery / re-delivery service is a semi-bundled service that uses the above noted assets. Union proposes to provide this service to customers wishing to elect the unbundled service option. The delivery / re-delivery service is a mandatory firm service associated with the unbundled service which provides customers the ability to nominate the “delivery” of gas from a particular delivery area to Dawn storage (ie. summer storage injection) and to nominate the “re-delivery” of gas from Dawn Storage back to a given delivery area (ie. winter storage withdrawal).

The STS assets move gas from Dawn (in the case of the Sault Ste. Marie delivery area only) or Parkway to the delivery areas in the winter and from the delivery areas to Dawn or Parkway in the summer. The STS pooling rights within Union’s STS contracts allow Union to move nominations from one area to another. In the summer, if Union nominates an amount less than the contractual maximum STS in a particular TCPL delivery area, the contract allows (with the exception of a 1,500 10^3m^3/day limit in the Northern Delivery area) Union to nominate the difference to another TCPL delivery area. Similar flexibility exists in the winter with the exception of the eastern delivery area which is excluded from the STS pooling.

The rationale as to why Union is unable to fully unbundle all of the underlying assets comprising the proposed delivery / re-delivery service is as follows:

1) Contractually, at this time, Union cannot individually assign the STS contracts and associated STS pooling rights.
2) The contractual STS rights are attributable to the underlying contract holder of the TCPL capacity (ie. Union).

3) Operationally, Union's ability to serve customers in the Northern and Eastern Operations Area relies on the aggregation of all of the assets comprising the proposed delivery / re-delivery service. Even if Union were able to unbundle and assign these components, this disaggregation would result in a significant loss of the existing benefits associated with serving markets in the North on an integrated basis. This would result in additional assets and costs to meet the requirements of the remaining bundled customers.

In short, structuring the delivery / re-delivery service in the manner proposed by Union was the best way for Union to make unbundling work while continuing to preserve the operational and cost efficiencies which currently exist.

Delivery / Re-delivery Methodology

Currently Union transports volumes to Parkway using Dawn-Trafalgar capacity and from Parkway to the delivery area using STS and exchanges. Exchanges of capacity from Parkway to the delivery area may not be available once Union is fully unbundled. Union will manage the replacement of the exchange service in order to maximize the redelivery assets available.

Redelivery Capacity

The amount of redelivery capacity allocated to each delivery area was determined through a two step process.

The first step in the allocation process involves Union reserving some redelivery capacity in each delivery area for system integrity to manage the demand swings due to temperature variances from forecast. Union will continue to manage inter-day variances from forecast and customers who are unbundled will not need to adjust their nominations throughout the gas day. The amount of capacity reserved for system integrity was based on historical temperature variances between Environment Canada's weather forecast for the next day and the actual temperature. This historical variance analysis resulted in a 4 Degree Day forecasting variance in each of the Sault Ste Marie/Northern/Central and Eastern delivery areas and an 8 Degree Day forecasting variance in the Western/Manitoba delivery areas.

The amount of capacity reserved for system integrity is shown below:

	Total Redelivery Capacity	**Capacity Reserved For System Integrity**	**Contingency**
		(10^3m^3/d)	**%**
Manitoba	25	-	0
Western	570	200	35.1
Sault Ste Marie	1060	100	9.4
Northern	2008	250	12.5
Central	532	100	18.8
Eastern	1499	250	16.7
TOTAL	5694	900	15.8

The second step allocates the remaining redelivery capacity identified in Step 1 to each delivery area in proportion to the difference between the peak day demand and the allocated firm transportation capacity in each delivery area. This step in the allocation process recognizes the flexibility Union has, through its exchanges and STS pooling rights to move capacity between the various delivery areas, despite not having physical STS capacity into each delivery area.

For example: If the peak day demand in the Northern delivery area is 500 10^3m^3/d and the firm transportation capacity is 300 10^3m^3/d, the proportion of the STS redelivery allocated was based on a peak day shortfall of 200 10^3m^3/d. This example applies consistently to all delivery areas.

The redelivery capacity allocated to each delivery area is then allocated to each rate class and customers within each rate class using the same methodology as outlined above (ie. in proportion to the peak day shortfall for the delivery area). The allocation methodology recognizes the proportional requirement by each rate class and customer to manage peak day requirements. For industrial customers, the peak day demand is equal to the customers daily contract demand.

There will, in most cases, be a winter firm peak day shortfall which customers and Union will have to serve with additional assets or services. The existence of a peak day shortfall occurs as a direct result of unbundling and the loss of the synergies which currently exist today in operating all assets in a bundled or integrated manner

Delivery Capacity

The amount of delivery capacity allocated to each delivery area was determined in a manner similar to the allocation of redelivery capacity described above. The delivery capacity in the summer is allocated to each delivery area in proportion to the difference between the amount of firm transportation capacity allocated and the average summer daily demand. Delivery capacity of 300 10^3m^3 was reserved for system integrity to manage demand swings resulting from nominations and variances from forecast.

Example: If the average summer demand in the EDA is 200 10^3m^3/d and the firm capacity allocated was 300 10^3m^3/d then the proportion of delivery capacity allocated would be based on a 100 10^3m^3 requirement.

The delivery capacity as determined for each delivery area is then allocated to the rate classes and customers within each delivery area using the same methodology as outlined above. This allocation methodology recognizes the requirement by customers to manage the UDC risk which exists when summer demands are less than the firm transportation allocated.

A summary of the allocation of delivery/redelivery capacity by area, by rate class, is provided at Appendix G.

In addition, the detailed allocation of the delivery / re-delivery capacity to customers within rate classes 01/10 and zones is consistent with the allocation of storage space outlined earlier. Specifically, the delivery / re-delivery capacity entitlements are determined as follows:

a) Rate 01 (residential) – delivery / re-delivery capacity by area divided by # of customers
b) Rate 01 (commercial) – delivery / re-delivery capacity by area divided by annual volume
c) Rate 10 (small commercial / industrial) – delivery / re-delivery capacity by area divided by annual volume

1.4.5 Transportation Capacity Details

As discussed above, the allocation of firm transportation capacity in the Northern and Eastern Operations area will consist of 100% TCPL FT until such time as the percentage of TCPL FT in the system portfolio falls below 60%.

The portfolio for the Northern and Eastern Operations area as of November 1, 1998 consists of the following:

Summary of System Portfolio – Union North
November 1998

North	Quantity ($10^3m^3/d$)	% of Portfolio
TCPL FT-EDA	2105	24
TCPL FT-MDA	120	1
TCPL FT-NDA	3153	37
TCPL FT-SSMDA	805	9
TCPL FT-WDA	1782	21
Exchanges-EDA	638	7
Total	8603	100

A summary of the various transportation contracts is found in Appendix H.

1.4.6 Northern and Eastern Market Area - Implications for Bundled Services

Overall, the unique and integrated nature and operation of the Northern and Eastern Operations Area will diminish as customers elect the unbundled service. As unbundled customers are allocated capacity, costs to the remaining bundled customers will increase. Under the present operation of the system in the Northern and Eastern Area, Union manages virtually all transportation capacity for all customers. The size of the portfolio and the diversity of the various customer loads within the various delivery areas has allowed Union to optimize the use of the total pipeline capacity in order to minimize Unabsorbed Demand Charges (“UDC”).

Increased costs as a result of unbundling in the North may arise in one of two ways:

1) If a significant number of high load factor customers (typically industrials) unbundle and take their proportionate share of upstream transportation capacity, this will result in higher overall levels of unutilized pipeline capacity during the year (ie. the remaining pipeline capacity will be operated at a lower load factor). This unutilized capacity will be used to the extent possible to displace forecast spot and other delivered services. However, to the extent that the unutilized pipeline capacity cannot be fully mitigated and/or used to displace spot and delivered services, this would result in an increase in costs to remaining bundled customers.
2) If a significant number of low load factor customers unbundle and take their proportionate pipeline allocation, the remaining pipeline capacity serving the remaining bundled customers would be utilized at a higher load factor. In this circumstance, Union would have less unutilized capacity compared to the existing portfolio to bring in incremental volumes and offset forecast spot or other delivered service purchases. Again, the cost associated with higher spot or delivered services purchases would represent a higher cost for the remaining bundled customers.

Both unbundled and bundled customers have the potential to experience higher costs in an unbundled world. Specific impacts are difficult to predict and depend on the level of unbundling, future market conditions, and the ability of Union and customers to mitigate these costs. Union's design of the proposed delivery/redelivery service is based on Union's desire to minimize the cost impacts associated with offering an unbundled service in the Northern and Eastern Operations area.

The costs arising from unbundling will be dependent on how many customers unbundle and in which rate classes and delivery zones these customers are in. Union will continue to attempt to mitigate any incremental costs arising from unbundling to the best of its ability through either selling excess capacity into the secondary market or acquiring incremental capacity from the secondary market. However, in Union's view, it is unlikely that all of the cost impacts resulting from unbundling in the Northern and Eastern Operations will be fully mitigated.

Union estimates that in the extremes cases of all Rate 01 and Rate 10 (general service) customers or all Rate 20 and Rate 100 (industrial) customers unbundling, bundled service costs would increase by approximately $7-9 million. In terms of estimated rate impacts, this would represent an increase in gas supply transportation costs of approximately 10-22% to all remaining bundled customers. A fully bundled customer, would experience an increase of approximately 2-4% on the total bill including gas supply in this circumstance.

Given the above, it is Union's proposal to manage the risks associated with unbundling in the North up to a level at which 30% of the demand in the North is being served through an unbundled service option. Union will adjust, on an annual basis as part of the customer review process, the gas supply transportation charge applicable to all bundled customers in the Northern and Eastern Operations Area only when this level of unbundling is achieved. This would allow for both changes in the mix and cost of transportation assets as well as the above noted impacts resulting from unbundling to be incorporated into rates.

1.5 STORAGE UNBUNDLING AND RELATED ISSUES

1.5.1 Overview of Current Storage Operation

Currently, storage is operated as a part of the integrated system in the Southern and Northern and Eastern Operation Areas. To date, storage required for infranchise requirements has been used primarily to provide bundled service (system and direct purchase).

Union operates a number of different storage pools, each with separate and unique operating characteristics. Union also contracts for a small amount of storage from third parties. The majority of Union's storage pools can be characterized as "base" pools which provide a base level of deliverability dependent on inventory levels and the manner in which the pools are operated. In addition, Union has a smaller number of pools which exhibit the physical characteristics to provide higher than average storage deliverability. These pools provide Union with the operational flexibility to supplement the injection and withdrawal capability associated with the base pools and provide peaking capabilities to meet peak day demands.

Union has incorporated the physical operating characteristics of the storage pools in the design of the unbundled storage service. The high deliverability peaking pool capacity on Union's system (Southern Operations Area) has been used to provide the standard peaking service (SPS) and to maintain Union's system integrity requirements. The peaking pool capability has also been used to provide the base level for the standard storage service (SSS) in the late season when the SSS is at low inventory levels.

1.5.2 Implications of Unbundling Storage

The offering of an unbundled storage service provides a contractual entitlement to a specified amount of capacity (ie. storage space and related deliverability). Unbundled customers have the ability to fully utilize their allocated storage based on the contractual entitlement associated with the unbundled storage service.

Unbundling storage will result in storage being used in a different manner compared to the operation of storage today in support of bundled in-franchise services. The holder of an unbundled storage contract has the ability to nominate to their maximum SSS contractual entitlement on any given day and has the ability to nominate their maximum SPS contractual entitlement on any day when the temperature constraints are met. Union, in turn, must be able to fully meet these contractual entitlements. Unbundling provides the opportunity to those electing the unbundled service option to use storage to meet both in-franchise requirements as well as market opportunities outside Union’s franchise.

1.5.3 Structure of Unbundled Storage Services

Union has structured the unbundled storage service in a manner which establishes a base level of storage service, referred to as the “Standard Storage Service (SSS)” and a higher deliverability peaking service referred to as the “Standard Peaking Service (SPS)”. As discussed in greater detail below, the SPS is a service which is available only in the Southern Operations Area.

The structures of the SSS and SPS recognize the way in which storage has been used to serve all markets in Union’s franchise and the manner in which costs have been allocated in rates. As an example, the SPS is available only in the Southern Operations Area, which reflects the fact that higher deliverability storage has been used principally to serve the general service (Rate M2) market in the South. The allocation of costs and design of rates reflect this.

The reasons for a “standard” unbundled service option are as follows:

a) Having a standard storage service is the practical way to manage the introduction of an unbundled service, particularly to the general service rate class.
b) A standard storage service provides Union the ability to plan, manage, and design the storage system to meet current and future growth.
c) A standard storage service is necessary to administer unbundled storage entitlements for all customers.
d) A standard storage service is consistent with Union’s efforts to date in structuring the storage services offered to the market (ie. primarily ex-franchise C1 storage services).

1.5.4 Unbundled Storage Service

The proposed unbundled storage service consists primarily of a “base” SSS available to all customers in both the Southern and Northern and Eastern Operations Areas. In addition to the

SSS, an SPS is available to general service (Rate M2) customers in the Southern Operations Area. The SSS and SPS (where applicable) are a mandatory component of the unbundled service. The structure and parameters associated with both the proposed SSS and SPS are described below.

SSS

The proposed SSS has specific injection and withdrawal parameters which are based on the amount of gas in inventory, the physical capabilities and characteristics of the underlying storage pools and the physical capabilities of Union's storage compression and pipeline facilities. The injection parameters decrease as the amount of gas in storage increases whereas the withdrawal parameters decrease as the amount of gas in storage decreases. The injection and withdrawal parameters have been established by recognizing the contractual entitlements available to unbundled customers on a daily basis. The injection and withdrawal parameters associated with the proposed SSS are as follows:

	Inventory Balance	Daily Entitlement
Injection	- less than or equal to 80%	0.75%
	- greater than 80%	0.50%
Withdrawal	- greater than or equal to 20%	1.2%
	- less than 20%	0.8%

The structure of the SSS as outlined above has been amended to reflect one ratchet at the predefined inventory levels noted above. This one ratchet structure is consistent with all existing ex-franchise (Rate M12 and Rate C1) contracts. The one ratchet structure also reflects comments and feedback from numerous parties who questioned both the need for and the administrative complexities associated with an SSS service containing numerous ratchets. Also, structuring the SSS with one ratchet, provides greater administrative ease to customers in operating the unbundled service and is consistent with Union's other market based storage services. The standardization of storage services will provide greater market transparency in the future.

In terms of the SSS injection parameters, the prior design of the SSS had focused principally on the withdrawal parameters necessary to meet a customer's peak day requirement. Consequently, the SSS injection parameters were established on a basis equal to the withdrawal parameters. The physical capabilities and operation of the storage pools do not support the injection parameters previously discussed with stakeholders. The physical constraints on Union's storage pools and related facilities do not support filling storage in the 92 days indicated in the initial proposal. The operation of the storage pools from an injection viewpoint are different from the physical capabilities associated with storage withdrawal. Union also notes that the proposed SSS injection parameters are consistent with the injection parameters related to all ex-franchise (M12 and C1) contracts.

The SSS withdrawal parameters and the structure of both the SSS and SPS have been modified to better align the service with the design and operation of Union's storage system. The SSS parameters reflect Union's contractual obligations to provide the unbundled storage service up to the maximum entitlement on a given day. Union's ability to provide this base level of SSS relies on the use of the peaking pool (high deliverability) flexibility which underlies the SPS and storage required for system integrity. Union has attempted, through the design of the unbundled storage service, to maximize the flexibility provided by Union's high deliverability peaking pools in order to provide the maximum storage parameters associated with the SSS, SPS, and to provide the storage required for system integrity. It is noted that the SSS, as proposed, is consistent with all of the ex-franchise storage services recently sold by Union to the marketplace. Finally, Union notes that the proposed rates associated with the SSS have been adjusted to reflect the above noted changes.

Further to the above, the most recent storage offering related to the Century Pools Storage Development had the following parameters:

a) Injection – inventory less than or equal to 75% - 0.75%
b) Injection – inventory greater than 75% - 0.50%
c) Withdrawal – inventory greater than or equal to 25% - 1.2%
d) Withdrawal – inventory less than 25% - 0.8%

Union notes that the injection and withdrawal entitlements within the Century Pool contracts are interruptible in the October/November and April/May periods respectively in contrast to the proposed SSS which has firm injection and withdrawal rights at all times.

SPS

The SPS is a service in addition to the SSS which applies to all general service customers in the Southern Operations Area electing the unbundled service. The SPS service provides storage space with a high deliverability entitlement in order to serve heat sensitive customers in the Southern Operations Area and reflects the capacity used to serve customers in this market today.

The deliverability of the SPS is 10% of the Maximum Storage Balance (of SPS). This is equivalent to a 10 day peaking service. The SPS service is mandatory as it represents the amount of storage deliverability used today for this market. The costs associated with this service are recovered in the distribution delivery charge. Unbundled customers will have the ability to use and manage this service in conjunction with the SSS.

The terms and conditions associated with the SPS are as follows:

a) High firm deliverability service (ie. 10% deliverability of SPS Maximum Storage Balance).
b) SPS accounts managed separately from the SSS – there must be inventory within the SPS account in order to access the high deliverability associated with this service.
c) SPS plus the SSS maintains the existing Rate M2 class deliverability.
d) SPS is a mandatory service for the M2 Rate Class in the Southern Operations Area.
e) The SPS entitlement is equal to 16% of the SSS entitlement.
f) The fixed cost associated with providing SPS is recovered in the distribution delivery charge.

g) The charge for SPS injections and withdrawals is the authorized storage injection and withdrawal overrun rate.

h) The customer will have access to the SPS account and associated deliverability when the forecast mean temperature for a day is minus 4ºC or lower.

i) The customer has full access to the SPS deliverability on a given day once the minus 4°C temperature threshold is reached.

j) Injections into the SPS account will be subject to the injection parameters associated with the SSS for the period of April 1 to October 31. For the period of November 1 to March 31, injections into the SPS account are 5% of the SPS Maximum Storage Balance which is equivalent to a 20 day service.

k) The SPS is only available when a customers' SSS inventory is in excess of 20%.

Union has modified the SPS (as described above) from that discussed previously with stakeholders in order to increase the flexibility and management of the SPS by a customer. In particular, the temperature threshold at which the SPS can be accessed is warmer, the SPS deliverability has been increased, and the SPS account is now structured in a manner which allows a customer the ability to manage the SPS separately from the SSS. The weather threshold and the inability to access the SPS when SSS inventory levels are less than 20% reflect both the physical operating characteristics of the storage pools and the design of the unbundled Standard Storage Service. The high deliverability SPS service is constrained from the perspective that Union must have the ability to physically refill the high deliverability pools after gas has been withdrawn from these pools to meet the peaking requirements of the markets. The temperature threshold provides Union with the capability (ie. injection window) to physically refill these pools during the winter in order to meet the requirements associated with future peak market conditions for the general service market. (ie. Colder than minus 4ºC) Further, the inability to access the SPS at inventory levels less than 20% reflects the fact that Union is using peaking pool capability to provide the late season storage deliverability of 0.8% associated with the SSS at inventory levels less than 20%. As such, the SPS is not accessible in circumstances where the SSS inventory levels are less than 20%.

1.5.5 Unbundled Storage Space Allocation

In general, the allocation of storage space to customers electing the unbundled service option reflects the existing Board approved cost allocation methodologies. In this regard, it is noted that the allocation methodologies and approaches for the Southern and Northern and Eastern Operation Areas are different and continue to reflect the unique operational characteristics associated with each of these areas.

Southern Operations Area

Union’s Board approved cost allocation methodology allocates storage space and the associated costs to bundled rate classes in proportion to each rate class’ “aggregate excess” (the difference between winter demand and average annual demand for a 151 day winter period). Union proposes that the allocation of storage space to individual customers who unbundle be based on this same methodology.

Further, Union proposes that a factor of 97.6% be applied against each customer's aggregate excess when the amount of storage space available to a customer who unbundles is determined. The application of a factor recognizes that some customers (e.g. paving, cement, construction, grain drying and tobacco) have a predominately summer load that has served to reduce the aggregate excess of their rate class in total. In the absence of a factor being applied, Union would be allocating approximately 32 10^6m^3 (1.1 Bcf) more storage space to customers who unbundle than is available to the various rate classes. This "over-allocation" of storage space to unbundled customers would reduce the system integrity space available to Union to manage the provision of all services and maintain system integrity.

For administrative ease Union has calculated a single factor, to be applied in all rate classes in the Southern Operations area, rather than factors that would vary by rate class. In addition, to simplify the determination of storage allocations at the time of unbundling, Union is proposing to allocate a fixed amount of storage per M2 residential customer and to calculate the amount of storage an M2 commercial/industrial customer receives in relation to their annual consumption. The application of the 97.6% factor applied against the aggregate excess for the M2 rate class is incorporated in the proposed M2 residential and commercial/industrial storage allocations.

Union is proposing the following allocation of storage space to individual customers in the Southern Operations area:

M2 General Service:

Residential (SSS)	742 m^3 (28 GJ's) per customer

Commercial/Industrial(SSS) 23.6% of a customer's annual normalized volume

(Note: SPS entitlement for Rate M2 customers is 16% of SSS entitlement.)

M4, M5A, M7, M9, M10

97.6% X Individual customer's aggregate excess

Rate M6A

No storage

The aggregate excess profile of residential and commercial/industrial customers has been used to compute the storage allocation factors identified above and are based on 1999 Board approved, general service throughput forecasts. Union will annually evaluate and adjust if necessary, the storage allocations should there be a change in the underlying aggregate excess profile of customers.

Northern and Eastern Operations Area

The allocation of storage space to customers electing the unbundled option in the Northern and Eastern Operations Area is consistent with the allocation methodology used for the redelivery capacity described previously. The storage space available to customers in the North is allocated by delivery area in proportion to the peak day shortfall. As noted earlier, the peak day shortfall is the difference between the peak day demand and the allocated firm transportation capacity. The allocation of the storage space associated with each delivery area is then similarly allocated to the rate classes in proportion to the peak day shortfall.

The allocation of storage space to individual customers within each delivery area and rate class is determined as follows:

a) Rate 01 (residential) – Rate 01 (residential) storage space by delivery area divided by number of customers in delivery area
b) Rate 01 (commercial) – Rate 01 (commercial) storage space by delivery area divided by annual demand/volume in delivery area
c) Rate 10 (small commercial/industrial) – Rate 10 storage space by delivery area divided by annual demand/volume in delivery area
d) Rate 20/100 – customer specific allocation by delivery area in proportion to the peak day shortfall and peak day as described above

A summary of the allocation of storage space for the Northern and Eastern Operations Area, is found at Appendix G and incorporates the total storage space available in the Northern and Eastern Operations area net of the storage space held for system integrity purposes (ie. 14.0 Bcf). The Northern system integrity space included in Union’s total system integrity requirements as outlined at Section 1.5.6 is approximately 0.6 Bcf. In addition, there is no allocation of storage to Rate 25/16/30/77 customers consistent with the current cost allocation and rate design methodologies.

A summary of the customer specific storage allocation for individual Rate 01 residential customers in the North, by zone, along with the customer specific allocation percentage based on annual demand for Rate 01 and Rate 10 commercial customers in the North, by delivery area, is found at Appendix I. These storage allocations are based on the 1999 Board approved Rate 01 and Rate 10 throughput forecasts. Union will annually evaluate and adjust, if necessary, these storage allocations should there be a change in the factors (ie. peak day shortfall) underlying the storage allocation.

1.5.6 System Integrity Storage

Union currently maintains approximately 10.4 Bcf of system integrity storage space to provide the bundled services that are offered today. This system integrity space allows Union to continue to accept delivery of more gas than forecast entering the heating season and gas use is below forecast (e.g. weather warmer than normal in November/December). It also allows Union to continue to meet demands above forecast through to the end of the winter (e.g. weather colder than normal in March/April) by keeping some extra gas in storage for late season deliverability.

As customers choose unbundled services they will manage these forecast variations. However, Union will need system integrity space for other purposes. Union's unbundling proposal sets aside 9.1 Bcf of storage space for reserve capacity and operational balancing required to manage all services and ensure system integrity. This represents approximately 7% of Union's total storage capacity. This level of system integrity space will allow Union to provide the following services on behalf on all system users:

		System Integrity Storage Requirements (Bcf)
a)	Manage weather variances on algorithm based estimates for non-daily metered customers. (3.0 - 4.0 Bcf)	3.3

b)	Backstop supply failures (limited and for a fee to those shippers who fail to supply). (2.0 – 3.0 Bcf)	2.3
c)	Operational integrity (3.0 - 4.0 Bcf) (ie. variances related to line pack management, unaccounted for gas variance and operating balancing agreements with interconnecting pipelines)	3.5
	Total	9.1

Except for this space set aside for system integrity, all remaining storage space is allocated to customers. Consequently, Union will have the same per unit storage capacity (space and deliverability) to serve bundled customers as is being allocated to those choosing unbundled services.

This system integrity space need was quantified assuming all customers elect unbundled storage service and provide their own balancing and deliverability requirements from the storage they have been allocated. To the extent some customers do not elect unbundled storage service, Union will provide balancing and deliverability from the storage capacity retained to serve bundled customers in the same way as unbundled storage customers.

1.5.7 Unbundled Storage Pricing

Union is proposing to initially unbundle its infranchise storage services at cost. During the proposed five year term of the PBR framework, Union will continue to unbundle and allocate storage at the infranchise unbundled storage rate. The unbundled storage rate will be subject to the provisions of the PBR framework governing service price increases.

As described previously, Union is proposing to allocate storage in the same manner as storage costs are allocated in current rates. In addition, Union is proposing to maintain the storage entitlements as outlined above subject only to changes justified on the basis of changes to the underlying rate class storage profiles. Any such change in the storage allocation factor would be brought forward through the customer review process. This will ensure that all unbundled customers, at any given point in time, will receive a consistent allocation of storage regardless of the timeframe in which individual customers elected the unbundled service. This will also ensure that existing bundled customers who elect to unbundle at some future time, or new customers that are added to Union's system will retain or be allocated the same storage entitlement as those who elected to unbundle earlier.

Retail Energy Marketers (REMs) will be allocated annually, on behalf of their M2 Rate class customers', an amount of storage (SSS and SPS) reflecting their end use customers portfolios. Each year (ie. April 1), the amount of storage capacity allocated will be recalculated based on the number of end-use customers under contract. The amount of storage capacity allocated will be a fixed amount per residential end user based on 1999 OEB approved cost allocation. As noted above, the fixed amount of storage may change in the future should the customer profile change the basis upon which storage was originally allocated (ie. in the case of residential Rate M2 customers, the fixed storage per residential customer could change should the average aggregate excess for the Rate M2 class change in the future). Similarly, storage capacity allocated for non-residential end use customers will be redetermined annually based on annual contract volume and load factor. It is noted that Union's commitment to assume the risk of managing in-franchise storage growth at cost over the PBR term is premised on both the proposed rate escalator for the

PBR proposal and Union's proposal to price all ex-franchise storage at market at the time of contract renewal and the elimination of all existing storage and transportation deferral accounts.

1.5.8 Transition from Cost to Market Pricing for Storage

In the MDTF report, it was agreed that storage would initially be provided at cost, conditional upon an agreement in the industry for:

a. a transition to market based rates, and
b. a firm commitment to develop a market pricing mechanism.

In order to implement storage unbundling consistent with the principles agreed to by the MDTF, the following is required:

a. Develop and agree on a market pricing mechanism.
b. Agree on an appropriate transition mechanism to move from cost to market.
c. Agree on how the market value charged by the utility will impact rates.

After numerous and lengthy discussions with stakeholders about the mechanism and process to transition to market pricing for in-franchise storage, Union believes that a consensus is not achievable to move to market pricing for in-franchise storage at this time. Union therefore proposes to allocate all infranchise storage at cost. Union will maintain its current practice of transitioning all ex-franchise storage services to market upon contract expiry and subsequent renewal.

Union modified its earlier position to price all in-franchise storage at market after it became clear during discussions with stakeholders that the proposal to transition to market pricing for in-franchise storage using projections of the seasonal price differences at Dawn as a proxy for free negotiations was causing concerns. The concerns expressed by some stakeholders included the perceived lack of competitive alternatives to those customers still being served through Union's system gas offering. There were also concerns related to potential price volatility, and the effectiveness of using a proxy method to substitute for free negotiations between the parties to determine market value for storage. Exfranchise storage services have clear market alternatives (as demonstrated in Union's Bentpath/Rosedale and Century Pools Phase I Storage development applications) and market prices currently exist.

1.5.9 Future Standardization of Storage Contract

As described previously, the design and parameters associated with the unbundled SSS are consistent with all of the recent market based storage offerings made by Union. At the time of contract renewal, it is Union's intention to structure all existing storage contracts (M12 and C1) to be consistent with the proposed SSS. In Union's view, having a consistent base storage service will provide greater transparency for storage pricing in the market place and will provide a platform by which to better assess moving in-franchise storage to market at a future date. Union notes that certain existing contracts currently have a high deliverability component. Union will review its ability to provide an SPS service on contract renewal.

1.5.10 Future Storage Development

As described above, Union is proposing to maintain a fixed storage entitlement for customers electing the unbundled service offering, subject to adjustment only in those circumstances where the profile of the customers support a change in the storage entitlement. As such, Union would manage all future storage requirements related to growth over the term of the proposed PBR plan. Union notes that the proposal to manage the additional storage costs associated with developing or acquiring additional storage capacity would result in the incurrence of incremental costs relative to those reflected in current storage prices. Union's proposal to manage this risk is dependent on both the proposed PBR rate escalator and pricing all ex-franchise storage at market at the time of contract renewal and the elimination of all existing storage and transportation service deferral accounts.

1.5.11 Annual Reallocations/Redistribution of Unbundled Storage

Other than the initial date at which unbundling is implemented, Union is proposing to reallocate/redistribute unbundled storage allocations once a year, every April. The rationale supporting an annual reallocation/redistribution of storage every April is as follows:

a) At April 1, storage inventory levels are low which will minimize inventory transfer and other transitional issues.

b) April 1 represents the "start" of the storage injection season and the summer strip.

c) Attempting to administer storage allocations other than once a year every April would significantly increase the administrative complexity and costs associated with managing the unbundled service.

d) Once unbundling is in place, Union notes that existing unbundled customers (REMs) who already have an existing allocation of storage are not precluded from adding additional unbundled customers to their portfolio at any time. An REM has the ability to choose to manage additional customers within their existing unbundled storage allocation. In this circumstance, an allocation or reallocation of storage would still only occur every April. Union would also note that customer movement between system and bundled direct purchase arrangements will continue to be facilitated in a manner consistent with current practices.

1.6 OTHER UNBUNDLING RELATED ISSUES

1.6.1 Title Transfers

Currently, title transfers are facilitated and can occur on Union's system at any of Union's pipeline interconnects. The fee currently charged by Union for title transfers is $0.003/GJ. In addition to this title transfer fee, the amounts charged per contract to customers for title transfers are capped at $1,800 per month or $850 per month if the level of transactional business with Union exceeds $5,000. However, the process by which title transfers are facilitated will differ between bundled and unbundled customers.

For bundled customers, Union will attempt to facilitate an assignment of supply between parties to allow bundled direct purchase customers the flexibility to balance under the terms and conditions of their bundled direct purchase arrangement. In this context, the assignment would be facilitated using supply entering Union's system. Further, in these circumstances (ie.

balancing), Union will approve assignments between bundled direct purchase customers as long as the assignment serves to mitigate the imbalance position of both parties (ie. one party long gas, one party short gas). In this case, the charge to facilitate the assignment is the $0.003/GJ title transfer fee.

In circumstances where a bundled direct purchase customer fails to proactively manage an imbalance prior to the contract renewal date by title transferring volumes entering Union's system, a bundled transfer of the imbalance (from storage) may be necessary. In this circumstance, the fees for the bundled transfer are $0.03/GJ plus the $0.003/GJ title transfer fee.

For unbundled customers, title transfers are facilitated in the same manner as described above for bundled direct purchase customers. In addition, title transfers for unbundled customers are less restrictive as compared to a bundled direct purchase customer given that unbundled customers separately manage all of the components associated with the unbundled service, including storage.

In situations where an unbundled customer wishes to title transfer gas in storage, they will have to use their contractual unbundled storage parameters (ie. injection and withdrawal) to facilitate a title transfer. As noted above, as long as two parties have gas coming into Union's system at one of the various pipeline interconnects, the title transfer can be facilitated without the need to use storage.

1.6.2 Allocation of Inventory and Storage

Union is proposing to allow customers to move to an unbundled service during a transition period (ie. from the date that the unbundled service is available to March 31, 2001.

Union's proposal to transfer gas in storage to customers who choose an unbundled service is addressed in the following sections:

1. Background
2. Amount and Value of Inventory Transfer
3. Financial Settlement of ABC Contract
4. Storage Costs

Background

Union's gas in inventory includes gas purchased to supply its system and buy/sell customers. In the case of buy/sell customers, the gas purchased from those customers at the Alberta or Ontario borders is sold to those customers at their burnertip. Union also purchases gas to meet its design day requirements and maintain system integrity. In addition, this gas is used to balance the supply and demand of all of Union's bundled customers including bundled direct purchase customers who are only required to balance under their contracts upon contract renewal.

Generally, customers will be permitted switch to unbundled service at April 1 of each year starting April 1, 2001. April 1 was selected as it is the beginning of the injection period and the amount of gas in storage is low. However, there will still be some volume of gas in storage at April 1.

Union proposes to transfer to the customer its proportional share of the gas in storage at the time that a customer chooses to take the unbundled service. The amount of gas to be transferred and the related costs are described in the following sections.

Amount and Value of Inventory Transfer

a) System Customers

For system customers choosing the unbundled service, the amount of gas to be transferred will be equivalent to their prorata amount of gas in inventory at that time. This prorata amount is determined by applying the percentage of storage capacity filled in the month on behalf of all customers operating under a bundled service to the amount of storage space allocated to the customer choosing unbundled service. For example, if Union's bundled storage space is 10% full and the customer electing the unbundled service has been allocated 28,000 10^3m^3 of storage space, the prorata amount of gas to be transferred would be 2,800 10^3m^3.

The gas transfer will be initially charged to the customer at Union's inventory reference price. This rate is equivalent to the landed cost of Union's Alberta supply using firm TCPL transportation. This gas will be deemed as system supply and will accordingly attract its proportionate share of all of Union's gas supply related deferral accounts upon their disposition at the end of the year during which the inventory transfer took place.

b) Bundled Direct Purchase Customers

Under normal circumstances, Union's bundled direct purchase customers (ie. buy/sell and bundled-t) are allowed to change their service at contract renewal. In addition, as bundled direct purchase customers are required to balance their deliveries and consumption only at contract renewal, there will be an imbalance at any other time of the year. If a bundled direct purchase customer wishes to change to unbundled service during the term of the existing bundled contract, the imbalance will need to be considered in determining the inventory transfer.

Similar to a system customer electing unbundled service, there will first be a determination of the prorata amount of gas in storage (ie. the 2,800 10^3m^3 in the above example). The level of the customer's imbalance will then be compared to the volume of storage allocated and the following rules will apply.

i) If the customer has delivered more than it has consumed (ie. positive imbalance) and if this imbalance is equivalent to the unbundled prorata amount of gas in storage, there is no need for the customer to purchase Union's gas inventory as it has already provided an equivalent amount of gas to Union.

ii) If the customer's positive imbalance exceeds the unbundled prorata amount of gas in storage then the customer's imbalance will be transferred into the allocated storage space. Once again, the customer will not have to purchase any of the gas in inventory. However, the customer will need to manage gas in storage under the terms and conditions of the unbundled storage service.

iii) If the customer's positive imbalance is less than the unbundled prorata amount of gas in storage, the customer must purchase the shortfall from Union. This gas will be initially charged to the customer at Union's inventory rate. This gas will be deemed as system supply and attract its share of all of Union’s gas supply related deferral account balances upon disposition at year end.

iv) If the customer has a negative imbalance, Union has purchased the gas filling the allocated space. As a bundled direct purchase customer is allowed to balance within +/- 4% at contract expiry, the gas between –4% and the prorata amount of gas in storage must be purchased from Union on the same basis as outline above. Consistent with the current treatment of direct purchase imbalances, the gas filling the remaining shortfall will be purchased from Union at the greater of Union’s spot purchases for the quarter or Union’s landed WACOG.

Financial Settlement of ABC Contract

Under ABC service, Union purchases an REM’s supply at the rate that the REM instructs Union to collect from the REM’s customers. On an annual basis, if the amount of gas delivered to Union were equivalent to the amount consumed by the REM’s customers, the amount collected would be equivalent to the amount paid to the REM. However, at any point during the year, there may be a net payable or receivable between the REM and Union.

Currently, on an annual basis or at contract renewal, there is a financial settlement of any net receivable or payable balance. Similarly, if an ABC service contract is converted to unbundled service prior to contract renewal, a financial settlement of the outstanding receivable or payable balance is required.

Storage Costs

Issues related to storage costs are only applicable for customers electing the unbundled service in the transition period (ie. date unbundled service is available and March 31, 2001).

Storage costs are paid by the customer effective the preceding April 1 to correspond to the beginning of the injection period. For those customers that switch to unbundled service at April 1, there are no transition issues related to storage given that April 1 represents the start of the injection period. However, for customers electing an unbundled service during the initial transition period (ie. from the date that the unbundled service is available to March 31, 2001). There is a requirement to pay all unbundled storage related costs, retroactive to April 1, 2000 net of any amounts already recovered from the customer under their bundled service.

The storage costs will include space and deliverability charges from April 1, 2000. For customers that unbundle prior to the end of the injection season, the customer will be required to pay the unbundled storage injection charges on the amount of gas transferred to its storage account. Customers who unbundle after October 31 will also be responsible for storage withdrawal costs.

The customer will receive an offsetting credit for any amounts recovered under their bundled service. This amount will be determined based on an average load profile.

The true-up for storage costs outlined above for customers wishing to elect the unbundled service during the unbundling transition period is necessary to ensure that Union is financially neutral to customers switching mid-year from a bundled to an unbundled service. This true-up mechanism is administratively burdensome and underscores why Union is not prepared to accommodate customers electing the unbundled service on a date other than April 1, except for the unbundling transition period.

1.6.3 Return to System

Union currently provides a default supply function and as such manages return to system for all bundled direct purchase arrangements. When customers are on a bundled direct purchase arrangement and customers return to system (either due to the customer or REM's initiative), Union has and continues to manage the resulting default supply function. In this circumstance (ie. bundled service), there is no allocation of storage and all remaining upstream transportation capacity assigned to customers reverts back to Union at the time customers return to system. The treatment of any gas in storage which exists at the time when bundled direct purchase customers return to system is dealt with in a predefined manner.

With the proposed unbundled services, return to system is more complex. The proposed terms and conditions associated with upstream transportation capacity assignments for the unbundled service option does not result in the upstream transportation automatically reverting back to Union at the time of return to system. Any return of upstream transportation capacity to Union in this circumstance would require the mutual consent of both Union and the customer.

The treatment of storage in the circumstance of an unbundled customer returning to system is also different as compared to the current bundled service offerings. Under the existing bundled service, there is no allocation of storage as compared to the unbundled service where there is a specific allocation of storage capacity. Furthermore, Union proposes that unbundled storage capacity will only be reallocated/redistributed on an annual basis every April 1st.

In addition to the above, Union's TCPL turnback policy also impacts Union's management of return to system. Under the TCPL turnback policy, both bundled and unbundled service customers can turnback TCPL capacity and arrange for replacement capacity available in the secondary market. As such, when customers return to system in the future, Union will be unable to simply access the TCPL capacity assigned at the time the original direct purchase arrangement was initiated (as it has traditionally done in the past) and therefore will have to access the secondary market to acquire sufficient capacity to fulfill the default supply function for both bundled and unbundled customers.

Within the proposed unbundled service, Union is taking on the following obligations associated with customers returning to system:

a) Gas Supply (Commodity)
b) Upstream Transportation
c) Storage
d) East End Commitment Obligations

In terms of a) and b) above, these costs are similar to the costs arising from Union's existing management of return to system. However, the costs may be higher or lower as compared to the existing bundled service given that the REM is under no obligation to return the transportation capacity to Union when customers are returned to system. The cost consequences of managing these items are currently captured in the existing gas supply related deferral accounts in both the Southern and Northern and Eastern Operations area. Moreover, these costs are generally disposed of to customers based on an understood and approved disposition methodology. The management of storage (or lack thereof) is a new exposure facing Union if unbundled customers return to system. Union has addressed this issue in part by proposing to only reallocate/redistribute unbundled storage amounts on April 1 of each year.

The management of the firm supplies at the east end of Union's system is an obligation related to return to system and is a new exposure facing Union which results from a combination of the new unbundled service and Union's TCPL turnback policy. Specifically, when customers (bundled or unbundled) return to system, Union will no longer be assured of receiving back all of the TCPL FT (Parkway) capacity originally assigned at the time the direct purchase arrangement was initiated. As such, when customers return to system, Union must arrange the default supply in a fashion which preserves the integrity of the deliverability at the east end of Union's system. Union will do this either by arranging TCPL FT capacity which provides for deliveries at Parkway or by contracting separately for a Winter Peaking Service ("WPS"). Any costs incurred by Union associated with managing the east end obligation arising from return to system will be captured in a new deferral account and be recovered from system customers.

In a situation where a customer returns to system and shortly thereafter elects the unbundled service within the same contract period, Union will continue to displace gas supply and provide a vertical slice of the portfolio at that point in time. In this circumstance, Union's proposal to only allocate storage once a year at April 1 is designed to prevent the circumstance of storage being allocated twice for the same customer. The management of storage under the unbundled service was discussed in Section 1.5 in the evidence.

In general, Union's options to manage return to system are as follows:

a) Spot supplies (Dawn delivery gas) plus WPS.
b) Firm capacity (secondary market capacity or TCPL contract).
c) Combination of a) and b).

The cost consequences of managing return to system are outlined below. However, Union's clear position is that any costs incurred to provide the default supply function and facilitate return to system should be recovered from ratepayers. The risks and challenges associated with facilitating the continued development of the market in Ontario while simultaneously maintaining the default supply function are significant. Union is prepared to proceed with unbundling as proposed, but in Union's view, there must be an explicit recognition and acknowledgement of the impacts to Union and the assurance of cost recovery.

Return To System Policy

The principal elements of Union's return to system policy, in addition to issues outlined above, have been designed to provide as much flexibility as possible (ie. to move from system to direct purchase) while balancing Union's ability to manage return to system and the associated cost implications.

Unbundled Direct Purchase

The unbundling process has created a need to re-examine the current return to system policy to address the costs and risks that may arise from consumers who unbundle and then return to system. Under the proposed unbundled service, the upstream transportation and storage assets required to serve customers either do not necessarily return to Union (ie. transportation assets) or may not immediately return to Union (ie. storage assets) should those customers return to system supply. Union, in managing the default supply function, may incur significant and unanticipated costs to serve these customers. In particular, Union may need to purchase higher priced winter spot gas, secure additional Parkway peaking service or purchase incremental peak storage.

In Union's view, managing return to system in the context of the proposed unbundled service requires different terms and conditions from those currently in place for bundled direct purchase arrangements. Union must have sufficient the ability to access the storage necessary to serve customers returning to system and must have sufficient time to plan for and arrange the necessary supplies.

To address the return to system issues related to the new unbundled service options, Union is proposing that customers (REM's) enter into a firm one year contract for the unbundled service during which an REM is not allowed to return end use customers to system. The marketer would be responsible for all end use customers served under the unbundled contract until the expiration of the contract the following April. A REM operating under an unbundled arrangement and wishing to return customers to system will be required to provide 90 days notice prior to April 1. A customer who is returned to system in this circumstance will be required to stay on system gas for minimum term of 60 days. If an REM returns customers to system prior to the April 1 contract expiry date, this would constitute a contract default. In this circumstance, all upstream transportation and storage capacity used to serve these customers would immediately revert to Union. In addition, Union would require the ability to purchase any inventory in storage at that time which was acquired by the marketer on behalf of the end use customers served by the unbundled service. In either case, the storage capacity would return to Union to manage on behalf of those customers returning to system. This policy will apply equally to Southern and Northern customers.

Bundled Direct Purchase Customers

In the spring of 1999 Union Gas modified its return to system policy. Previously, a customer who returned to system gas was required to remain as a system customer for a minimum of twelve months. In addition, a marketer intending to move a retail consumer from system supply to a direct purchase supply option was required to give Union notice of at least 60 days, to allow Union time to process the request. Under the modified return to system policy, the customer is only required to return to system for 30 days and provided a marketer gives Union prior notice, the customer could leave system having only been back on system supply for 30 days. Given the introduction of the TCPL turnback policy, Union is no longer in the position of getting back the upstream transportation assets as it has in the past when customers return to system. As such, Union is proposing to modify the return to system policy to provide for 90 days prior notice from a marketer wishing to return customers to system and in turn, customers will be required to stay on system gas for a minimum of 60 days. These time periods are consistent with those proposed for return to system related to the unbundled service as outlined above.

Cost Recovery

Union proposes to continue to manage return to system in a manner similar to today where the costs related to return to system are captured in Union’s gas supply deferral accounts and disposed of to customers according to the existing disposition methodologies. In Union’s view, there is no reason to deviate from the manner in which Union manages the impacts of return to system today.

However, in the event of an ‘abnormal’ return to system circumstance (defined as a deferral cost impact of at least $5 per consumer and includes a marketer failure or bankruptcy), Union proposes to have the right, under the PBR mechanism, to address such circumstances through the customer review process and to the extent necessary, propose an alternate disposition methodology. While Union is hopeful that such circumstances will not arise, there should be agreement on the process by which such a circumstance will be addressed. Union notes that if such a circumstance were to arise, Union would immediately inform the Ontario Energy Board and all parties, regardless of the timing of the next customer review process.

1.6.4 Imbalance Fees

The offering of an unbundled service provides customers with a contractual entitlement to use the assets allocated to them to meet their requirements (infranchise or exfranchise). From an operating perspective, customers will need to manage, on a daily basis, supply nominations related to upstream pipeline capacity and storage. In order to continue to manage the system efficiently, customers must manage their nominations within reasonable tolerance levels. Union is proposing imbalance fees for variances between nominated and actual amounts as outlined in Appendix J. The imbalance fees proposed are consistent with the imbalance fees currently charged by TCPL. In Union's view, it is appropriate that the imbalance fees on the TCPL and Union systems be consistent.

1.6.5 Unauthorized Storage Overrun

A key principle underpinning Union's unbundling proposal is that system integrity cannot be jeopardized. Union's system is designed and operated to ensure that all demands can be met everyday of the year. To date, Union has managed system integrity by controlling and managing the majority of supplies entering Union's system. Under firm bundled direct purchase arrangements today, supplies arrive on a firm basis, 365 days a year.

With the introduction of the proposed unbundled service, the operation of the integrated system will become more complex and difficult. Customers electing the unbundled service will have greater flexibility to manage their supplies to meet demand requirements. Consequently, Union must have the ability, through the unbundled contract, to ensure customers operate within the unbundled service contract parameters. Union is proposing that a $100/GJ storage overrun penalty apply to all customers electing the unbundled service. This is not cost based penalty but is intended to be a punitive charge to ensure that customers do not, under any circumstance, exceed their authorized storage entitlement on a given day. Should an unbundled customer exceed their storage entitlement, particularly under peak day conditions, Union could be in a position of being unable to meet all firm demands. In Union's view, this situation must be avoided at all cost in order to preserve the integrity of Union's system.

Union notes that the unbundled service for the small volume market will rely on the demand forecast as provided by Union through the usage algorithm. As such, customers will use this forecast to manage their storage nomination and to determine any excess capacity which may be available on a given day. For the large volume market, customers are accountable for projecting their own demands and managing the nomination of their supplies.

1.6.6 Customer Impacts

Union's unbundling proposals have been developed with the objective of allowing customers to retain their current bundled services without significant cost increases. The cost of unbundled services will be customer specific and will depend upon usage characteristics (e.g. load factor) and how unbundled services are managed. Union does not anticipate material cost increases to bundled services as a result of some customers choosing unbundled services. This is dependent upon the following key assumptions:

a. Union obtains the 22 day Parkway call rights for unbundled customers and retains the existing 365 day commitments at Parkway for bundled customers.

b. Union retains the system integrity storage space as proposed.

c. Union does not incur stranded asset costs.

d. The structure of the unbundled service offering in the Northern and Eastern Operations Area remains as proposed with the continued aggregation of the assets and capacity underlying the proposed delivery/redelivery service.

e. Storage unbundling includes the transfer of the applicable inventory balances as proposed to maintain neutrality for system gas users.

f. Union's return to system policy for both bundled and unbundled customers is as proposed.

g. Union's vertical slice methodology is applied (after the effective unbundling date) to all system customers electing either a bundled direct purchase or unbundled offering.

1.6.7 Unbundling Implementation Issues

A number of systems and process changes are required to implement unbundling. Some of these require significant lead times. Systems and process changes are dependent on the final unbundling details, which are subject to OEB approval, and many of these changes cannot be completed prior to this approval. The key changes required to implement unbundling are:

a. Daily nominations
   - ability for marketers and end use customers to receive daily consumption data.
   - ability for Union to receive larger volume of nominations from unbundled customers.

b. Systems to track storage allocations and to adjust/redistribute storage annually (ie. April 1).

c. System to track all transportation allocations and requests for changes.

Union is currently developing a daily usage algorithm to provide an estimate of the daily consumption of residential and small commercial customers given forecast weather in multiple delivery areas. The algorithm will also be used to compute consumption based on actual weather. This daily consumption information will be provided to retail marketers to allow them to make daily nominations and load management decisions as required with the unbundled service. The daily usage algorithm prevents the need for daily metering of every end user.

At the same time Union is working on the development of a wholesale billing and information exchange system. This will support marketers having their own billing and customer care systems. Union is currently working on developing this capability in order to operationalize the unbundled service once approved. However, Union notes that the final structure of the unbundled service, in addition to the details related to issues such as customer mobility are required before the necessary system changes can be finalized. Any delays in finalizing these critical aspects of the unbundled service will impact the ability to complete the required system changes on a timely basis.

In order for retail marketers to be able to use unbundled services they must be able to bill their end-use retail customers. Union is focusing its systems change efforts on providing wholesale billing and the related information exchange (as described above).

Union notes that the existing Agency Billing and Collection ("ABC") service is a transitional service provided by Union to allow retail marketers to sell gas to end-use consumers without having their own billing capability. Union will continue to offer the existing ABC service for the current bundled services, but it will not be modified to provide the capability to extend the ABC service to the new unbundled services.

An example, illustrating at a high level, the nomination process for a U2 (general service market) unbundled customer, is found at Appendix J.

1.6.8 Unbundling of Billing

As agreed to by all stakeholders during the initial consultative sessions held by Union, Union will be addressing unbundling in two stages requiring two separate OEB applications. The first stage of unbundling as outlined in Union's application and as addressed in this evidence involves the unbundling of upstream transportation and storage. The second stage of unbundling is related to billing and it is that process that will provide for the determination of a wholesale delivery rate.

In terms of the second stage of unbundling, Union is pursuing three initiatives necessary to provide wholesale billing capability which are as follows:

1. Internal Process - Internally, Union is evaluating the existing billing function in order to isolate all processes and related costs. Union then needs to examine how the existing billing function will change to facilitate the transition to retail energy marketers having the ability to bill end use customers directly and to minimize any stranded costs.

   External Process – The OEB has recently began discussions related to the development of a distribution access code. This process, which will involve stakeholder input, will establish access rules as required and will address issues related to parties other than the regulated utilities billing end use consumers

3. Customer Communication - Union will be working on out a customer communication plan required to inform customers, among other things, of the following:

   a. legislative changes resulting from Bill 35
   b. Union's changing role as a delivery company
   c. the ability of retail energy marketers to bill directly for the total burner tip service provided to customers (including the delivery related costs) - this communication will need to inform customers of the potential that they will no longer receive a bill from Union and will need to "bridge" the customer communications done as part of the introduction and implementation of ABC Service.

Union is committed to working with stakeholders in developing these communications.

In terms of the process associated with billing unbundling, Union anticipates following a consultative process similar to that followed for upstream transportation and storage.

1.6.9 Unbundling Implementation Timing

Union's current application addresses the unbundling of upstream transportation and storage. A separate application will be required in order to address the development of a wholesale billing rate. At this time, Union anticipates OEB approval of the unbundled upstream transportation and storage services in approximately May, 2000. However, the ability to implement and operationalize these new unbundled services is dependent on the systems and process design work related to unbundling the billing function. The proposals as outlined in this evidence will require new or enhanced systems in order to manage the daily nomination and other parameters related to the unbundled service for both the small and large volume markets. Union is currently projecting to have these systems and processes in place and operational by September 1, 2000. As such, Union is targeting September 1, 2000 to implement all unbundled services, including the wholesale billing service.

THE DELIVERY COMMITMENT CREDIT ("DCC")

1. In its RP-2001-0029 Decision with Reasons, dated September 20, 2002, the Board deferred the elimination of the DCC (delivery commitment credit) because of potential ambiguity in the RP-1999-0017 Settlement Agreement over the meaning of the term "revenue neutrality". The Board's decision on the DCC was deferred "until Union brings forward a proposal" addressing certain issues and concerns. This evidence describes Union's proposal.

2. Union proposes to eliminate the DCC in the same manner that it had originally proposed in RP-1999-0017, when 2003 rates are implemented.

3. Currently, the DCC payout received by direct purchase customers is based on Union's avoided facilities costs, and is paid to reflect the system benefit of these obligated deliveries. The costs of the DCC payout are recovered from all in-franchise rate classes based on their design day use of Union's system. Accordingly, by design, there is a difference between the DCC payouts received by rate class (based on system benefit provided) and the costs recovered in rates by rate class (based on design day system use). This is outlined in Exhibit B, Tab 9, Schedule 1.

4. In seeking to eliminate the DCC, it is Union's intent to maintain the impact of DCC payments on each rate class and continue to recognize the system benefit provided by obligated deliveries from direct purchasers.

5. The suggestions of the City of Kitchener (CCK), LPMA, WGSPG, Schools, CAC and VECC during the RP-2001-0029 to eliminate the DCC based on the way the cost of paying the DCC is recovered in rates, would result in parties providing the benefit not being fully compensated and in those consuming the benefit not paying sufficiently for

the benefit. The impact of this alternative suggestion has been outlined at Exhibit B, Tab 9, Schedule 2. Eliminating the DCC in this manner simply ignores the historic recognition of the system benefit now provided by obligated deliveries by direct purchasers, and compensated for through the payment of the DCC.

6. The purpose of this evidence is to address the Board's direction by re-filing Union's proposal to eliminate the DCC. It is appropriate to bring forward this proposal at this time because:

   a) the DCC must be eliminated to accommodate and align with the unbundled service and the flexibility provided by a 22 day call applicable to deliveries under the unbundled service versus a 365-day delivery obligation; and
   b) the deferral of the elimination of the DCC and the requirement to bring forward a future proposal to eliminate the DCC is causing uncertainty as to the financial impact on existing customers and is causing uncertainty in negotiating commercial agreements with new customers.

7. The evidence will be presented under the following headings:
   - A. Historical Context
     1) Historical Context - Prior to EBRO 499
     2) EBRO 499 DCC Submission
     3) RP-1999-0017 DCC Submission
     4) RP-2001-0029 DCC Submission
   - B. Union's Current Proposal
     1) Summary
     2) Allocation of DCC Costs/Payout
     3) Revenue-to-Cost Ratio Impacts
     4) Rate Design Impact
     5) Implementation Timetable

A. Historical Context

1. Historical Context - Prior to EBRO 499

8. Union has provided a brief overview in Appendix A of the impact of major OEB rate decisions affecting Union since EBRO 412 regarding direct purchase customers' obligation to deliver and the development of the DCC over time. Significant developments are described in the following discussion.

9. System integrity concerns associated with direct purchase were noted by Union and acknowledged by the Board in its EBRO 412 Decision dated April 4, 1986 when the direct purchase concept was first introduced.

10. The DCC arose historically from Union's buy/sell pricing methodology. The DCC originally represented the difference between the Ontario buy/sell price and Union's weighted average cost of gas ("WACOG") as approved in EBRO 412-III.

11. Payment of a premium to bundled T-service customers was proposed by Union and approved by the Board in its EBRO 462 Decision dated April 1, 1990. This premium was called the "Delivery Commitment Credit" and was structured to provide the same incentive for contractually obligated deliveries from bundled T-service customers as was available to buy/sell customers.

12. DCC terminology was applied to all obligated direct purchase customers effective with the Board's EBRO 493-04/494-06 Decision dated February 10, 1998. The approved DCC payout equaled \$3.88 /10^3 m^3, and costs associated with paying the DCC on

obligated deliveries were allocated to all in-franchise rate classes in proportion to Dawn-Trafalgar design day demand.

2. E.B.R.O. 499 DCC Submission

13. In response to the Board's direction from E.B.R.O. 493-04/494-06, Union brought forward the review of the DCC and changed the methodology supporting the calculation of the DCC in EBRO 499. Union proposed to continue paying the DCC on obligated deliveries. Union also proposed that the DCC rate be based on the avoided cost of transmission and storage facilities using existing M12 storage and transmission rates. Based on the proposed methodology the DCC was increased from \$3.88/10^3m^3 to \$4.25/10^3 m^3. This resulted in approximately \$27 million of DCC costs being allocated to in-franchise customers. Since the DCC cost of \$27 million represented the avoided cost of facilities, the DCC cost was allocated in the same manner as the facilities costs they avoided (i.e. using Dawn-Trafalgar design day demand). This allocation was consistent with the Board's findings in E.B.R.O. 493-04/494-06.

14. Union's proposal was accepted in the E.B.R.O. 499 Settlement Agreement (pg. 79-80) without modification. The Board accepted the settlement agreement and included it in Appendix B of the Decision with Reasons, dated January 20, 1999.

3. RP-1999-0017 DCC Submission

15. In the RP-1999-0017 proceeding, Union proposed eliminating the DCC payment from each rate class' delivery rate such that the individual impact on customers would be minimized. By proposing to eliminate the DCC payment from rates, Union proposed that those that provided the benefit of obligated deliveries would continue to be compensated for providing that benefit (i.e. the mechanism of compensation was proposed to be

changed from a direct payment to a rate reduction). At the same time, Union proposed that the beneficiaries of the obligated deliveries continued to pay their fair share of the avoided facilities cost, based on the design day system requirements.

16. The reasons brought forward at the time supporting the DCC elimination were:

    a) The DCC is premised on 365 days of constant delivery of gas to Union's franchise and must be eliminated to accommodate and align with the new unbundled service.
    b) Rationale for the DCC is generally not understood.
    c) Continuation of the DCC requires a continuation of the existing deferral account mechanisms to track the costs, with any variances to be flowed through under the proposed PBR mechanism.
    d) The DCC is unique to Union's Southern operations area and does not exist for other North American pipeline companies.

17. Union settled the issue of elimination of the DCC during the ADR. The proposal presented in Union's evidence in RP-1999-0017 was not modified. During negotiations, however, Union agreed to defer the elimination of the DCC to be effective April 1, 2001 in order to align with the projected unbundling implementation date. This is shown at page 18 of the ADR settlement agreement dated June 7, 2000.

18. The Board made the following findings in its Reasons for Decision, dated July 21, 2001:

> "In the Board's view the elimination of the DCC should track as closely as possible the manner in which the credit is currently included in rates.
> Hence, the Board accepts Union's proposal for the rate treatment of the DCC elimination." para 3.12

4. RP-2001-0029 DCC Submission

19. Based on the outcome of RP-1999-0017, Union planned to implement the elimination of the DCC with the implementation of RP-2001-0029 rates, effective April 1, 2002.

20. During the RP-2001-0029 hearing, CCK, LPMA, WGSPG, Schools, CAC and VECC challenged Union's proposal for the elimination of the DCC.

21. Having regard to the fact that the DCC elimination had been the subject of a prior agreement, both Union and IGUA submitted that the DCC should continue in its current form absent the elimination of the DCC as Union had proposed.

22. The Board made the following finding in its Reasons for Decision, dated September 20, 2002:

> "The ADR Agreement specified that the DCC should be discontinued on a basis which would be revenue neutral to all customers. Revenue neutrality may be at the customer level, the class level, or in aggregate. The ADR agreement is not clear on this point, although Union's pre-filed evidence set out its proposal on the basis of revenue neutrality at the customer class level.
>
> While the Board is reluctant to stray from the terms agreed to in an accepted settlement agreement, the Board notes that in this case there appear to be differences of view among the parties to the Settlement Agreement in RP-1999-0017 as to the meaning of "revenue neutrality". The wording of the agreement would itself indeed permit more than one interpretation of how revenue neutrality is to be satisfied. Furthermore, Union and IGUA, both support retention of the DCC in its current form,

> absent the elimination under the terms of revenue neutrality proposed by Union.
>
> The Board therefore finds it is appropriate to defer the elimination of the DCC until Union brings forward a proposal that addresses the issues and concerns as stated above and an implementation plan." paras 6.84 - 6.86

B. Union's Current Proposal

1. Summary

23. Union introduced its proposal to eliminate the DCC in RP-1999-0017 at Exhibit B, Tab 1, pages 26-30. Since RP-1999-0017, there have been no substantive changes to the underlying principles that support the elimination of the DCC or the method proposed to effect that change. Union is therefore proposing to eliminate the DCC with the implementation of 2003 rates based on its RP-1999-0017 proposal.

24. The proposal is to:
    a) Eliminate the payment of the DCC and the related charge (recovery) in delivery rates.
    b) Adjust delivery rates such that impact on individual customers is minimized.
    c) Retain current contractual delivery obligations, restrictions on diversions and assignments for all customers operating under a bundled direct purchase arrangement (including T1 and T3).

25. Currently, the DCC payout received by direct purchase customers is based on Union's avoided facilities costs and is paid to reflect the system benefit of their obligated deliveries. The costs of the DCC payout are recovered from all in-franchise rate classes

based on their design day use of Union's system. Accordingly, by design, there is a difference between the DCC payouts received by rate class (based on system benefit provided) and the costs recovered in rates by rate class (based on design day system use).

26. In seeking to eliminate the DCC payment, it is Union's intent to maintain the impact of DCC payments on each rate class and continue to recognize the system benefit provided by obligated deliveries from direct purchasers.

27. CCK, LPMA, WGSPG, Schools, CAC, and VECC suggested during the RP-2001-0029 proceeding elimination of the DCC based on the way it is recovered in rates. The impact of this alternative has been outlined at Exhibit B, Tab 9, Schedule 2. Eliminating the DCC in this manner would simply ignore the historic recognition of the system benefit now provided by obligated direct purchasers, through the payment of the DCC.

28. As a practical matter, in establishing 2003 rates, Union proposes that the forecast 1999 DCC payout to each rate class be removed from each rate class' delivery rate to reflect the elimination of the DCC. As was the case in RP-1999-0017, Union's objective in handling the DCC elimination in this manner is to minimize the impact on individual customers. In other words, Union is seeking to minimize the customer impact pre and post DCC elimination.

29. Union's proposal to eliminate the DCC recognizes the system benefit provided by obligated deliveries that result in avoided facilities. Eliminating the DCC in any other way will have significant rate impacts for those rate classes that, on a net basis, provide a greater proportion of the avoided cost benefit than their proportionate use of the Union system under design day conditions. Exhibit B, Tab 9, Schedule 2 summarizes the impact by rate class of removing the DCC based on cost.

2. Allocation of DCC Cost and DCC Payout

30. The DCC is the payment made to customers managing their transportation capacity and obligating to deliver in accordance with the terms and conditions of service. The payment is made in recognition of the system benefit provided by those customers that obligate their deliveries. The cost of paying the DCC represents the avoided facilities costs resulting from having obligated deliveries.

31. As noted above, the absence of obligated deliveries would result in higher in-franchise delivery rates because facilities would have to be built to provide greater capacity. In E.B.R.O. 499, Union proposed and parties accepted (E.B.R.O. 499 Settlement Agreement, page 80) that the DCC payment should be calculated based on the avoided cost of Dawn-Trafalgar transmission and storage facilities. At that time, the DCC payment was calculated to be $\$4.25/10^3m^3$ or approximately $27 million per year.

32. Consistent with the principles of cost causation, the avoided cost of facilities resulting from the delivery obligation were allocated to in-franchise customers based on their use of those facilities. Had the facilities required to meet total demands in the absence of the obligated deliveries been built, the related costs would have been allocated in the same manner. Exhibit B, Tab 9, Schedule 1 provides the allocation of the DCC cost and DCC payout by rate class**.** It also provides the basis on which each are allocated.

33. Exhibit B, Tab 9, Schedule 1 shows that the rate classes with the highest design day demand do not provide the avoided cost system benefit through obligated deliveries in proportion to their facilities requirements. Although M2 general service customers account for approximately 70% of design day demand, they only account for approximately 14% of obligated deliveries. M7 customers, on the other hand, only

account for approximately 8% of the design day demand, but provide approximately 30% of the obligated deliveries.

34. For example, a direct purchase customer with a 75% load factor and M7 contract demand of 150 10^3m^3/day provides an avoided cost benefit of $174,500 and is paid a DCC equal to this benefit (i.e. $4.25/$10^3m^3$ * 150 10^3m^3/day * 365 days * 75%). Under Union's elimination proposal, the customer would cease to get paid the DCC, but would receive an equivalent rate reduction to compensate for the benefit provided by their obligated deliveries. This is in contrast to the suggestion made by CCK, LPMA, WGSPG, Schools, CAC and VECC during RP-2001-0029, which would result in this customer experiencing an effective rate increase of $124,300 (i.e. $174,500 * (1- 2315/8043)… Exhibit B, Tab 9, Schedule 2, line 5).

35. Union's proposal ensures that even after the elimination of the DCC, the system benefit of obligated deliveries will be reflected in rates. To properly reflect the elimination of the DCC, it is necessary to distinguish between those receiving the system benefit and those that provide it. Elimination of the DCC purely on a cost basis would result in the system benefit accruing primarily to M2 customers at the expense of those that actually provide the benefit.

3. Revenue-to-Cost Ratio Impacts

36. Union's proposal to eliminate the DCC will result in changes to previously filed revenue-to-cost ratios. Under the current DCC mechanism, revenue-to-cost ratios are overstated for those classes providing a net benefit and understated for others. That would also have been the case when rates were approved in 1999 and since the DCC mechanism began. It is important to note that the realized revenue-to-cost ratio, net of the DCC, is unchanged following DCC elimination. Therefore, the level of the revenue-to-cost ratio is not related to the existence or elimination of the DCC, but rather to other factors that the Board has

deemed appropriate when approving rates. Further, the Board in past decisions, by approving rates as just and reasonable, and by approving the payment of the DCC, have implicitly approved the realized revenue-to-cost ratios. Exhibit B, Tab 9, Schedule 3, provides a comparison of revenue-to-cost ratios for 1999 before and after the DCC payout, and for 2002 under Union's DCC elimination proposal.

37. Further, it is incorrect to view the apparent revenue-to-cost ratio changes resulting from the elimination of the DCC as increased or inappropriate cross subsidization. There is no cross subsidization in the case of the DCC. Customers that receive the majority of the system benefit are allocated the majority of the avoided facilities costs. Conversely, those that provide the majority of the system benefit receive the majority of the DCC credit. This is demonstrated in Exhibit B, Tab 9, Schedule 1.

4. Rate Design Impact

38. To ensure customers are not unduly harmed by this change and given that the DCC is a commodity-based payment, each rate class' delivery commodity charge will be reduced by the DCC payout that each rate class would have otherwise received. Union proposes that commodity charges for the M2, M4, M5A, M6A, and M10 rate classes be reduced to reflect the elimination of the DCC.

39. M7 and T1 customers may have contracted for both firm and interruptible delivery services. In these instances it may be necessary to allocate a customer's Obligated Daily Contract Quantity (DCQ) between their firm and interruptible delivery service. Union proposes that in instances where a customer's Obligated DCQ exceeds their firm Contract Demand (CD), that the excess be used to reduce the customer's interruptible delivery commodity charge.

40. Union plans to use each M7 and T1 customer's actual Obligated DCQ and firm CD at a point in time as close as possible to the effective date of the DCC being eliminated (excluding assignments). This will likely be 6-8 weeks prior to the effective date to provide sufficient time to create and process the required contractual amendments and discuss the changes with customers.

41. To ensure that customers pay the same net delivery bill, pre and post DCC elimination, Union is proposing a different treatment for the firm and interruptible delivery service components.

42. M7 and T1 firm delivery commodity charges (and unbundled equivalents) are not large enough to absorb the required firm rate reduction. If the required firm rate reduction was reflected as a uniform reduction to all customers' demand charges as an alternative, high load factor customers would see a net increase, and low load factor customers would see a net decrease in their cost. In order to avoid this, Union is proposing to reduce delivery demand charges by using a customer specific formula. Each individual customer's demand charge would be calculated in a manner that keeps their effective cost the same as it was prior to the DCC being eliminated. Union proposes that the reduction in the posted demand charge for each M7 and T1 customer be equal to:

(Firm Service Obligated DCQ X 365 days X \$4.25 / 10^3m^3) / (12 months X Firm CD)

43. Given the wide range of customer load factors within the M7 and T1 rate classes, Union anticipates monthly demand charges will range between 2 and 16 cents/m^3 as shown in the attached Appendix B.

44. Where necessary, M7 and T1 interruptible delivery commodity charges, which have historically been negotiated within a range, will also be reduced. All M7 and T1 interruptible customers supply their interruptible consumption using firm obligated

deliveries and/or non-obligated deliveries. To promote customer neutrality, an adjustment needs to be made to the interruptible delivery charge of each individual customer to recognize the portion of their interruptible consumption supplied by obligated deliveries. In instances where there is significant year over year volatility in interruptible consumption due to production swings or alternate fuel competition, a tiered M7 and T1 interruptible delivery charge may be required. The first tier of an M7 and T1 customer's interruptible delivery commodity charge would reflect the reduction in price that results from the elimination of the DCC using the customer's actual interruptible consumption for the last 12 months. The second tier of an M7 and T1 customer's interruptible delivery commodity charge would remain unadjusted from what existed 6-8 weeks prior to the effective date of the elimination of the DCC.

45. Union proposes that M9 and T3 demand charges be reduced uniformly to reflect the elimination of the DCC. Delivery commodity charges are not large enough to absorb the required rate reduction. However, due to the similarity in customer load factors, there is no need to reduce delivery demand charges by using a customer specific formula.

46. Retail energy marketers (REMs) will not be financially neutral to the elimination of the DCC. The reduction in the residential delivery rate will be less than the DCC retail energy marketers have been paid by Union. This is a consequence of not paying residential customers a DCC if they were buying system supply from Union but having all residential customers share in the DCC delivery rate reduction that results from eliminating the DCC. REMs will have the ability to mitigate the impact of DCC elimination by choosing to provide value added unbundled service on behalf of their customers. Union plans to offer the unbundled U2 service April 1, 2003.

5. Implementation Timetable

47. As noted above, Union's proposal is to eliminate the DCC with the implementation of 2003 rates. The Board in its RP-2001-0029, Decision with Reasons stated:

> "If the rate impact of discontinuing an allocation of "credit" to the large industrial classes would be large enough to materially affect gas deliveries to large customers, the proposal should address a phasing out of the credit program over time."(para. 6.86)

48. Union's proposal minimizes the impact on all rate classes. M4, M5A, M6A, M7, M10 and T1 customers pay the same net delivery bill pre and post DCC elimination. As previously indicated, M9 and T3 customers will experience minimal impact given that the load factor of the customers in their classes are similar. For M2 customers, the elimination of the DCC and embedding the payout in delivery rates means that M2 customers will see a small net reduction in their delivery rates. This occurs because the DCC formerly paid to the REM will be shared with all M2 customers.

Ontario Energy Board **Commission de l'Énergie de l'Ontario**

RP-2002-0130

IN THE MATTER OF AN APPLICATION BY

UNION GAS LIMITED

FOR

YEAR 2003 RATES

DECISION WITH REASONS

2003 MAY 08

RP-2002-0130
EB-2002-0363

2 **IN THE MATTER OF** the *Ontario Energy Board Act*, 1998, S.O. 1998, c.15, Sched. B;

3 **AND IN THE MATTER OF** an Application by Union Gas Limited for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas for the period commencing January 1, 2003;

4 **AND IN THE MATTER OF** the customer review process and other mechanisms approved by the Ontario Energy Board in its decision in RP-1999-0017.

5 **BEFORE:**

6 Paul B. Sommerville
Presiding Member

7 Fred Peters
Member

8

DECISION WITH REASONS

9 May 8, 2003

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DECISION WITH REASONS

1 THE APPLICATION AND THE PROCEEDING 14

1.1 The Application and Background 15

Union Gas Limited ("Union") filed an application dated May 27, 2002 (the "Application"), with the Ontario Energy Board (the "Board") pursuant to section 36 of the *Ontario Energy Board Act,* 1998, S.O. 1998, c. 15, Sched. B (the "Act"), for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas, effective for the year commencing January 1, 2003. The Board assigned file number RP-2002-0130 to the Application. 16

The current application arises under a Performance Based Regulation ("PBR") methodology for setting rates approved by the Board in its RP-1999-0017 Decision with Reasons issued July 21, 2001. In the RP-1999-0017 Decision, the Board approved a three-year trial PBR plan under which rates would be changed for years commencing January 1, 2001, 2002, and 2003. 17

For the trial PBR plan, rates are adjusted using a price cap index ("PCI") determined by an inflation factor ("I"), a fixed factor of -2.5% reflecting a productivity target and input price differential ("X"), and certain pass-through items and non-routine adjustments. 18

1.2 The Proceeding 19

Union filed evidence in support of the Application on June 25, 2002. 20

Union outlined its prefiled evidence and received feedback from intervenors at a stakeholder consultation, held at the Board on August 7, 2002. 21

On August 22, 2002, the Board issued Procedural Order No. 1, setting out dates as follows: a Stakeholder Conference to be held on September 18, 2002 and September 19, 2002; an Issues Conference, September 25, 2002; an Issues Day, September 26, 2002; interrogatories on the Applicant's evidence, October 16, 2002; interrogatory responses, October 30, 2002; supplementary interrogatories on the Applicant's evidence, November 6, 2002; interrogatory responses, November 13, 2002; filing of intervenor evidence, November 18, 2002; interrogatories on intervenor evidence, November 25, 2002; interrogatory responses, December 2, 2002; submission of intervenors' position papers for the Settlement Conference, December 3, 2002; a Settlement Conference, December 5 - 13, 2002; and submission of any proposed Settlement Agreement to the Board on December 20, 2002. 22

A stakeholder conference held on September 18 and 19 provided intervenors with an opportunity for further discovery of Union's prefiled evidence. 23

Parties met to discuss a proposed Issues List at an issues conference held on September 25, 2002. 24

25

The proposed Issues List, containing five contested issues, was brought before the Board on issues day, September 26, 2002. After the Board heard parties' submissions on the contested issues, it rendered its decision in respect of the proposed Issues List; the Board determined that all of the contested issues except for "Weather Normalization" would be included on the Issues List in this proceeding. On September 30, 2002, the Board issued Procedural Order No. 2 containing the approved Issues List.

On October 28, 2002, Union filed updates to its evidence and a proposal for the elimination of the delivery commitment credit ("DCC"). 26

By letter dated October 29, 2002, Union informed the Board that it was unable to meet the deadline set out in Procedural Order No. 1 for responses to interrogatories (October 30, 2002) and requested an extension of this deadline to November 8, 2002. 27

In view of the additional evidence filed and Union's request, the Board issued Procedural Order No. 3 on November 1, 2002, amending the dates for the proceeding as follows: Union's interrogatory responses, November 8, 2002; supplementary interrogatories on Union's evidence, November 15, 2002; responses to supplementary interrogatories, November 22, 2002; intervenor evidence, November 29, 2002; interrogatories on intervenor evidence, December 9, 2002; interrogatory responses, December 16, 2002; intervenors' position papers and Board staff comments paper for the Settlement Conference, January 3, 2003; Settlement Conference, January 7 - 17, 2003; submission of any settlement proposal to the Board, January 24, 2003. 28

By letter dated November 27, 2002, the City of Kitchener requested an extension for filing intervenor evidence from the deadline of November 29, 2002, as set out in Procedural Order No. 3, to December 4, 2002. In response, on November 28, 2002, the Board issued Procedural Order No. 4 which amended the dates for filing intervenor evidence to December 4, 2002, for interrogatories on intervenor evidence to December 11, 2002, and interrogatory responses thereto by December 18, 2002. Procedural Order No. 4 did not amend any other dates in this proceeding. 29

1.3 The Settlement Conference 30

Board staff provided a summary of all the issues to all parties on January 3, 2003, prior to the commencement of the Settlement Conference. 31

Prior to the commencement of the Settlement Conference, Board staff received position papers from the following parties: Energy Probe, Ontario Association of Physical Plant Administrators, Vulnerable Energy Consumers Coalition, Wholesale Gas Service Purchasers Group, London Property Management Association, Canadian Manufacturers and Exporters, Enbridge Gas Distribution Inc., Coalition for Efficient Energy Distribution, Consumers Association of Canada, Industrial Gas Users Association, Direct Energy Marketing Limited, and the City of Kitchener. 32

A Settlement Conference, attended by the Applicant, interested parties, and Board staff, was convened on January 7, 2003, with Ms. Cindy Dymond acting as the facilitator. 33

Following the conclusion of negotiations on January 14, 2003, parties reconvened on January 17, 2003 to complete the drafting of the Settlement Proposal. The Settlement Proposal was submitted to 34 the Board on January 20, 2003. Parties had reached a complete settlement on twenty-five of the thirty-four issues on the Issues List.

35 On January 24, 2003, the Board issued Procedural Order No. 5, which set February 17, 2003 as the date for Union's presentation of the Settlement Proposal and set February 24, 2003, as the date to commence the oral hearing of Union's evidence.

36 Union made an oral presentation of the Settlement Proposal to the Board on February 17, 2003, following which the Board accepted it as proposed. The Settlement Agreement is attached as Appendix A of this decision.

37 1.4 The Oral Hearing

38 The remaining matters were examined in the oral hearing. The oral hearing of the unresolved issues commenced on February 24, 2003, and continued until March 3, 2003.

39 Union's written argument in chief was submitted on March 6, 2003. Intervenors' arguments were filed by March 11, 2003, and Union's reply argument by March 14, 2003.

40 1.5 Participants and their Representatives

41 Below is a list of participants and their representatives that participated actively, through the settlement conference process, leading evidence or cross-examining at the oral hearing, or by filing argument.

42

Union Gas Limited ("Union")	Michael Penny
	Marcel Reghelini
	Bryan Goulden
Board Counsel and Staff	Pat Moran
	James Wightman
Canadian Manufacturers & Exporters Inc. ("CME")	Malcolm Rowan
	Bruce MacOdrum
Coalition for Efficient Energy Distribution ("CEED")	George Vegh
	Robert Frank
Consumers' Association of Canada ("CAC")	Robert Warren
	Julie Girvan
The Corporation of the City of Kitchener ("Kitchener")	Alick Ryder
	Dwayne Quinn

Direct Energy Marketing Limited ("Direct Energy")	Ian Mondrow
Enbridge Gas Distribution Inc. ("EGDI")	Tania Persad
Energy Probe ("EP")	Frank Cianflone
Green Energy Coalition ("GEC")	David Poch
The Heating, Ventilation, Air Conditioning Contractors Coalition Inc. ("HVAC")	Brian Dingwall
Hydro One Networks Inc. ("HONI")	Glen MacDonald
Industrial Gas Users Association ("IGUA")	Peter Thompson
	Vince DeRose
London Property Management Association ("LPMA")	Randy Aiken
Ontario Association of Physical Plant Administrators ("OAPPA")	Valerie Young
Ontario Association of School Business Officials ("Schools")	Thomas Brett
Pollution Probe	Murray Klippenstein
	Jack Gibbons
Tractebel Power, Inc.	Richard King
TransCanada PipeLines Limited ("TCPL")	Tibor Haynal
Vulnerable Energy Consumers' Coalition ("VECC")	Michael Janigan
	Joyce Poon
Wholesale Gas Purchasers Service Group ("WGPSG")	Randy Aiken

43

The Board received letters of comment from the following parties:

44

PPG Canada Inc., Terra International (Canada) Inc., Stelco Inc., TransAlta Cogeneration L.P., and Dofasco Inc.

45

1.6 Witnesses

46

The following Union employees appeared as witnesses:

47

Steve Baker	Vice-President, Gas Supply
Steve Poredos	Director, Capacity Management
Dave G. Simpson	Manager, Asset Acquisition
Don Newbury	Manager, Integrated Supply Planning

Sarah VanDerPaelt	Manager, Product and Service Development
Mark D. Kitchen	Manager, Rates and Pricing
Dave Simpson	Manager, Asset Acquisition

Kitchener called the following witness: 48

Dwayne Quinn 49	Kitchener, Director of Utilities

VECC called the following witnesses: 50

John Todd 51	President, Econalysis Consulting Services
Joyce Poon	Consultant, Econalysis Consulting Services

1.7 Submissions and Exhibits 52

Copies of the evidence, exhibits, arguments, and a transcript of the proceeding are available for review at the Board's offices. 53

The Board has considered the evidence, submissions and arguments in the proceeding, but has summarized the evidence and the positions of the parties only to the extent necessary to provide context for its findings. 54

The Board, with industry participation, has developed standards and processes for the electronic regulatory filing ("ERF") of evidence, submissions of parties, Board orders and decisions. This Decision with Reasons will be available in ERF form shortly after initial copies are issued in hard copy. The ERF version will have the same text and numbered headings as the initial hard copy, but may be formatted differently. 55

A list of abbreviations used in this Decision is provided in Appendix B. 56

57

2 2003 VERTICAL SLICE

58

2.1 Background

59

In its RP-1999-0017 Decision With Reasons, the Board approved a "vertical slice" methodology to allocate and assign the upstream transportation capacity held by Union to serve those system customers who migrate either to direct purchase or to an unbundled service during the term of Union's trial performance based regulation ("PBR") plan.

60

The vertical slice to be used in Union's Southern Operations Area is an annual proportional allocation of the assets in the upstream transportation portfolio for this area, as projected for November 1st of each year, based on the customer's Daily Contract Quantity ("DCQ") of the transportation, exchanges, and any other transport used to serve existing system customers moving to direct purchase.

61

The Southern operations system portfolio projected for November 1, 2002 consisted of 30.1% of TransCanada PipeLines Limited Firm Transportation ("TCPL FT") capacity, 46.8% of Alliance/Vector capacity and 23.1% of Trunkline capacity. Union proposed that this portfolio be used to allocate the transportation components for customers switching to direct purchase during the period of November 1, 2002 to October 31, 2003.

62

2.2 Inclusion of Northern and Eastern Operations Capacity

63

The TCPL FT capacity referred to above is Northern and Eastern Operations capacity ("Northern capacity") which is required to meet peak day requirements in the Northern and Eastern Operations area but, which is, on an annual basis, projected to be in excess of the forecasted annual demand. Union stated that it would continue to optimize the overall asset portfolio by filling the excess Northern capacity and diverting it on TCPL's system, as available, to Union's Southern Operations Area to serve system customers' demands. The delivery point for this capacity would be deemed to be Parkway. Because this TCPL capacity is not firm capacity to Parkway and the receipt point is Empress, Union proposed that this portfolio component not be assignable.

64

Union stated that its proposal would enable it to continue to operationally manage the diversion on TCPL as well as to operationally manage the peak day requirements in the Northern and Eastern Operations Area. Union's proposal would utilize the Northern capacity to serve the Northern and Eastern Operations Area during peak periods in this area. For non-peak periods in the Northern and Eastern Operations Area, the Northern capacity would be used to serve the Southern Operations Area to avoid unabsorbed demand charges ("UDC").

65

Union submitted that the impact of assigning the Northern capacity to a Southern direct purchase customer would be that Union would have inadequate assets to serve the Northern and Eastern operations area and bundled direct purchase customers during peak periods. As such, under these circumstances, Union would be required to purchase additional capacity and perhaps a peaking service, which would create additional costs.

Union asserted that non-assignability of the Northern capacity would have no operational impact on direct purchasers because of the firm supplies provided by direct purchasers at Empress. Union added that its original RP-1999-0017 proposal did not contemplate that all components of the vertical slice would necessarily be assigned. 66

Union submitted that it was, for the first time, proposing to include the Northern capacity in the 2003 vertical slice, because northern diversions have assumed a larger role in the overall portfolio as available TCPL capacity to the south had decreased due to the migration to direct purchase. 67

Union stated that its proposed treatment of the Northern capacity was consistent with the approaches taken to the determination of the vertical slice in prior years. For example, the vertical slice proposed for November 2000 in the RP-1999-0017 proceeding included a proportional allocation of Union's exchange contracts. These contracts required the customer to deliver gas at Empress and receive gas at Parkway and were not assignable. Union stated that no complaints were made about the inclusion of the exchanges at the time and they were accepted by the Board as part of the vertical slice. 68

Union also stated that non-assignability of the Northern capacity would not tie the direct purchase customer to Union any more than any other upstream component ties a customer to Union. If a direct purchase customer did not want the Empress delivery arrangement provided by the diverted Northern capacity, the customer could post the capacity on Union's electronic transportation clearing house and exchange it for alternate capacity with direct purchase customers in Union's franchise area. 69

Union concluded that the issue was not whether it did, or did not, achieve the optimal operational utilization of its assets or did, or did not, think northern diversions were material enough to include in the vertical slice in a prior year. In Union's submission, the issue is whether northern diversions are part of the upstream portfolio used to serve the south. Since the northern diversions are in fact part of the upstream portfolio, Union argued that the capacity should be included in the vertical slice. 70

2.3 Exclusion of Delivered Supply (Spot Gas) 71

The proposed vertical slice does not include any spot gas. Union's rationale for this exclusion is that spot gas supplies do not flow on a 365 days per year basis and are by definition the most variable component in the utility portfolio. Union stated that the role of spot gas purchases is to provide it with the physical flexibility to serve the daily and seasonal balancing needs of all system and bundled direct purchase customers. 72

Union added that the basis of the vertical slice has always been a proportional allocation of its upstream transportation portfolio involving an obligation to deliver gas on a firm basis 365 days of the year: spot gas does not form a part of Union's upstream transportation portfolio and therefore is not part of Union's firm supply arrangements. 73

Union submitted that the only spot gas it purchases is for seasonal balancing and system optimization and integrity and that such gas is not acquired every day of the year. Union stated that if direct purchasers were responsible for all of their operational balancing needs, both at contract year-end and within the contract year, Union would include an allocation of its planned spot gas purchases in the vertical slice. 74

Union argued that the absence of spot gas from the vertical slice does not mean that customers do not have flexibility. Union noted that since the contracts underpinning 51.5% of Union's 2001 vertical slice expired on October 31, 2002, customers who migrated to direct purchase in the twelve-month period prior, achieved the flexibility afforded by spot purchases in their own supply portfolio as the arrangements expired. Similarly, Union noted that for the 2002 vertical slice, 23.1% of the contracts will expire on November 1, 2003. 75

Union submitted that including spot gas in the vertical slice would (i) restrict Union's ability to reduce discretionary purchases as a means of avoiding UDC, (ii) have negative effects on its balancing capacity since spot gas underpins this capacity, and (iii) increase its winter spot gas requirements as the management and control of any allocated spot gas would be removed from it. 76

2.4 Positions of the Parties 77

All parties except CEED accepted Union's vertical slice proposals for the year beginning November 1, 2002, subject to the conditions outlined in the Settlement Agreement. CEED argued that the Northern capacity included in the vertical slice should be assignable and that spot gas should be included in the 2003 vertical slice. 78

IGUA stated that the resolution of these issues depends on how the Board's prior decisions with respect to the vertical slice components are interpreted. In IGUA's view, Union has correctly interpreted and applied the Board's prior decisions. 79

VECC supported Union's proposal to assign the Northern TCPL capacity for the November 2002 vertical slice, since this allocation to direct purchase customers maintains the optimization of Union's system. 80

CEED submitted that the composition of the vertical slice is important because the purpose of the limited unbundling of transportation that has taken place is to assign the risk and reward of these assets to the marketplace. 81

CEED argued that Union's proposal attempted to obviate the limited unbundling approved by the Board and sought to rebundle transportation. 82

Regarding inclusion of Northern capacity in the vertical slice, CEED argued that Union had used this capacity in previous years in exactly the same way as it would after November 1, 2002, even though this capacity had not been included in the vertical slice previously. CEED noted that Union's prior exclusion of this capacity from the vertical slice had not prevented Union from operating in such a way as to avoid stranded pipeline demand charges in the North. 83

With respect to spot gas exclusion, CEED argued that Union had stated in the RP-1999-0017 proceeding that spot gas would be included in the vertical slice; however, Union was now seeking to redefine spot gas to include only delivered supply that arrives on a 365 day basis. CEED remarked that since spot gas is a forecasted component of the 2002/2003 portfolio, it should be included in the vertical slice. 84

Further, CEED stated that Union's purported requirement that only supply being delivered on a 365 day per year basis be included in the vertical slice is inconsistent with its attempts to include the Northern capacity in the vertical slice. 85

CEED described Union's proposal as opportunistic, inconsistent, and contrary to the direction that Union has received from the Board. In CEED's view, rather than attempting to build more flexibility into its upstream transportation portfolio, Union's proposal attempted to foist transportation-backed contracts on direct purchase customers while withholding the most flexible portion of its portfolio for itself. 86

CEED concluded that the inclusion of the Northern capacity and the exclusion of spot gas from the vertical slice constitute changes to the vertical slice methodology and should not be permitted. CEED argued that the methodology in place is interim and must be reviewed by the Board in time for the end of the 2003 interim approval period. CEED submitted that the appropriate time for the Board to consider approval of Union's current vertical slice "changes" would be when the Board reviews the methodology. 87

2.5 Board Findings 88

The Board notes that as part of the Settlement Agreement, all parties except CEED accepted Union's vertical slice proposals for 2003 on the condition that, in the 2004 rate case, Union would provide (i) a full and complete description of the basis on which costs in the Other Purchased Gas Cost deferral account are classified as delivery related and (ii) Union's response to the Board's directive regarding load balancing and flexibility costs, including an identification of the components, if any, of Union's portfolio that are used for the purposes of balancing and flexibility. 89

The issues CEED has raised may indicate the need for further clarity and specificity in terms of the criteria used to include or exclude sources of gas in future vertical slices. However, the Board notes that the adoption of CEED's proposals raises a potential for additional costs and the related issue of who would pay them. The Board has no evidence in this proceeding as to the magnitude of such costs, nor has it received any proposals as to how such costs could be assessed or managed. 90

The Board is also not convinced by CEED's argument that the Northern Capacity inclusion and spot gas exclusion constitute changes in the vertical slice methodology. 91

Accordingly, the Board accepts the components of the vertical slice as proposed by Union for the 2002-2003 year. However, the Board will be open to further consideration of CEED's proposals in the 2004 proceeding, subject to a full assessment of all cost and related implications and how parties to the proceeding would propose that any such costs be allocated and recovered. 92

DECISION WITH REASONS

3 DELIVERY COMMITMENT CREDIT 93

3.1 Background 94

In the Western Accord on Energy Pricing and Taxation (the "Accord") of March 28, 1985, the Governments of Canada, Alberta, British Columbia and Saskatchewan recognized a need for more flexible and market-oriented energy pricing. Pursuant to the Accord, those governments signed the Agreement on Natural Gas Markets and Prices (the "Agreement") on October 31, 1985. The basic principles underlying the Agreement included enhanced access for Canadian buyers to gas supply, enhanced access for Canadian producers to gas markets, protection for Canadian consumers for reasonable, foreseeable gas requirements, and commitment to foster a competitive market for natural gas in Canada. Although Ontario was not a signatory to the Agreement, the Board supported these basic principles in decisions made subsequent to the Agreement. The Board also indicated that it believed that open access to different sources of natural gas supply was essential to the development of the competitive market. 95

The implementation of the Agreement was left to the affected parties. The Agreement stated: 96

> "Effective November 1, 1985, consumers may purchase natural gas from producers at the negotiated prices, either directly or under buy-sell arrangements with distributors, provided distributor contract carriage arrangements are available in respect of such purchases. This provision is in no sense intended to interfere with provincial jurisdiction in regard to regulation of gas distribution utilities." 97

Direct Purchase was defined as an arrangement whereby an end-user of natural gas purchases gas directly from a producer or broker rather than from a local distribution company ("LDC"). The gas was transported to Ontario by TCPL and handled by the LDC in one of two ways: (i) Buy-Sell, wherein the Ontario LDC purchases the direct purchaser's volumes, commingles them with other purchased gas and sells to the direct purchaser as a sales customer under the appropriate rate schedule; or (ii) Contract Carriage, wherein the LDC does not take title to the direct purchaser's supply of gas but contracts to carry the volumes of gas from the point of receipt through the LDC's system to the direct purchaser's take-off point. 98

The period from November 1, 1985, to October 31, 1986, was designated as transitional to a market pricing regime during which wholesale prices prescribed by governments were frozen, but industrial customers without gas sales contracts with the LDCs were free to negotiate natural gas purchase prices directly with producers, conditional upon contract carriage arrangements being available from the LDCs. 99

On December 9, 1985, on its own motion under docket numbers E.B.R.O. 410, 411, and 412, the Board called proceedings to deal with interim contract carriage arrangements on the distribution systems of Consumers' Gas, ICG, and Union. The hearings were combined and commenced on January 27, 1986. 100

101

In the EBRO 410/411/412 proceedings, Union proposed that Oakville be the only delivery point for direct purchase deliveries allowed on its system, arguing that a direct purchaser's failure to deliver full daily volumes at Oakville could result in an inability to serve all firm customers, even if the failing direct purchaser were curtailed. In its Reasons for Decision issued on April 4, 1986, the Board, while recognizing the impacts on parties of the choice of delivery points, expressed concern that allowing the utilities to designate delivery points could impair development of transportation services and exclude entry of gas from the U.S. The Board directed Union not to mandate Oakville as the delivery point for the interim period but rather treat the issue on a case-by-case basis (with the Board as the arbiter in the event of dispute) "... in order not to discourage potential T-service customers." The Board added that buy/sell arrangements were "a viable alternative to, and compatible with T-service," and determined that gas purchased by a utility under a buy/sell arrangement would be at a rate no higher than the utility's avoided commodity cost.

102

On its own motion, the Board called further hearings, commencing in September 1986 under docket number EBRO 412-II, to deal with contract carriage and direct purchase arrangements. Union submitted that T-service availability would be contingent on acceptable arrangements to ensure system integrity; if such arrangements could not be made, Union proposed that the following terms and conditions of T-service be mandatory: (i) Oakville-only deliveries, (ii) delivery of full TCPL contracted demand on any critical day, (iii) confirmation of the customer's upstream supply arrangements, and (iv) requirement that the customer contract for firm TCPL and NOVA service. Union stated that firm supply delivered at Oakville was used to meet Union's obligations to M12 customers; failure of delivery of forecast supplies at Oakville would require Union to make up the shortfall by transporting volumes the length of the Dawn-Trafalgar system, a usage for which the transmission system facilities were not designed. Union argued that the direct purchaser alone should bear responsibility for security of supply and proposed backstopping, proportional reductions in its transmission obligations, FST displacement, and increased facilities as potential solutions.

103

In its Reasons for Decision issued on March 23, 1987, the Board found that it would not require an obligation to deliver as a condition of a T-service contract and "... that without such an obligation, the failure of a direct purchaser on a peak day to deliver its gas could result in a penalty to the direct purchaser, unless matched with an equivalent reduced take. The Board finds that there should be no difference in this regard between a T-service contract and a buy-sell arrangement." The Board again found that the delivery point should be negotiated by the parties; absent resolution, the Board would decide. The Board added that core market supply should be ensured by the LDC by prudent and necessary contractual arrangements.

104

In the EBRO 412-III proceeding, Union submitted that it should have right of first refusal for a direct purchase customer's TCPL capacity upon expiry of the direct purchase contract. Union also proposed that its Weighted Average Cost of Gas ("WACOG"), rather than the avoided cost of gas, be paid for buy/sell supplies for two reasons. First, to reduce the utility's cost of gas and, secondly, to eliminate the incentive for customers to choose buy/sell over T-service. Regarding security of supply , Union stated that it had arranged with TCPL to maintain firm deliveries through TransCanada's northern leg in the event of a shortfall. In its Reasons for Decision issued May 27, 1988, the Board denied Union's proposal to have a right of first refusal to TCPL capacity, noting that a Direct Purchase customer could not be guaranteed re-entry to the sales service class. The Board also found that a buy/sell customer should not be obligated to deliver, since a T-service customer was not so required. In addition, the Board found that Union's WACOG was an appropriate "buy" price for an Ontario buy/sell for either a customer without an obligation to deliver and for whom Union was not required to provide firm sales service or a customer who accepts an obligation to deliver and demands firm sales service. The Board confirmed its earlier findings with respect to mandated delivery points.

105 In the EBRO 456-4 proceeding, Union proposed that the buy/sell purchase price for obligated supply be based on Union's weighted average price of firm supply, that is, at a premium to the buy/sell purchase price for unobligated supply which was based on Union's WACOG. In its Reasons for Decision issued April 14, 1989, the Board found that all buy/sell customers should obligate to deliver on a firm basis and Union's weighted average cost of firm gas purchases should be used for all buy/sell arrangements.

106 In the EBRO 456 proceeding, Union proposed that interruptible T-service customers be obligated to have firm upstream arrangements and deliver at 100% load factor. In its Reason for Decision issued September 26, 1989, the Board declined to extend the obligation to deliver to interruptible T-service customers.

107 In its Reason for Decision in EBRO 462, issued April 9, 1990, the Board accepted Union's proposal to pay a delivery commitment credit ("DCC") to T-service customers who obligated to deliver firm gas under the new R1 rate schedule. This approval was granted on a trial basis for the test year.

108 In the EBRO 493/494 proceeding, Union proposed that (i) existing buy/sell customers receive a price based on three one-year fixed price quotes plus the TCPL toll, and (ii) new buy/sell customers receive a price based on a blend of the price received by existing buy/sell customers for the volumes underpinned by firm TCPL and the one-year forward price of delivered gas for the remaining supply. In its Reasons for Decision issued March 20, 1997, the Board found that the Alberta border forecast WACOG should be used as the basis for all new buy/sell contracts and for existing buy/sell contracts upon renewal.

109 In the EBRO 493-04/494/06 proceeding, Union proposed to pay a delivery commitment credit ("DCC") to buy/sell customers to restore equality between T-service and buy/sell service. Union also proposed to change the methodology used to allocate delivery commitment credit costs to in-franchise customers based on deliveries of volumes to Dawn-Trafalgar and design day demand. In its Reasons for Decision, issued February 10, 1998, the Board stated:

> 110 "The Board agrees that there is a necessity for a thorough review of matters related to payments for firm deliveries, and directs that this review take place in the next main rates hearing. The Board expects evidence in that hearing to address new approaches to these matters, including possible penalties for non-delivery, possible variations related to the value of the deliveries during different seasons and to different receipt points, or possible alternative incentives to ensure firm delivery. ... In the interim, the Board accepts Union's proposal that buy/sell customers receive a payment equivalent to the DCC paid to T-service customers and that the costs be allocated based on peak day demand and storage space as proposed."

111 In the EBRO 499 proceeding, Union brought forward the following alternatives: (i) continue paying the current DCC; (ii) pay a DCC based on avoided incremental transmission facilities costs; (iii) pay a DCC based on avoided transmission facilities, costed at average existing embedded costs; (iv) pay a DCC based on avoided incremental storage and transmission facilities costs;(v) pay a DCC based on avoided storage and transmission facilities, costed at average existing embedded costs; (vi) stop paying a DCC and request that all deliveries be obligated; and (vii) stop paying a DCC and require that all deliveries be obligated and implement penalties for unobligated deliveries.

112 Union provided an analysis of these seven options in its pre-filed EBRO 499 evidence and then proposed the following as its preferred option: that it continue paying a DCC on obligated deliveries and base the rate on the existing M12 storage and transportation rates to recognize avoided transmission and storage facilities. The effect of Union's proposal was to raise the DCC payment from $\$3.88/10^3m^3$ to $\$4.25/10^3m^3$. In the Settlement Agreement, dated November 16, 1998, parties accepted Union's proposal. The Board accepted the Settlement Agreement at the commencement of the oral hearing in the EBRO proceeding and the Settlement Agreement was attached as Appendix B to the Board's Decision With Reasons issued on January 20, 1999.

113 In the RP-1999-0017 proceeding, parties to the Settlement Conference agreed that "[t]he DCC will be eliminated in a manner which is revenue neutral to all end-use customers." Parties agreed to defer the elimination to coincide with the projected (small volume) unbundling implementation. The Settlement Agreement, dated June 7, 2000, was accepted by the Board and was attached, as Appendix D, to the Board's Decision With Reasons issued July 21, 2001.

114 In the RP-2001-0029 proceeding, some parties disagreed with Union's proposed rate adjustments implementing DCC elimination. Concerns were raised with respect to the revenue neutrality and the resultant revenue-to-cost ratios of Union's proposals. In its Decision With Reasons, issued September 20, 2002, the Board found, *inter alia*:

> 115 While the Board is reluctant to stray from the terms agreed to in an accepted settlement agreement, the Board notes that in this case there appear to be differences of view among the parties to the Settlement Agreement in RP-1999-0017 as to the meaning of "revenue neutrality". The wording of the agreement would itself indeed permit more than one interpretation of how revenue neutrality is to be satisfied. Furthermore, Union and IGUA, both support retention of the DCC in its current form, absent the elimination under the terms of revenue neutrality proposed by Union. (Para. 6.85)
>
> 116 The Board therefore finds it appropriate to defer the elimination of the DCC until Union brings forward a proposal that addresses the issues and concerns as stated above and an implementation plan. If the rate impact of discontinuing an allocation of "credit" to the large industrial classes would be large enough to materially affect gas deliveries to large customers, the proposal should address a phasing out of the credit program over time. (Para. 6.86)

117 In the current proceeding, Union proposed that, for each rate class, the DCC payment be eliminated and delivery rates be lowered by the amount of the foregone DCC payment. Union submitted that its proposal was the same as originally proposed in RP-1999-0017.

118 Union stated that the DCC is paid by Union to direct purchase ("DP") customers for firm, daily deliveries at a specified point on Union's system. Union said it relies on these deliveries in designing distribution, transmission, and storage facilities to meet design day demands of all customers. Further, deliveries obligated at a fixed delivery point means lower-than-otherwise facilities' costs and hence lower rates for all customers.

119

Union noted that all witnesses agreed that Union needs to know where DP deliveries will be made and needs a significant level of obligated deliveries at Parkway to avoid Dawn-Trafalgar ("D-T") expansion costs and also that DP obligated deliveries at Parkway provide a system benefit of avoided D-T facilities costs.

120

Union stated that since the early days of commodity deregulation, the Board has prohibited Union from unilaterally requiring Parkway deliveries for fear of impairing development of a competitive DP market. However, the obligated Parkway deliveries avoid D-T expansion costs.

121

Union submitted that the Board, recognizing the benefits of obligated deliveries to a fixed point, approved Union's payment of a premium to incent DP customers to contract for obligated Parkway deliveries and to recover the cost of these payments in rates. Union stated that the premium has been called the DCC since 1990 and been based on avoided D-T transmission facilities' costs since 1998.

122

Union argued that, with the singular exception of M2 customers, its proposal is revenue neutral for each class with respect to net bills before and after DCC elimination. For M2 customers, the DCC credit of $3.8M was paid to marketers and therefore it did not appear as a line item credit on their bills. Union's proposal would lower M2 delivery rates by $3.8M and hence provide a net benefit of $3.8M.

123

Union argued that the Board had not allowed Union to unilaterally impose a Parkway delivery requirement in its EBRO 412-I Decision due to the Board's concern over inhibiting the development of a competitive commodity market in Ontario. The Board reaffirmed this in EBRO 412-II and EBRO 412-III stating that the delivery point be negotiated between Union and the buy/sell or T-service customer.

124

Union stated that in EBRO 412-III, the Board approved the payment of a premium to buy/sell customers who obligated deliveries to a fixed point, above the weighted average cost of all supplies paid for non-obligated buy/sells. Union submitted that the Board thereby explicitly recognized "... the financial benefit provided by the direct purchaser who agreed to obligate its deliveries to Parkway."Union also submitted that the Board found that the buy price for unobligated deliveries would be less than the buy price for obligated deliveries.

125

Regarding the Board's finding, in the EBRO 456-4 Decision, that buy/sell customers who repurchase gas from Union under firm sales service rates should supply gas on a firm basis, Union claimed that the context of the Decision was that Union could not mandate DP deliveries at Parkway and that "obligated deliveries to a fixed delivery point received a premium payment over non-obligated deliveries."

126

Union submitted that the term "Delivery Commitment Credit" was first used in EBRO 462. The Board found the premium should be extended to contractually obligated T-service customers to provide them with the same incentives as buy/sell customers.

127

Union asserted that although in EBRO 493/494 the premium for obligated buy/sell deliveries was temporarily suspended, in EBRO 493-04/494-06 the Board accepted Union's proposal that buy/sell customers receive a payment equivalent to the T-service DCC payment and that the costs be allocated based on peak day demand and storage space.

128 In response to a Board directive made in EBRO 493-04/494-06, in the EBRO 499 proceeding Union proposed that the DCC be retained for obligated deliveries and also that it be calculated using existing M12 rates, based on the avoided cost of storage and transmission facilities. The latter change increased the DCC payout to $\$4.25/10^3m^3$ for a total cost of approximately $27 million. Union noted that its proposal was accepted in the EBRO 499 Settlement Agreement and approved by the Board.

129 In the RP-1999-0017 proceeding, Union proposed to convert the DCC payment into a rate reduction such that the net delivery bill pre- and post-implementation of the proposal would be the same. Union noted that the proposal was agreed upon in the RP-1999-0017 Settlement Agreement and accepted by the Board. Union stated that because the RP-1999-0017 Decision was received in July 2001, implementation of the change with respect to the DCC was deferred until the next proceeding, RP-2001-0029.

130 Union asserted that the first time that intervenors argued "... that what they thought they had agreed to in respect of the DCC in RP-1999-0017 differed from what Union was proposing. In the end, the Board in RP-2001-0029 found that there had, in fact, been no agreement on the issue and held that the DCC should continue and that Union should bring forward a proposal on the DCC that would be reviewed by the Board and decided upon in this case."

131 Union stated that its current proposal (i) "continues to recognize the system benefits provided by direct purchase customers who obligate deliveries at Parkway ..."and (ii) is revenue neutral to customers.

132 Union argued that it designs Dawn-Trafalgar facilities to meet demands on a design day, i.e., a 44-degree day on which all interruptible customers have been interrupted. Because the facilities' costs are caused by customers' use on a design day, Union allocates Dawn-Trafalgar facilities costs to classes in proportion to the design day demands of each customer class. Union submitted that "[t]he cost to Union of paying the DCC was incurred to avoid Dawn-Trafalgar costs ..." and "... the allocation methodology ... and its justification based on avoided facilities was explicitly proposed and approved by the Board ... in EBRO 493-04/494-06."

133 Union noted that the DCC payments are made monthly for each GJ of obligated delivery made during the month. Union stated that while M2 customers use 70% of the Dawn-Trafalgar capacity on design day, the M2 class only provides 14% of obligated deliveries, in contrast to M7 and T1 classes which together use 16% of facilities on design day but provide 61% of obligated deliveries. Union attributed these differences to the fact that general service M2 customers are heat sensitive and have a low load factor and also that only 40% of small volume customers are direct purchasers who obligate deliveries to Parkway.

134 Union described VECC's proposal as ending DCC payments to all direct purchasers, removing the $27 million in DCC costs from rates, and reducing each classes' rates by the DCC cost allocated to it. In Union's view this approach would not recognize the system benefits from obligated deliveries and would end "the Board's long-standing prohibition against unilaterally imposing delivery point requirements on direct purchase customers." Union submitted that VECC's proposal would replace the incentive DCC payment with the failure-to-deliver penalty, thereby subsidizing small volume customers at the expense of higher load factor contract customers. Union argued that VECC's real issue was with cost causation principles reflected in rates since EBRO 493-04/404-06.

135 Union asserted that VECC's proposal would result in "massive transfers," citing evidence that, under it, M7 and T1 rates would increase by 36% and 49% respectively while M2, M9, and M10 rates would decrease by 4%, 3%, and 10% respectively.

136 Union asserted that sales customers are advantaged in that they pay a regulated commodity rate, do not arrange for their own supply, and have no obligation to deliver. In contrast, direct purchasers do not pay a regulated commodity rate, arrange their own gas supply, and are obliged to deliver. Union added that direct purchasers contract with Union for storage and delivery services only, and are obligated to deliver on a daily basis regardless of daily consumption, and are subjected to a requirement to balance annually within 4%. Further, a failure to deliver exposes direct purchasers to DCC clawback and penalties. Union contended that while sales customers enjoy the avoided cost benefits provided by the direct purchase customers, they provide no avoided cost benefit at all."

137 Union submitted that it has no obligations, to itself or any other entity, to deliver firm gas at a specified point, adding that "[n]one of the deliveries of gas Union arranges in respect of sales service customers are obligated to any delivery point in any way. Union arranges for supply and moves that supply to where it is needed on any given day." Union cited its use of northern TCPL capacity to deliver gas to the southern area on a non-peak day as an example of the unobligated nature of its arrangements. Union remarked that spot gas balancing supplies are similarly not obligated as the gas is not delivered unless needed.

138 Union dismissed the argument that, under VECC's proposal, delivery rate impacts on industrial customers are insignificant compared to the inherent commodity price volatility. Union also observed that average delivery rate increases of 36% to 49% would be a serious concern for VECC if such increases were being proposed for general service customers. Union noted that VECC provided no evidence that impacts on industrial customers would be insignificant under VECC's proposal. Union continued that it does not know what industrial customers pay for gas, pointing out that while volatility is usually measured using day-to-day spot prices, industrial customers typically make longer-term arrangements for commodity using swaps, hedges, or similar agreements to mitigate price volatility. Union submitted that the proper concern for the Board in this matter is delivery rate impact as all customers are exposed to commodity price volatility. Further, for assessing the competitiveness of gas, the volatility of the price should be compared with the volatility of other fuels.

139 Union denied that its proposal was motivated by load retention considerations, suggesting that these considerations arise under VECC's proposal. Union stated that load loss would be of concern should gas service become relatively less economic with respect to substitute fuels. Union referred to the evidence that it lost approximately $7.1 million in margin in 2001 due to fuel switching, noting that load losses would drive rates higher. In addition, expansion projects deferred due to the economics of natural gas as a fuel choice should also be expected to give rise to higher rates.

140 Union emphasized that rate design requires more than a cost assessment in determining whether rates are just and reasonable, citing overall sufficiency/deficiency, relative rate changes, how costs are allocated, rate levels and proposed changes, customer impacts, customers' expectations with respect to rate stability and predictability, and equivalence of comparable service options as essential factors to be considered in rate design.

141 Union argued that its proposal took account of the attributes of a sound rate structure specified by Bonbright in his work on rate design. In Union's view the proposal simplified the rate schedule,

minimized rate shock, considered customers' expectations, and addressed the comparability of equivalent service options. With respect to comparability of equivalent service options, Union stated that its DCC proposal was motivated partly by recognizing that future customers of unbundled services approved in RP-1999-0017 would provide the same avoided cost benefit as bundled direct purchasers by the 22-day Parkway call but would not be paid the DCC. In recognition of this circumstance, such customers would pay delivery rates net of the DCC. As such, Union submitted that its proposal treated equals equally.

142 Union agreed with the "small volume intervenors" that its proposal left "residual" DCC costs in rates, asserting that this feature recognized cost causation and rate design principles, reflecting differences among rate classes (i) in the provision of avoided cost benefits and (ii) in design day use of transmission capacity.

143 Union strongly urged the Board not to further defer the DCC issue, arguing: (i) the issue has been before the Board on three occasions, in the RP-1999-0017, RP-2001-0029, and the current proceedings; (ii) deferral of a decision on this issue will have only negative impacts, already being felt in customer negotiations, due to uncertainty with respect to the economics of new industrial loads; and (iii) the evidence is clear and complete on this issue.

144

3.2 Positions of the Parties

145 VECC submitted that the Board's three major findings with respect to the DCC issue in its RP-2001-0029 Decision with Reasons were: (i) the DCC was not required as an incentive for obligated deliveries, penalties may be a "significant encouragement"; (ii) Union's proposal was not acceptable without more compelling evidence; and (iii) if fuel switching in response to eliminating the DCC credit would be material, Union should bring a proposal that addressed phasing out of the credit program over time. VECC noted that Union's current proposal largely recapitulated the same position as in the RP-2001-0029 proceeding, in spite of the Board's "clear language" in the RP-2001-0029 Decision. Further, no phase out timetable had been proposed nor had Union provided evidence supporting the DCC as a load retention rate. Therefore, VECC submitted that it was open to the Board to find that since no new or compelling evidence had been presented by Union regarding the DCC, the DCC payments and costs be removed at once, or over time. Further, VECC charged that Union gave "short shrift" to Union's own ability to mitigate impacts through negotiated rates adding that "[b]ecause of the application of the PBR price cap, a direct rates subsidy from system sales customers in the form of embedded DCC costs is obviously more attractive to the Company, even if more flimsily supported."

146 VECC, LPMA, Schools, and CAC submitted that Union had not been responsive to the Board's RP-2001-0029 direction but merely refiled its original, RP-1999-0017 proposal.

147 VECC argued that the DCC should be eliminated completely from rates on the basis that existing contractual commitments and penalties should provide appropriate incentives to obligate deliveries.

148 VECC stated that since the new unbundled services did not require firm daily obligated deliveries, the DCC payment was now inconsistent with obligations requiring equal daily deliveries.

149

VECC was concerned that Union's proposal would result in rate reductions to large volume customers regardless of whether deliveries were obligated, or of migration to system sales service in the future. VECC noted that there was no contractual obligation for existing DP customers to remain DP customers beyond their existing one-year contract.

150 VECC submitted that DP customers' obligation to deliver be treated in the same manner as other system optimization practices which Union is responsible to undertake to achieve the lowest possible rates for all customers. Further, Union's proposal optimizes the system at a higher cost than pre-DP since the cost of the rate subsidy was not required prior to the innovation of Direct Purchase.

151 VECC criticized Union's proposal as not recognizing the system benefits provided by firm deliveries arranged to supply system sales customers. VECC remarked that Union's attribution of system benefits to some classes and not others for tasks performed by the utility pre-DP, was not consistent with the integrated system concept adopted by Union. VECC argued that Union's position selectively credited some classes of customers at the expense of others by considering system sales demands as day-to-day deliveries.

152 VECC noted Mr. Kitchen's testimony to the effect that if DP customers did not deliver as Union had, additional facilities would be required, the cost of which would be allocated to other customers based on Dawn-Trafalgar design day demand. Accordingly, VECC argued that costs caused by some customers would be allocated to other customers. This violation of cost causality principles would be exacerbated by the fact that the cost-causing DP customer would realize lower commodity prices while the system sales customer would paying for an avoided facilities cost embedded in rates plus a new, additional facilities cost.

153 VECC submitted that the design day methodology is used to allocate existing facilities, contending that Union's approach does not recognize or define which customers among all classes of customers cause additional facilities costs. Also, VECC noted that the Board in EBRO 470 held that it would ensure fair treatment of customers if DP migration increased costs.

154 VECC further criticized Union's proposal because the avoided costs built into rates would not change regardless of the quantum of avoided costs benefits provided.

155 VECC submitted that DP customers had voluntarily assumed the burden of making delivery arrangements in exchange for a lower gas supply cost and thus needed no additional subsidy. In addition, there was no evidence of an increased burden by obligating firm deliveries; rather, Union's witness stated that firm deliveries were more cost effective than interruptible deliveries.

156 VECC noted that existing direct purchasers have been able to turn back TCPL capacity allowing them to deliver gas at a lower cost than firm deliveries on the Alliance and Vector pipelines whose costs are the responsibility of system sales customers. Also, direct purchasers receive the DCC payment regardless of delivery point and enjoy some flexibility due to the ability to change delivery points from Parkway to Dawn while Union's deliveries on behalf of system sales customers are all at Dawn because Union has allocated all of its TCPL capacity to direct purchasers.

157 VECC suggested that if Parkway deliveries by DP customers were genuinely considered to be relatively onerous, the Board could find, as a least cost alternative to system optimization, that direct

purchasers be able to change their delivery point to Dawn, provided that the DP customers choosing to do so assumed contractual commitments on the Alliance and Vector pipelines.

158 VECC disputed that Union's proposal was consistent with past practice, arguing that according to Union's witness, Mr. Kitchen, prior to EBRO 493-04/494-06 the DCC reflected the buy/sell methodology and was not embedded in rates. Mr. Kitchen also confirmed that the buy/sell mechanism arose due to Union's need to take title of a direct purchaser's gas; the buy/sell reference prices were in rates to facilitate the development of a competitive gas market.

159 VECC submitted that DCC payments recognizing avoided storage and transmission facilities costs started after the EBRO 499 Decision. Prior to EBRO 493-04//494-06, different commodity prices were paid by Union for obligated and non-obligated deliveries with the differential reflecting price, delivery point (Alberta or Ontario), and the transportation utilization underpinning delivery. Prior to the 1998 Act, when the utility had to hold title to the gas, buy/sell customers received a benefit due to the difference between the price they had negotiated with producers and the higher price in rates that Union paid to buy/sells.

160 VECC argued that in its EBRO 493/494 Decision with Reasons, the Board eliminated the price differential between obligated and non-obligated deliveries. The Board, in calling for changes to Union's buy/sell pricing methodology, noted that Union recorded deviations from the forecast cost of short-term supplies-- included in gas commodity charges for both buy/sell and system customers–to its PGVA "... which costs are usually charged only to system customers." In eliminating the differential, the Board commented that "... once this change is effected Union's own western Canadian firm supplies would not be excessively depleted due to an artificial economic incentive to elect direct purchase."

161 VECC submitted that the Board's findings in EBRO 493/494 more closely matched Union's actual firm supply costs with the costs paid to buy/sells by eliminating "... the higher cost of short-term supply embedded in the firm buy/sell reference price." VECC claimed that Union's prior practice under the Direct Purchase Displacement Policy increased commodity prices for system customers. VECC added that the Board also directed Union to bring a proposal to the Board for a commodity price for obligated deliveries that was closer to a true firm delivery price. VECC described Union's response to this directive (in EBRO 493-04/494-06) as "... the DCC with its current characteristics ... an artificial economic incentive to direct purchase customers based upon Union's unique view of system benefits." While the Board gave interim approval to the proposal -- pending a comprehensive review in the next proceeding -- there was no Board scrutiny of the DCC in the next proceeding because a comprehensive settlement agreement was filed with the Board.

162 VECC disputed Union's interpretation of the history of this issue, claiming: (i) no mention was made of either a reward for obligated deliveries or of the DCC as a premium for Parkway deliveries in EBRO 493/494; (ii) in EBRO 456-4, the Board required all deliveries (including DPs) to Ontario Local Distribution Companies (" LDCs") to be firm and obligated. The Board neither required Union to pay a premium for DP obligated deliveries nor recognized Parkway deliveries as qualifying for a premium; (iii) notwithstanding Union's claim that the Board's EBRO 412 decision precludes Union from mandating a delivery point, Union's contracts with DPs require obligated deliveries. Further, the EBRO 410-II, 411-II, and 412-II Decisions were issued prior to the existence of the current competitive gas market.; (iv) EGDI has included an obligated delivery requirement for its DP customers since EBRO 410-II and the following decisions, yet makes no payment similar to the DCC in recognition thereof; and (v) the EBRO 410-II and subsequent decisions considered the use of

penalties-- not premia--to incent obligated deliveries. Regarding the finding that the delivery point be negotiable, again the Board did not propose a premium payment to the customer.

163

VECC cited evidence in the proceeding which supported an estimated end-use impact of 1%-2% if DCC costs were removed from rates, arguing that "[t]he delivery rate change is small as an end use impact upon affected customers." VECC questioned Union's fear of load loss resulting from VECC's DCC proposal, noting that gas is currently competitive with oil and that existing firms have invested heavily in natural gas infrastructure. VECC also cited Union's admission that the greatest amount of fuel switching occurred during 2001, when commodity prices were rising".

164

With respect to interruptible loads, VECC suggested that under Union's scheme, residential customers could end up paying DCC to keep load, without any assurance that load will be retained.

165

VECC stressed the comparison between the lost delivery margin of $7.1 million on interruptible loads, and the avoided facilities benefit of $27 million. Even if a "speculative" loss of $7.1 million is included, VECC argued that its approach of eliminating the DCC based on costs, utilizing penalties, and keeping contractual delivery obligations was a least-cost optimization based on the evidence.

166

To mitigate the impacts of its proposal, VECC suggested that Union could negotiate load retention rates and also phase out the DCC over a two- or three-year period.

167

VECC noted that the range of revenue to cost ratios would change, from 1.022 to 0.511 in EBRO 499, to 1.06 to 0.295 under Union's proposal. Under VECC's proposal, the range would mirror the EBRO 499 range. VECC questioned the validity of Union's proposal given that no other jurisdiction had incorporated a similar methodology that transferred system benefits from one class to another in its rate design to recognize avoided facilities costs. VECC argued that "[i]f direct purchase customers get a credit for gas deliveries formerly made by Union before Direct Purchase came to be, then it is important that other types of benefits are recognized and similarly rewarded." Referring to the increased benefits to direct purchase customers arising from Union's Alliance and Vector contracts that allowed direct purchasers the benefits of turning back TCPL capacity and purchasing gas in the secondary market-- while not assuming the cost of the Alliance and Vector capacity, VECC asserted that consistency in rate design would require lower system customer rates in consequence.

168

LPMA accepted and supported VECC's evidence.

169

LPMA argued that the DCC payments are a real cost to Union that is recovered from in-franchise customers in delivery rates. As such, when the payment of the DCC is eliminated, the cost should be removed from delivery rates.

170

LPMA submitted that "... the Board disallow any subjective rate adjustments by Union based on perceived benefits to the system and/or avoided costs."

171

LPMA urged that the Board require that Union undertake any contractual arrangements, including obligations to deliver in the absence of DCC payments or embedded rate reductions necessary to maintain system integrity at least cost.

172

LPMA accepted Union's evidence in respect of the need to eliminate the DCC and urged the Board not to defer a decision on this issue. LPMA noted that elimination of the DCC would eliminate the accumulation of related further debits in the Direct Purchase Revenue and Payments account.

173 LPMA disputed Union's contention that the Board's EBRO 412 decision prohibited Union from mandating the obligation to deliver, citing the Board's EBRO 412-II Decision that "a failure to deliver on a peak day could result in a penalty to the direct purchaser and that the core market be protected and the LDC may make whatever contractual arrangements are necessary and prudent."

174 LPMA noted that in EBRO 456-4, the Board found that all buy/sell volumes to Ontario LDCs should be firm and obligated and that Union should use the weighted average cost of firm supplies to determine the buy/sell cost of gas. LPMA argued that the EBRO 412-II and 456-4 decisions demonstrated that direct purchasers had an obligation to deliver and payment was based on Union's firm gas costs: direct purchasers' incentive was due to the difference between Union's firm gas price paid to them and the direct purchaser's actual cost of gas, completely unrelated to avoided facilities costs.

175 LPMA noted the testimony of Union's witness that after the elimination of the DCC payment, the associated cost would not appear in the cost allocation study. LPMA submitted that the $27 million currently in costs should be removed from rates on the basis of the current cost allocation methodology.

176 LPMA agreed with VECC that Union had failed to show any extra onus arising from direct purchasers' obligations to deliver, compared to Union's firm deliveries on behalf of system customers. Although Union admitted that both types of deliveries provide significant system benefits in terms of avoided facilities, LPMA cautioned against adjusting rates based on presumed system benefits, noting that difficult issues arise in selecting which benefits ought to be adjusted for and how they should be quantified. LPMA urged the Board to decide this issue based on an approved cost allocation methodology that reflects only the cost causality of actually incurred costs. As an example, LPMA stated that while it was reasonable to expect that the recent transfer of Union's S&T marketing function to DEGT would result in savings i.e., avoided costs, Union had not brought forward a proposal to recover these avoided costs from C1 and M12 customers and provide a credit to other classes.

177 Regarding avoided facilities costs, LPMA argued that if additional facilities are required in the future, M2 customers would pay for the bulk of new facilities and questioned why M2 customers should pay now for facilities not built and pay again for them when they are built.

178 LPMA added that there was no evidence that any other North American gas utility allocated avoided costs, nor, by Union's evidence, were any other avoided costs included in rates. The inclusion of avoided costs in rates moves the utility away from cost-based rates and raises the possibility of shifting real costs, which comprise the revenue requirement.

179 LPMA noted Mr. Kitchen's testimony that significant volumes were lost when the commodity price of gas spiked, resulting in a lost delivery margin of $7.1 million. LPMA questioned the rationale for including $15 million in M2 delivery rates to try and keep $7.1 million in margin, especially when there is no guarantee of retention in the face of commodity price changes. Based on Union's evidence,

LPMA contended that the least cost alternative to maintain obligated direct purchase volumes is therefore $7.1 million, not the $27 million proposed by Union.

180

LPMA cited the testimony of Union's witnesses, that direct purchasers moving obligated deliveries from Parkway to Dawn are required to buy a service to move molecules from Dawn to Parkway. If additional facilities were required to facilitate this delivery point flexibility, the customer causing the incremental costs, would be responsible for the additional facilities costs. Union's testimony was that new contract customers, whose service required additional facilities, would have to pay for those facilities either through rates or an aid-to-construct payment. LPMA argued if a customer's action to not obligate deliveries increases facilities' requirements, this same customer should bear the cost responsibility: "A customer's action should not lead to incremental costs for other in-franchise customers."

181

Based on the evidence, LPMA suggested a three-year phase-out period would be appropriate, arguing that a longer phase-out period would be onerous on M2, M9, and M10 customers.

182

LPMA noted that, based on Union's gas commodity cost of $237.99/10^{3}m^3, the evidence indicated that VECC's DCC proposal would increase end use costs to the contract rate classes by 1% - 2%. Conceding Union's point that contract customers may pay a different commodity price than Union, LPMA remarked that even if direct purchasers paid 25% lower commodity prices than Union, the maximum end use rate impact of VECC's proposal was 3% in total or 1% annually over a three-year phase-out period.

183

Schools supported VECC and LPMA in that direct purchasers' delivery obligations are similar to Union's obligations and that all customers benefit from the overall arrangements made by both Union and direct purchase customers in ensuring that appropriate volumes arrive at delivery points.

184

Schools also noted that Union does not reflect in rates either the load-balancing benefits of system gas enjoyed by direct purchasers or the diversity and security benefits to all customers of the Alliance and Vector arrangements.

185

Schools stated that Union should stop paying the DCC since EGDI had never paid a DCC, and has had no difficulty maintaining supply to its direct purchase customers.

186

Schools argued that rates are set on the basis of real or forecast costs only. Further, Union could not provide any other examples than the DCC of rates being set based on avoided costs.

187

Schools expressed concern about the aggravating effect Union's proposal would have on revenue to cost ratios. Arguing that these should ratios should be close to 1.0, Schools cited the case of EGDI where large industrial classes have a revenue to cost ratio of 1.03 and the residential class has a revenue to cost ratio of 0.99. Describing a revenue to cost ratio of 0.90 as "already seriously out of balance," Schools stated that "... the current proposals are, even by [Union's] standards, grossly excessive."

188

Schools questioned the meaning of "obligated deliveries," noting that at the advent of gas deregulation in 1986, most direct purchase transactions were at Empress where Union either bought or took delivery of gas and transported it to Ontario via TCPL capacity held by Union. The only direct purchasers who had any latitude with respect to delivery point were the Ontario buy/sells or Ontario bundled-T customers who held upstream transportation capacity, most of whom would have held TCPL capacity and would therefore have had to comply with TCPL's delivery point rules : these were few in number since they would have to accept the risk of holding TCPL FT capacity. Schools noted that most, if not all, of TCPL's FT to the eastern zone was delivered to Parkway.

189

Schools joined VECC and LPMA in dismissing Union's load loss concerns with respect to the VECC proposal, noting the overall bill impacts, Union's ability to negotiate rates, and the possibility of using contract class deferral credits to mitigate any rate impacts.

190

Finally, Schools criticized Union's proposal as being unfair to M2 direct purchasers in that these customers, unlike M7 and T1 customers, would be worse off after the DCC elimination. Schools remarked on the heterogeneity of the M2 class, noting that it included institutional and commercial buildings, many of whom had been direct purchasers for years: the "misfortune" of school boards, building owners, and the like who direct purchase sizeable volumes, to be in the M2 class stemmed from Union's restrictions regarding the aggregation of buildings under common ownership for ratemaking purposes. As an example, Schools stated that under Union's proposal, the average school in Union's franchise area would lose a DCC payment of $582 and gain a delivery rate reduction of $127.

191

Schools supported VECC's proposal. Schools did not advocate separate compensation for M2 direct purchasers. However, if the Board accepts Union's proposal, Schools argued it must be modified to treat all direct purchasers equally.

192

CAC argued that the Board had to resolve four issues: (i) whether Union's "DCC-equivalent" rate proposal should be viewed as compensation for a system benefit provided by direct purchasers or as an incentive to retain direct purchasers' loads; (ii) whether Union has provided sufficient justification for its proposal; (iii) whether rejection of Union's proposal would be fair; and (iv) the appropriate mitigation should Union's proposal be rejected.

193

CAC disputed Union's interpretation of the DCC as reflecting a system benefit, noting that the Board had never reviewed the question of whether obligated deliveries provided a benefit that should be paid by system customers: the Board's acceptance of settlement agreements in which the system benefit rationale was made does not constitute a thorough review of the ratemaking principles embodied in the DCC proposal.

194

CAC disputed Union's characterization of the Board's EBRO 412-I Decision that Union could not unilaterally impose a delivery point for fear of inhibiting the development of a competitive Ontario commodity market. CAC argued that Union's position views the preservation of the historic rationale of the DCC as the fundamental issue, ignoring the facts that the competitive market is fully developed and that utilities and their direct purchase customers have far more contractual freedom today.

195

CAC stated that prior to DP, all customers were system customers, contributing to optimal system operation. The development of DP meant that Union could not control whether deliveries would be made as required. CAC interpeted the DCC as a payment to direct purchasers to control the risk of failure of DPs to honour their obligations to deliver and hence incent system optimization. CAC noted however that optimal system operation benefitted direct purchasers and that "[t]he anomalous result ...

was that Union's system customers had to pay DP customers to do not only what was in their interest, but what was a matter of contractual obligation."

CAC submitted that the DP customer's obligation to deliver is no different than obligation they had as system customers and that all customers benefit from delivery of required volumes at required locations. Therefore, no inter-class payment is required. 196

CAC argued that rate shock concerns are properly addressed by mitigation measures; they are not a proper rationale for Union's rates proposal. 197

CAC argued that Union had failed to justify the basic elements of its proposal, i.e., that DP customers provide a benefit for which they deserve to be compensated, that DP customers would not honour delivery obligations without a DCC-equivalent allocation, that the DCC calculation is reasonable, and that without the DCC-equivalent allocation there would be significant fuel switching. 198

CAC agreed with VECC and others that Union's proposal, through allocating costs that have not been incurred, violated cost causality principles. 199

CAC argued that parties' expectations of DCC or DCC-equivalent payments do not constitute a basis for ratemaking in the absence of a sound economic rationale. CAC acknowledged that while avoiding rate shock was an important regulatory principle, it did not provide a basis for accepting Union's proposal but, rather, argued for rate mitigation measures. In rejecting Union's proposal, CAC accepted the need to eliminate the DCC but proposed a five-year phase out of the plan to mitigate potential adverse effects. 200

Kitchener noted that Union has always depended on obligated Parkway deliveries and, prior to 1987, had no concerns in this respect because Union arranged all deliveries to its system. Kitchener acknowledged that in the early days of DP, an obligated delivery premium was necessary to increase the competitiveness of the gas supply market. However, Kitchener argued that the need for this incentive has disappeared due to the EBRO 456-4 Decision in which the Board allowed Union to mandate obligated deliveries. The maturity of DP makes cross-subsidization by system gas customers unnecessary, and undesirable. 201

Kitchener noted that the avoided cost rationale for the DCC, which gave rise to cross-subsidization, was proposed by Union on an interim basis in EBRO 494-06, with the Board accepting it as such while contemplating a full review in the next main rates case. Kitchener submitted that there has never been a full Board inquiry into the cost implications of the DCC methodology; in fact, "... the cross-subsidization ... was never revealed until RP-2001-0029." 202

Kitchener claimed that Union's proposal was not in compliance with the Act's requirement that rates be just and reasonable (s.36(2)) insofar as the proposal violated cost causality principles by requiring system customers to bear the cost of the reliability concerns caused by DP's actions. Also, the proposal results in revenue to cost ratios significantly at variance with the ratios last approved by the Board in EBRO 499. In this latter regard, Kitchener argued that "... the Board's approval of a utility's rate design in any case is essentially an approval of the resulting revenue to cost ratios. ... Having approved in EBRO 499 the rate design ... the Board should not depart from that approval during the PBR term, absent extraordinary circumstances." 203

204 Kitchener maintained that Union's approach of allocating avoided, not actual, costs was both dangerous, due to the introduction of cross-subsidization, and unprecedented, since the approach is not applied to any other avoided costs or system benefits, such as Union's Alliance and Vector arrangements. Kitchener stated that "... in an integrated system like Union's, each customer class benefits from the presence of the other customer classes and these interrelated benefits are not accounted for by cross-subsidization." Further, Kitchener argued that the need for the DCC is obviated by the existence of contractual obligations and penalties.

205 Kitchener noted that firm deliveries for system customers do not receive a DCC credit while firm Dawn deliveries -- which entail no avoided cost benefits -- receive the DCC credit. Kitchener added that "the customer classes which bear the burden of Union's proposal in this case (M2, M9 and M10) are the same classes who were targeted by Union's flexibility and service basket design proposals in RP-1999-0017 which was rejected by the Board."

206 Kitchener echoed other intervenors in noting that the rate impacts in Union's evidence are delivery rate impacts only and do not account for the commodity and transportation costs of energy supply. Kitchener concluded that the absence of any phasing out proposal from Union indicated that Union was "not unduly concerned about the impact of the intervenor's proposal on its industrial customers."

207 Kitchener urged the Board to eliminate the DCC as per VECC's proposal and consistent with the EBRO 499 approved rate design and with the RP-1999-0017 settlement agreement.

208 IGUA supported Union's DCC proposal on the basis that the avoided cost benefit was an appropriate compensation to direct purchasers for the contractual risks and commitments they have assumed in firm obligated deliveries to a specific delivery point. IGUA urged that if the Board rejects Union's proposal, the DCC not be eliminated.

209 IGUA submitted that prior to direct purchase, Union arranged supply for all its distribution customers by holding a portfolio of gas supply contracts which required delivery at specific points. A "substantial component" of the portfolio comprised firm service contracts requiring TCPL to deliver gas to Parkway east end at a 100% load factor. IGUA added that the Board and intervenors accepted "at all material times" that these deliveries benefitted the system through reduced Dawn-Trafalgar facility requirements, the avoided cost of which was a reasonable measure of benefits and reflected in distribution rates. Further, there would be no cost consequences of a delivery failure for system gas customers if Union did not suffer a loss or if Union did suffer the loss but the Board did not approve cost recovery.

210 IGUA argued that this was in contrast to the predetermined cost consequences including DCC clawback and automatic penalties, spelled out in the contract, for a direct purchaser's failure to deliver. IGUA added that direct purchasers, unlike system gas customers, derive no benefit from Union's "diversity as system supplier."

211 IGUA submitted that the introduction of direct purchase resulted in the replacement of suppliers' contractual commitments to Union with direct purchasers' contractual commitments to Union, enabling continued system benefits in the form of avoided facilities' costs. IGUA admitted that while the calculation of this benefit had changed, "... the entitlement of direct purchasers to receive that

consideration has remained constant." IGUA maintained that this consideration was justified due to the assumption by direct purchasers of the risks of obligated Parkway deliveries.

212 IGUA argued that the evidence showed that direct purchasers' contractual obligations were more onerous than those of system gas customers and, therefore, by VECC's argument, were entitled to consideration -- either as a credit on their bill or as a rate reduction--for being relatively disadvantaged.

213 IGUA described Union's evidence as revenue neutral and consistent with the status quo whereas VECC's evidence was not revenue neutral and would radically alter the status quo. Accordingly, IGUA submitted that the onus was on VECC to make a convincing case.

214 IGUA argued that VECC's position ignored the impact of its proposal on individual distribution bills, with some large volume users to see an increase of more than $1 million annually for distribution services. Based on the resulting increases VECC's proposal would entail for rates M5, M6, M7, and T1, IGUA submitted that VECC's proposal was not revenue neutral; on the contrary, because the net distribution bills for contract customers would be almost unchanged under Union's proposal, IGUA submitted that the utility's approach was revenue neutral.

215 Denying VECC's claim that the delivery obligations [on behalf] of system customers were similar to those of direct purchasers, IGUA submitted that Union acted as a principal, not as an agent, in contracting for system gas: system gas customers had no contractual responsibilities for delivery to Union. IGUA asserted that there was no agency relationship between Union and its system gas customers. Also, since direct purchasers make delivery commitments for the transfer of the custody of the gas at a specific delivery point, and the system benefits through avoided facilities' costs, the volatility of commodity prices was irrelevant with respect to the justness and reasonableness of delivery rates.

216 IGUA disputed the notion that the DCC was a load retention incentive, stating that although load loss must be considered under VECC's proposal due to its "serious negative distribution bill impacts," customers contemplating direct purchase are not threatening to leave the distribution system.

217 IGUA argued that as customers migrate to direct purchase, Union's risks associated with 100% load factor Parkway deliveries would decrease. But, even if all customers opt for direct purchase, while the diversity benefit of Union's role as a gas purchaser would be lost, there would remain a delivery commitment differential for each class based on the difference between the commodity allocation factor and the Dawn-Trafalgar design day allocation factor for each class.

218 OAPPA supported Union's position that the delivery obligations assumed by direct purchasers resulted in an avoided facilities benefit conferred upon all users that deserved consideration.

219 OAPPA noted the testimony of VECC's witnesses that the FST toll that was previously offered by TCPL was a lower rate to recognize the fewer facilities required in offering this service; similarly, interruptible rates are lower to reflect that, in their absence, costs would be higher to meet design day demand.

220

OAPPA submitted that system customers cannot contractually obligate deliveries since these customers do not handle the gas. OAPPA contrasted this with the daily, firm obligation to deliver, regardless of consumption, of direct purchasers.

221 OAPPA submitted that the delivery rate impacts of VECC's proposal on direct purchasers are shown by the evidence to be significant; further, they are unjustified, given the continued obligation to deliver. With respect to the argument that delivery rate impacts are dwarfed by commodity price fluctuations, OAPPA stated that this view was misguided since direct purchasers have made supply arrangements based on their own risk tolerances "... that simply do not allow a conclusion such as VECC's to be made with confidence." OAPPA stressed that "... delivery arrangements and the attendant costs are key elements of a customer's natural gas supply portfolio and therefore, a major consideration on their own."

222 OAPPA noted that the customer letters received by the Board supported Union's proposal. OAPPA urged the Board to adopt Union's proposal but, failing that, urged the Board to mitigate the impact of adopting VECC's proposal by phasing out the DCC over a period of no less than five years.

223 Tractebel supported Union's proposal arguing that: (i) direct purchasers bear a unique delivery obligation; (ii) direct purchasers provide a system benefit; (iii) the system benefit provided is appropriately reflected in rates; (iv) the system benefits are appropriately measured by avoided costs; (v) there is no rationale for changing the status quo; and (vi) changing the status quo will result in rate shock.

224 Tractebel argued that the DP delivery obligations were different and more onerous than either the obligations of system gas customers or the obligations of Union. Tractebel noted that system gas customers are under no obligation to deliver on an even daily basis or to a specific delivery point; nor are system customers liable for failure to deliver. Tractebel submitted that Union "meets the supply demands of its system as it wishes," citing Union's use of its northern TCPL capacity to serve the southern area during non-peak conditions. Further, Union does not have to deliver gas that system customers do not consume, nor does Union suffer penalties for failure to deliver.

225 Tractebel noted that all parties accepted that obligated deliveries provided a system benefit. Tractebel stated that this benefit is appropriately reflected in rates because, in EBRO 412-III, the Board approved a premium payment for obligated deliveries to a fixed delivery point in recognition of the system benefit provided. Again, in EBRO 493-04/494-06, the Board accepted the avoided facilities' cost as an appropriate measure of system benefits. Tractebel argued that the NEB's treatment of TCPL's FST rate also recognized avoided costs.

226 Tractebel described Union's proposal as a necessary modification of the DCC to accommodate unbundling that maintains the underlying DCC principle while VECC's proposal would "... completely eliminate the principle of paying a premium to customers who obligate their deliveries. ... VECC is saying that the cost allocation associated with the DCC is incorrect, and always has been."

227 Tractebel criticized VECC's proposal as ignoring all of the Board's case law on DCC, remarking that the Board approved different rates for obligated and unobligated deliveries back in EBRO 412-III in 1988. Tractebel argued that although the DCC had undergone modifications as the gas market evolved, the principle and practise of recognizing the system benefits of obligated deliveries had been maintained.

Tractebel disputed VECC’s interpretation of the issue as a cost allocation issue, submitting that "...[Union’s DCC proposal] is best characterized as a rate design issue.” Tractebel distinguished between "costs” incorporated in a revenue requirement and "costs” relevant to rate design stating that the former were payment obligations related to operating expenses and capital costs, "direct costs” defined by Tractebel, while the latter, as per Bonbright, was a broader concept incorporating considerations such as cost causality, avoided costs, and cost shifting. 228

Tractebel dismissed the commodity price volatility argument as bordering on the absurd and urged the Board to approve Union’s proposal in view of the delivery rate shock attributes of the competing proposals. 229

Energy Probe ("EP”) described the DCC as "a muddle of contradictions” containing both favourable and unfavourable characteristics. 230

EP credited the DCC as providing system planning and control benefits and argued that Union’s proposal would strengthen the enforcement of delivery obligations through increased penalties for non-compliance. EP asked the Board to urge all parties to try to increase the liquidity at Parkway to obviate the need for failure-to-deliver penalties in the future. 231

EP argued that historically, the DCC had not been consistently associated with system benefits stating that "[a]t one time, the DCC only represented a difference between the buy/sell reference price and WACOG. Only later was DCC used as a system planning tool.” As such, EP urged that the Board "... not feel bound to maintain the status quo, but ... take a more principled review of the issue.” 232

EP noted that the DCC was unique and suggested that it was so due to its unfavourable characteristics which included violating basic ratemaking principles, overpaying for DCC benefits, violating the Board’s RP-2001-0029 directive, and creating customer confusion. 233

EP submitted that the DCC was based on "what-if” phantom costs as opposed to actual costs incurred. EP acknowledged that while avoided costs are useful in determining whether a particular expense is justified, they are not appropriately included in rates as they do not represent real costs incurred. EP noted that Bonbright’s first attribute of a sound rate structure is "effectiveness in yielding total revenue requirements.”: as the DCC is not included in Union’s revenue requirement, it doesn’t belong in rates. EP suggested that "nowhere does Bonbright endorse rate recovery of costs a utility does not bear.” 234

Noting that it is obligated Parkway deliveries that avoid costs, EP questioned why Union paid 24% of the DCC between January 1 and October 31, 2002, for deliveries at Dawn and Ojibway when these west end deliveries increase the need for facilities. Further, EP claimed that some DP shippers were "double dipping” at the expense of high coincident peak users since the shippers are paid the DCC for Dawn deliveries -- including capacity associated with the delivery point flexibility which also flows benefits to shippers. 235

EP recommended that DCC payments for west end deliveries be eliminated immediately with the other DCC payments eliminated over a five-year period "unless a cost-based alternative capable of ensuring deliveries arrangements that meet Union’s system planning needs can be implemented 236 sooner.” Until this time, EP agreed with VECC that "the Board has the authority to ensure that Direct Purchase deliveries at 100% load factor are obligated.”

EP envisioned such a cost-based alternative as ensuring that "... the deliveries of, or on behalf of, all customers, including DP and system customers, are economically optimal for the overall system.” Such a system would require customers who demand service at the coincident peak to bear costs of meeting that demand and would provide compensation for relieving congestion only if the utility bears a real cost. EP suggested that the compensation be the minimum payment required to ensure the needed supply and that this amount of compensation might be determined through an auction process. 237

In Union’s reply argument, Union responded to the charge made by some intervenors that Union had not complied with the Board’s directive in RP-2001-0029, Union stated that the Board did not review the merits of its DCC proposal, nor reject its proposal in the RP-2001-0029 Decision with Reasons. Union’s position is that its DCC proposal had been accepted, by all parties and the Board, in settlement agreements in the preceding EBRO 499 and RP-1999-0017 proceedings. When disagreement arose over the interpretation of "revenue neutrality” in the RP-2001-0029 proceeding, the Board accepted Union’s alternative submission: that the DCC not be eliminated. Union submitted that in bringing forward a detailed justification for its original proposal was consistent with the Board’s directive. 238

Union added that it had not provided a schedule for phasing out the DCC since its proposal did not involve any phasing out. 239

Union argued that the Board had always maintained that fixed delivery point obligations should be negotiated, not unilaterally imposed. Noting that DP contracts are typically twelve months in duration, Union submitted that "[t]here is no basis in the evidence for the conclusion that direct purchase customers will continue to make these commitments in the absence of consideration.” 240

With respect to the payments made to DP customers, Union asserted that DCC costs are in rates and have been from the start. Further, intervenors have agreed with, and the Board has approved of, this arrangement. 241

Union disputed the contention by some intervenors that issues agreed upon in settlement agreements, such as the DCC issue in EBRO 499 and RP-1999-0017, had not been reviewed, arguing that although they had not been litigated, they had been reviewed by the parties prior to the settlement, and by the Board in accepting the settlement. Union argued that settled issues "... are more reliable [than litigated issues] precisely because experienced parties with experienced legal counsel following a thorough discovery process and extensive negotiations, all in a process financed through intervenor cost awards, have all agreed to a resolution of the issue.” 242

Union disputed LPMA’s argument that M2 customers would pay twice for facilities, once when they are avoided and then again when they are built. Union argued that obligated deliveries provide a \$27M benefit regardless since, in the absence of obligated deliveries, new facilities would be required earlier than otherwise: actual facilities constructed would be incremental to the \$27M cushion in avoided costs. 243

244

Union dismissed VECC’s concerns that a DP customer might return to system and receive payment even when deliveries were no longer obligated, stating that these impacts would not be material given the stability of DP activity. Union admitted that there had been migration of system and DP customers back and forth but remarked that DP has been relatively stable, accounting for approximately 40% of customers and 80% of volumes for a number of years.

245 Union submitted that while it needs to know where gas is going to be delivered and that most of the gas must be delivered to Parkway, obligated deliveries at Dawn (and Ojibway, Bluewater, etc.) also provide system integrity and operational benefits and avoid costs that would be incurred if they were not made. Union added that a customer obligated to deliver at Parkway would not be paid the DCC for unauthorized deliveries to Dawn. Also, conceding that a customer who is obligated to deliver at Parkway, could deliver at Dawn if he bought an M12 service for transportation from Dawn to Parkway, Union stated that this did not remove the obligation to deliver at Parkway, it just added an M12 cost to get the gas to Parkway.

246 Union disagreed with the reasoning that the rationale for the DCC no longer existed i.e., the prohibition against unilaterally mandating delivery points was unnecessary since the gas market is now competitive, calling it ‟completely speculative ” and embodying ‟... a view of competition as a static end state with fixed characteristics.” Union’s position is that competition is ‟organic”, evolving in unforeseeable ways to changing conditions. Union argued that having a competitive market today does not guarantee a competitive market tomorrow: unilateral mandating of delivery points could change the market of the future.

247 Union vehemently denied that the DCC was a subsidy. On the contrary, it is a recognition of the lower costs (than otherwise) due to obligated deliveries. Union disputed that DP customers would cause costs if they refused to obligate deliveries, arguing that such costs would be caused ‟... by the high demand, low load factor customers who use the system.” Union likened high load factor DP customers who hypothetically would refuse to obligate deliveries and hence require additional facilities to be constructed, to a ‟generous friend” that had previously sheltered you from costs.

248 Union argued that the DCC cost of a $27M rate reduction would not disappear under its proposal: it would only disappear if ‟the Board abandoned the principle that, despite what impact it may have on the future evolution of competition in Ontario, Union could not unilaterally impose obligated deliveries with no compensation.”

249 Union asserted that the allocation of benefits and costs of the DCC were provided in evidence in both the EBRO 499 and the RP-1999-0017 proceedings. Further, all parties were aware that the DCC was paid on obligated deliveries in the EBRO 493/494 proceedings.

250 With respect to the concern about intra-M2 impacts, i.e., that not all M2 customers will be held revenue neutral under Union’s proposal, Union argued that rate changes always impact customers in a rate class differently due to differences between the customer’s usage and the class average. While the rate class is designed to be as homogeneous as possible, they are not conceived on the basis that all customers in a class are identical in terms of consumption characteristics. Union stated that Schools concern in this regard was not a flaw in Union’s proposal but rather something to be addressed in rate redesign, not in a PBR year.

251

3.3 Board Findings

252 Union proposes to discontinue the payment of a rebate to Direct Purchasers who have met their contractual obligation to deliver firm gas at an agreed upon delivery point on Union’s system. It proposes to replace such payments with rate relief for the erstwhile recipients of the payments. This rate adjustment for Direct Purchasers would be based on and equivalent to the quantum of the payments received by them as a class. Under Union’s proposal, the rate adjustment which is designed to replace the rebate payments, would, like the payments themselves, be supported by all other rate classes, and allocated on the basis of each rate class’s design day reliance on Union’s Dawn-Trafalgar transmission system.

253 The Intervenors who reject Union’s proposal do so primarily on the basis that, while the DCC rebate payments should be discontinued, there should be no continuing consequential rate relief for Direct Purchasers. They argue that the revenue requirement associated with the DCC payments, which has been allocated substantially to rate classes which do not qualify for such rebates, should end with the elimination of the payments.

254 In addition to the Direct Purchasers who are Intervenors in this proceeding, the Board has received considerable additional input from Direct Purchase customers of Union who are very concerned about the impact the elimination of the DCC payments will have on their costs for gas supply, unless the payments are replaced by equivalent rate relief, according to the Union proposal.

255 The decision to eliminate the DCC arose out of the Alternate Dispute Resolution process in the seminal RP-1999-0017 case. There was an apparent consensus at that time that the DCC should be eliminated on a "revenue neutral” basis. As noted in the RP-2001-0029 Decision, different parties have different recollections as to the meaning of that term for the purpose of DCC elimination.

256 In the RP-2001-0029 case, Union advanced the same proposal that is under consideration in this case. In light of the diversity of views held by the parties, and the potential for significant rate impacts for some customers, the Board deferred its consideration of the matter to the instant case. The Board required Union to develop an alternate proposal which addressed the rate impact issue, and provided for a phasing in of any such impacts over time. Union has not provided any alternate proposal for the Board’s consideration in this case.

257 The rationale for, and the structure of, the DCC has evolved very considerably since its first appearance in a Settlement Agreement in the late 1980's. The programme was first named DCC in a Settlement Agreement in connection with a 1990 case, and the current rationale for the costs allocation, of which more will be said later, was developed in connection with a Settlement Agreement in 1998.

258 The programme has always been a creature of the ADR process, and has continuously evolved to find a rationale within contemporaneous market conditions and policy objectives.

259 In this regard, the Board acknowledges that at times over the last two decades, consensus developed respecting the need to provide incentives to Direct Purchasers to participate as genuine market participants in the Transportation and Storage aspects of the gas supply system. The DCC arose in such a context. As the market changed and developed, the rationale for the incentive it represented changed accordingly, culminating in 1998 with a structure providing for a rebate to direct purchasers

based on avoided costs associated with system enhancements. This structure was codified in the Settlement Agreement arrived at in EBRO 499. The theory underlying this rationale, which also underlies the current Union proposal, is that but for the compliance of Direct Purchasers with their contractual obligations to deliver, Union would be compelled to expend funds to enhance its gas transmission system. By this reasoning, all customers are obliged to fund the DCC rebates. The revenue requirement associated with the programme assumes that all contracted for deliveries at Trafalgar are unfulfilled, and all rate classes are allocated a share equivalent to that class's reliance on the system as a whole on a design day basis.

260 What the current programme does not take into account is that the market has now developed to the point where Direct Purchasers have other, more sustainable, incentives to participate in the market as independent market participants. Direct Purchasers volunteer to assume responsibilities associated with the delivery of commodity at negotiated delivery points because they believe on the basis of their business judgement that they can procure and deliver the commodity more cheaply than can the system operator.

261 If the decision to engage as a Direct Purchaser is dependent on the continuation of the DCC payment, or the consequential rate reductions proposed by Union following the termination of the programme, the Board would have expected the evidence to say so, and the continuation of the incentive, in whatever form, would need to be assessed on the basis of fundamental rate design principles, and a full re-examination of the appropriateness and scope of the incentive.

262 None of the evidence before the Board supports the proposition that the decision to become a Direct Purchaser is dependent upon the continuation of the incentive in any form, nor is there any evidence before the Board which suggests that Direct Purchasers will migrate to other sources of energy if the incentive is discontinued.

263 Support for the Union proposal seems to derive from two basic propositions: first, that the Direct Purchasers' obligation to deliver to a stipulated point is such a unique contribution to the system as a whole that all system participants should compensate them for it, and second, that no other system participants create anything like the system benefit created by the obligation to deliver.

264 In advancing the first ground, proponents of Union's proposal suggested that the DP requirement to deliver was a 365 day a year obligation. As pointed out earlier, Direct Purchase customers assume that status voluntarily, with a view to their own business objectives. There is no altruism in that choice. Assuming the natural risks associated with that choice does not give rise to an entitlement for compensation. In addition, DP customers do not have an obligation to balance 365 days a year. In fact, their obligation is to balance within 4% once a year. Because the DP customer is not obliged to balance on a daily basis, it is the system as a whole, i.e. ratepayers from all rate classes, who support Union's reasonable efforts to ensure that the system has the requisite daily supply. It is also noteworthy that participation in the DCC programme is not limited to DP customers who deliver at the Eastern terminus of the Union system.

265 The Board considers that the appropriate measure to encourage compliance with contractual obligations is the development of appropriate and effective contractual penalty provisions.

266 In advancing the second proposition, proponents of Union's proposal seem to ignore the fact that the system customers of Union, while not obliged to deliver or use gas pursuant to contract, are subject to

a transmission system monopoly. The existence of this captive core of users is at least as important for the optimization of the Union transmission system as any other group of users, including the DP customers.

267 It is the Board's view that, while the DCC may well have been seen to be a useful tool in encouraging the development of competitive aspects to the gas supply system in the past, it cannot be sustained in the current environment. The Board therefore supports the consensus developed first in the RP-1999-0017 ADR process that the programme should be eliminated.

268 In supporting the consensus for the elimination of the programme, the Board finds that all remnants of the programme should be discontinued, and that Union's proposal to transform it from a direct payment regime to on-going rate relief for DP customers is not appropriate.

269 The Board notes that Union was neither able to identify any other analogous utility that had a like programme, nor was it able to demonstrate that any other aspect of its rates contain avoided costs as a constituent.

270 The Board is concerned that the elimination of the programme in one stroke could unduly disrupt the business planning and budgeting activities of some DP customers. Such customers have developed a reliance on the current rebate structure, and they should be afforded a reasonable opportunity to accommodate a new context that does not include any element of incentives related to their compliance with their contractual obligations to deliver at a negotiated delivery point. Accordingly, the Board will provide for the proportionate phasing out of the DCC programme over a period of five years. Union is directed to develop the rate schedules reflecting this aspect of the Board's Order and to provide the same to Board Staff and Intervenors.

271

4 DELIVERY POINT FLEXIBILITY

272

4.1 Background

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The Settlement Process leading to the Board's RP-1999-0017 Decision resulted in the parties agreeing to temporarily use 150 MMcf/d of Dawn-Parkway capacity to provide delivery point flexibility to all of Union's in-franchise customers. The revenue foregone by Union arising from this agreement, which would have flowed from the sale of this capacity to M12 customers, was to be recovered from all in-franchise customers. If the arrangement was not to be renewed, it was agreed that customers would again be obligated to deliver at Parkway and Union would not be able to recover any foregone M12 revenue. This arrangement was to end on October 31, 2003 and is referred to subsequently as the present arrangement.

274

Union further agreed to facilitate individual customer delivery point requests that exceeded the 20% provided by TCPL, if that customer agreed to pay the foregone revenues. Parties acknowledged that customers must pay for any system wide solution negotiated between TCPL and Union. Union agreed to maintain a queue of those interested in delivery point flexibility and to consult with parties on an annual basis.

275

Union's prefiled evidence in the current proceeding stated that there was no consensus from parties on continuing to provide delivery point flexibility beyond October 31, 2003, the expiry date of the present arrangement. As a result, Union proposed to reduce delivery rates by approximately $450,000 for November and December 2003.

276

Union expressed the view, in a response to an interrogatory from Kitchener, that the reason a consensus was lacking on the part of customers to renew the present arrangement was because customers were not comfortable that the cost of the service offset the benefits they were achieving.

277

Kitchener filed evidence proposing the use of a winter peaking service for a period of up to three years to replace the present arrangement. Kitchener stated that it is possible to obtain a firm delivery contract to deliver gas to Parkway on the TCPL system directly when needed, during the winter season, with any party that holds sufficient firm TCPL capacity to Parkway and 'downstream' of Parkway.

278

Union filed reply evidence with the Board concerning Kitchener's proposal. In this evidence, Union stated that it did not agree with Kitchener that a peaking service would be a more economic solution at the present time for providing delivery point flexibility. Union stated that this was because the cost of the peaking service would be higher than other options currently available to effect delivery point flexibility, as well as much higher than that of the present arrangement. It would also result in Union having excess gas supply, as a peaking service not only affects the point of delivery, but also includes the delivery of the commodity, which would be surplus to Union's needs.

279

Union noted that Kitchener had entered into a contract to create its own flexibility. Union stated that this meant that Kitchener had done what Union had been saying customers should do all along to meet their flexibility needs, namely acquire a competitive offering in the marketplace.

Union characterized Kitchener's proposal as lacking any particulars as to availability, cost or terms and conditions and also as providing no economic analysis other than what Union saw as vague and unproven references to "favourable economics." 280

Union concluded that the Board should reject Kitchener's proposal on several grounds. First, Union noted that Kitchener was the only party making such a request and Kitchener had not determined whether or not any other customers would be interested. Second, Union argued that Kitchener's proposal would have a much higher cost than the present solution. Finally, Union said that because Kitchener had met its flexibility needs through the third party contract it had entered into, there was no longer any live issue for the Board to resolve. 281

4.2 Positions of the Parties 282

EDGI and Kitchener were the only parties to provide argument on this issue other than the applicant. 283

EDGI expressed agreement with Union's position that there is no live issue for the Board to resolve. It noted that Kitchener had entered into its own agreement for a winter peaking service, thereby supporting Union's view that such services are commercial, competitive commodity services, available in the unregulated market to all customers. EDGI also argued that it was untenable for the distribution utility to be used as a conduit for direct purchase customers to access the competitive market, when, by choosing the direct purchase option, such customers have taken on the obligation to arrange for their own gas supply. 284

Kitchener argued that the degree of interest among parties in a program of delivery point flexibility is not disputable as shown by the present arrangement arising out of the RP-1999-0017 proceeding and its own ongoing attempts to obtain Union's interest in a delivery flexibility program. Kitchener stated that the key to any economic flexibility program that operates during the winter months is the requirement that it be managed by Union in order to achieve system diversity benefits. It further stated that implicit in its proposal is the notion that Union would act for the benefit of its customers, even when the flexibility service did not involve the use of its own assets or otherwise offer benefits to the shareholder. 285

Kitchener argued that Union's evidence demonstrated a consistent refusal to investigate a peaking service not of its own design. Kitchener stated that, faced with this reality, it had entered into a customer-specific flexibility solution of its own. 286

Kitchener concluded that Union's attitude towards the Kitchener proposal meant that it would not be in the public interest to direct Union to test Kitchener's proposal through consultation design and bidding, as Kitchener had originally proposed. Kitchener stressed that the regulator and intervenors must be vigilant to ensure that assets that have been fully costed and paid for in rates are used to serve the customers that have paid for them. 287

Kitchener concluded that it continued to have concerns about assets being used to serve the customers that have paid for them. Kitchener further stated that given the narrowing of the issues under consideration in this Customer Review Process, it would defer its opportunity to express these concerns until the 2004 application. 288

4.3 Board Findings 289

290 The Board notes that Kitchener was the only party to this proceeding to support this proposal. However, it also notes that in its final argument Kitchener concluded that because of Union's attitude toward its proposal, it would not be in the public interest for the Board to direct Union to test its proposal as it had originally proposed. Accordingly, the Board will not make an order implementing this proposal.

DECISION WITH REASONS

5 AFFILIATE TRANSACTIONS 291

5.1 Background 292

Union was incorporated under the laws of the Province of Ontario by letters patent dated December 19, 1911. Westcoast Energy Inc. ("Westcoast") owns all of the outstanding common shares of Union. 293

In September 2001, Duke Energy Corporation announced plans to expand its position in the North American natural gas marketplace by acquiring Westcoast. That transaction was completed effective March 14, 2002. 294

There was no evidence filed by Union or any of the intervenors on this issue. 295

In October, 2002, IGUA requested that Union produce copies of any existent plans to transfer Union's storage and transportation business to an affiliate. Under a separate interrogatory, IGUA requested a complete list of affiliate transactions between Union's Storage and Transportation ("S&T") group and DEGT, or any of its subsidiaries, since May 2002. 296

Union's response to IGUA's interrogatories was that Union has no plans to transfer in whole or in part its S&T activities or assets to an affiliate, and that the greatest value of the company is obtained through an integrated approach to the operation of the utility. Since May 2002, Union has entered into 7 contracts with Duke Energy Marketing ("DEM"). The pricing for the services was based on the OEB's approved rates. 297

LPMA requested that Union identify the line of reporting of its S&T group within Union and within Duke Energy Gas Transmission ("DEGT"). 298

In response to LPMA's interrogatories, Union stated that its Capacity Management Department determines the amount of storage to be released and has responsibility to market the assets to the market. Union's S&T group has a direct reporting relationship to DEGT Marketing and Capacity Management in Houston and an indirect reporting relationship to Union's Gas Supply Services. The costs associated with Union's S&T group are charged to operations and maintenance and service provided to affiliates is credited to the operations and maintenance accounts. 299

VECC requested that Union confirm whether DEGT carries out any business or provides services in Ontario's competitive natural gas market and whether Union has provided and billed DEGT for any related services. VECC also inquired about the amount of time Union's S&T group spends on marketing the assets of any affiliates and how any service charges are determined. 300

In response to VECC's interrogatories, Union stated that DEGT does not carry out any business or provide service in Ontario's competitive natural gas market. Union also stated that its S&T group has not provided services to DEGT. For 2002, Union's S&T is forecasted to charge one person's time for marketing non-Union assets. The charge is based on Union's fully allocated costs. 301

Board Staff inquired about any changes in accounting policies, procedures and standards made to Union's accounts since its acquisition by the Duke family of companies. 302

In response to Board staff's interrogatories, Union stated that Union continues to retain operational control over the assets released to provide S&T services and under rate orders approved by the Board. Union has not changed any accounting policies, procedures or standards related to the S&T accounts since the Duke Energy Corporation's acquisition. Union stated that it is in compliance with the Affiliate Relationships Code. 303

Union also observed that DEGT is regulated by the Federal Energy Regulatory Commission ("FERC") of the United States and is governed by a FERC affiliate code of conduct, which is similar in purpose to the Affiliate Relationships Code issued by the Board. 304

Union stated that by centralizing and co-ordinating its marketing efforts both FERC-regulated and Ontario-regulated assets will benefit through Operations and Maintenance ("O&M") cost efficiencies and asset value and asset growth over the longer term will be enhanced. Union's Gas Supply Services Department will still be responsible for supply services. 305

Union stated that Union's Vice President of Gas Supply Services is responsible for oversight of both the release of the excess capacity to the market and the approval of contracts. The application for incremental capacity would be through Union's sales representatives. 306

Union has provided a copy of the draft Service Level Agreement and stated that the transfer price for service is the provider's fully loaded cost. 307

Union stated that it has not turned back any TransCanada capacity in 2002. 308

Union represented in an Undertaking that peak storage is usually offered through a public tender ("open season") and exchanges and off-peak loans are not offered through written tenders but rather through verbal offerings to several potential buyers. 309

Union asserted that the broader issue of other affiliate services associated with the Duke acquisition was not on the Issues List. In its view, the matter should be considered in the course of the 2004 rate case. 310

5.2 Union's Argument in Chief 311

Union asserted that there were two issues before the Board in this Customer Review Process. First, the nature of Union's transactions with DEM and, secondly, the effect of the Service Agreement on S&T marketing services between Union and DEGT. 312

Seven transactions involving Union and DEM have been undertaken. Union stated that in each case, the arrangements were preceded by a form of tendering process. In each case DEM was the highest bidder. Union represented that, since each of these sales took place at or above market prices, they were in compliance with section 2.3.1 of the Affiliate Relationships Code (the "Code"). 313

Insofar as the Service Agreement between Union and DEGT respecting storage and transportation services is concerned, Union asserts that the harmonization of Union's S&T marketing function with DEGT raises no issues which have any implications for 2003 rates or 2002 deferral account balances. In Union's view, this arrangement raises no issues within the scope of the trial PBR plan, and no order is sought or required from the Board in respect of it. 314

Union's S&T business involves selling assets in excess of what is needed to meet in-franchise demand. S&T marketing forces are engaged in finding buyers for this released capacity. The margin from these sales are recorded in a deferral account and are shared with ratepayers on a basis in which 25% of such sales go to Union and 75% is for the benefit of ratepayers. 315

DEGT is a distinct corporate entity, and is subject to the FERC code governing the relationships between affiliated companies. The FERC code is similar in purpose and intent to the Board's Affiliate Relationships Code. DEGT is engaged in the business of marketing S&T assets and the assumption by it of Union's S&T marketing function was done to harmonize and centralize S&T sales operations. 316

Union has indicated that the charge under the service agreement will be at the provider's fully allocated cost, which will be less than Union's cost of providing the same marketing services. The revenue received from the sale of S&T assets will be recorded in Union's financial statements, and subject to the usual shareholder/ratepayer split. 317

Union submitted that since transactions were done at or above market value and the services priced at DEGT's fully allocated costs, the transactions are in compliance with section 2.3.3 of the Code. 318

5.3 Positions of the Parties 319

Kitchener had the following concerns: 320

a) whether the seven contracts with DEM tendered, and on what basis; 321

b) whether Union turned back portions of Union's TCPL capacity and replaced it with gas purchased from affiliates at Parkway; 322

c) the level of competition for service with the acquisition of Union by DEGT, and who the T-service customers will be dealing with in terms of applying for storage and transportation; 323

d) the status of and the content of the service level agreements between Union and its affiliates; 324

e) whether the transfer of Union's S&T marketing function to DEGT was consistent with Union's prior statements on the question, and the impact of the time of disclosure. 325

IGUA was concerned as to whether the outsourcing of Union's S&T's marketing functions would affect the quality of service to ratepayers. 326

VECC concurred with Union that a complete review of the affiliate relationships impact on customer rates should be addressed in the 2004 rate case. VECC suggested that there should be a review of the service quality levels that customers are receiving in light of the fact that some functions may no longer reside in Union. 327

Schools was concerned that Union had not followed the Board's criteria for affiliate transactions set out in RP-2001-0032. 328

Schools pointed out that Union did not originally file any evidence on affiliate transactions, and suggested that if it were not for the fact that questions were raised at the Settlement Conference, Union would likely not have filed any evidence on this matter. According to Schools, the evidence filed provided no rationale for the decisions and no assessment of the costs associated with the changes. 329

Schools went on to observe that Union did not file the Services Agreement between Union and DEGT until asked to do so in cross-examination. Notwithstanding the fact that the reorganization became operational in February 2003, only a draft agreement was filed. The draft did not provide any terms, pricing provisions or description of services offered and received, nor did it demonstrate whether the services were to be provided at market rates. Schools' position is that Union's actions reflect a measure of disrespect for the Board and its rules. It asserted that questions remain as to how DEGT personnel, with little knowledge of Union's facilities can provide the same level of service as the Union S&T group. 330

331

CEED was concerned that Union has made significant changes to the provision of storage services in Ontario. CEED suggested that the Board should initiate a process in which issues of competitiveness of storage in Ontario may be thoughtfully considered.

332 LPMA and WGSPG were concerned with the continued availability of storage assets to meet the in-franchise requirement and with the potential impact on the S&T deferral accounts. LPMA and WGSPG urged the Board to direct Union to bring contemplated changes in the in-franchise storage and transmission requirement to the Board for approval prior to their implementation.

333

5.4 Union's Reply Argument

334 Union reiterated that there is no impact on 2003 rates or 2002 deferral account balances arising from the affiliate transactions and there is no aspect within the trial PBR Plan that is affected by such transactions.

335 Union submitted that nothing in the Affiliate Relationships Code requires prior or public disclosure of its business activities and, in particular, of affiliate transactions.

336 Union pointed out that the Board should, in principle, be cautious about issuing directives with respect to matters that are not before it. Accordingly, in Union's submission, there was no basis whatsoever for any criticism of Union with respect to its treatment of this issue or for any directions from the Board with respect to the 2004 rate case.

337

5.5 Board Findings

338 The Board is concerned that recently the Applicant indicated to the Board and intervenors that it did not contemplate any transfer of Union's S&T activities to any affiliated party. In the course of this proceeding it emerged that such a transfer had occurred in February of 2003. While the Affiliate Relationships Code does not require the Applicant to provide any prior notification of such business re-arrangement, it would have been appropriate for Union to be more forthcoming with respect to this change, given its previous pronouncements on this subject.

339 It may be that the harmonization of the S&T marketing activities represents an increase in the efficiency of the operation. The Board has insufficient evidence before it to come to any conclusion on the subject, nor to determine whether the transfer of the function to the affiliated company is at a price higher or lower than that reasonably attributable to the function prior to the migration

340 With respect to the seven contracts entered into with DEM, the Board observes that Subsection 2.8.2 (c) of the Code requires the utility to provide information as to the utility's specific costing and transfer pricing guidelines, tendering procedures and service agreements. Further, if any of the transactions exceeded $100,000, Section 2.8.3 of the Code requires disclosure of the details of the transaction.

341 The content of business relationships between affiliated companies in the energy business has become a particular interest of regulators in North America over the last several years. In recent decisions, this Board has indicated its intention to ensure that the effect of such relationships is adequately

understood and captured in the ratemaking process. It is often the case that a lack of clarity or disclosure of such arrangements raises more concerns and obstacles than the actual revelation of the arrangements themselves. Simple compliance with applicable Codes is a minimum standard for a regulated entity. Developing an approach to this subject that addresses the reasonable interests and expectations of the parties and the regulator is prudent, especially in light of the fact that it is likely, if not inevitable, that these issues will arise in the context of the 2004 rate case.

6 OTHER ISSUES 342

6.1 Standard Storage Service and Standard Peaking Service Rate Derivation 343

Union's Argument in Chief 344

345 Union questioned this subject appearing on the Issues List, noting that the Standard Storage Service ("SSS") and Standard Peaking Service ("SPS") rates are applicable to unbundled services, beginning April 1, 2003, for which there are not yet any customers. Further, Union submitted that the rationale underpinning the services and rates were provided in pre-filed evidence in the RP-1999-0017 proceeding and were settled in the subsequent settlement agreement that was accepted by the Board in that case.

346 Union added that, pursuant to the RP-2001-0029 proceeding, SSS and SPS rates were included in the 2001 and 2002 rate orders. The calculation of the rates was provided once in the working papers attached to the 2001 and 2002 draft rate orders and again in this proceeding. Because there were not any customers for these services, Union used the existing, cost-based T1 storage rates to derive SSS and SPS rates rather than using a cost allocation to the U2 class.

347 Union added that it was not seeking any change in rate design or terms of service for the SSS or SPS services and, since Kitchener had not sought any specific relief in respect of this issue, advised that "... it would appear that no decision or comment is required of the Board."

Intervenors' Positions 348

349 Kitchener was the only intervenor to make a submission on this issue. It submitted that although a separate rate for these services was provided in a post-ADR document in the RP-2001-0029 proceeding, the derivation of the rates was first provided in this proceeding. Kitchener accepted that Union could not use a cost study to develop these rates because it was impossible to forecast demand for the services.

350 Kitchener stated that the appropriateness of the SSS and SPS rates could be deferred to the 2004 rates case but argued that "... the Board should be concerned about the determination and the assumptions that underlie both the SSS and SPS rates" and that "... Union needs to consider developing the rate from the ground up, based on costs posited on assumed demand parameters."

Union's Reply Argument 351

352 Union made no further submissions on this issue.

Board Findings 353

The Board notes that under the Act, one of its objectives and responsibilities is to maintain just and reasonable rates for the transmission, distribution, and storage of gas. As such, the Board expects Union to base all of the rates it seeks to impose on customers in 2004 on an appropriate allocation of costs. 354

6.2 Lines of Business 355

Background 356

In the RP-1999-0017 decision, the Board directed Union to file financial information segregated by line of business and a cost allocation study as a guide for evaluation of the cost responsibility by line of business and by rate class. 357

Union stated that its processes, systems, tracking and reporting systems are designed to provide information by rate class, and not by line of business. Union suggested that if it generated financial statements using subjective allocation factors, the result may not be sufficient for sound decision making and could lead to misinterpretations. Union stated that this method of generating financial statements is also contrary to the objectives and basic principles of segmented disclosure as described in Section 1701 of the Canadian Institute of Chartered Accountants ("CICA") Handbook. 358

Union has dedicated resources to investigate splitting the company into two lines of business, namely (i) distribution and (ii) storage and transportation. 359

Union indicated that it would be difficult to split the Dawn Operations Centre into discrete storage and transportation elements because of the presence of common plant assets and Operations and Maintenance costs. 360

Union also noted that gas commodity cost is strictly a pass-through item and there is no reason or justification to require reporting gas supply as a distinct line of business. 361

The parties agreed to deal with the matter in argument . 362

Union's Argument in Chief 363

364 Union filed a status report on December 20, 2002 stating that it had decided not to reorganize along lines of business because the cost will outweigh the benefits. Union indicated that it will conduct a notional line of business study as part of the 2004 rate case and attempt to report actual performance broken down by notional lines of business.

365 Union requested a withdrawal of the line of business directive or clarification from the Board as to what the line of business information is to be used for.

Positions of the Parties 366

367 CEED submitted that Section 36 of the Act recognizes four distinct lines of business for which the Board sets rates. CEED asked for clarification as to how anyone would be misled if Union reported as directed by the Board. CEED also rejected Union's suggestion that the use of allocation to generate financial statements would be contrary to the Board's objectives. CEED stated that a regulator must understand the operations of the regulated entity, and the Board's directive would lead to a better appreciation of Union's activities.

368 CEED was particularly concerned that in the absence of financial information on a line of business basis, revenues from the regulated transportation and distribution operations of the Utility could be used to subsidize its unregulated storage and gas sales business.

369 CEED indicated that delivery service is the only service which customers must purchase from the regulated business. Other services such as storage, billing and metering are, or will be, open to competition. As a result, the cost for each component should be segregated in order for the customers to make well informed decisions in choosing service providers.

370 CEED rejected Union's contention that reporting on lines of business is a management decision. It contended that the Board's unbundling decision necessarily leads to a situation wherein the utility is obliged to discretely report costs on gas sales, storage, transportation and distribution respectively. It also rejected Union's argument that financial statements by lines of business would be prone to misuse and misinterpretation. It contended that Union could prepare notes to financial statements by lines of business to explain that the statements had been prepared for filing with the regulator and not for accounting purposes.

371 CEED rejected Union's argument that such a methodology would run counter to the objective s and basic principles of segmented disclosure in Section 1701 of the CICA Handbook. CEED noted that this Section explicitly states that "Nothing in this section is intended to discourage an enterprise from disclosing additional information specific to that enterprise or to a particular line of business that may contribute to an understanding of the enterprise."

372 CEED also indicated that since the Board's original direction was issued in its RP-1999-0017 Decision dated July 21, 2001, Union has had numerous opportunities to request that the Board reverse its decision, but has not done so.

Board Findings 373

In its RP-1999-0017 Decision with Reasons, Union was directed by the Board to: 374

> " ...file with the Board and in the customer review process information on revenue-to-cost ratios for rate classes, financial information segregated by line of business, and information necessary to effect the earnings sharing mechanism. The Board expects the Company to consult with Board staff to develop the particulars for the presentations for the information.” 375

In RP-2001-0029 paragraph 6.164, the Board stated: 376

> "The Board sees a need to clarify and particularize its stated requirements. However, the Board would be assisted by a report first from Union setting out how it intends to comply with the filing requirements identified in RP-1999-0017. Union is directed to prepare and file such a report before the commencement of the oral hearing in the next CRP, RP-2002-0130.” 377

378 The Board noted that Union had not been timely in producing a report to set out how it intends to comply with the filing requirements.

379 The Board will defer the implementation of the directive pending the outcome of the cost allocation study for the 2004 rate case.

380 In confirming the Board’s directive to file the financial information segregated by lines of business, it is appropriate to restate the rationale giving rise to it.

381 Of particular interest to the Board is the development of information which reveals in the clearest possible way the cost allocations and structures governing aspects of the Utility’s business which may be subject to competition in the near or mid-term from unregulated market entrants, including market entrants which may be affiliated with the Utility.

382 The separation of the Utility’s operations between unregulated and regulated activities means that the Board must be in a position to assess the degree of cross-subsidization from the regulated aspects to the unregulated aspects. This assessment is important to enable the Board to determine whether the legitimate public interest and ratepayer interests in the assets used in the regulated businesses are protected, such that the assets are not expropriated by the unregulated business.

383 Not only would such migration of assets without compensation be unfair to the ratepayers who have supported them through rates, but it would also impair fair competition, insofar as new, unaffiliated market participants would be compelled to compete against an entity which has been enriched by such assets. The Board regards the provision of such information in the form requested to be critical in assessing the degree to which a particular business activity undertaken by the Utility may become subject to competition.

384 The Board is not persuaded by the Utility's assertion that the provision of the information requested in the form requested is futile and wasteful of ratepayers' resources. The Board has indicated its flexibility in structuring the directive so as to minimize costs and complication. But the requirement remains, and subject to constructive suggestions from the Utility as to how to fulfill it, it is the Board's expectation that the information required, in the form in which it is required, will be provided in conjunction with the 2004 re-basing application. Union's undertaking to provide a notional reporting by line of business for the 2004 rates case may form the basis for the fulfilment of the Board's directive. The Utility is encouraged to consult with Board Staff as that undertaking is developed in preparation for the 2004 rates case.

6.3 Revenue to Cost Ratios 385

Union's Argument in Chief 386

387 Union submitted that revenue to cost ("R/C") ratios arise as an issue only due to the reduction in R/C ratios below 1.0 of the contract classes when the DCC payments are replaced by equivalent rate reductions.

388 Union argued that there was no material difference between the "net effective R/C ratios" resulting from the rates which included DCC and which were approved as just and reasonable in EBRO 499 on the one hand, and the R/C ratios under its proposal on the other. Union submitted that column (f) of Exhibit B, Tab 9, Schedule 3, showing current net-of-DCC R/C ratios, and column (i) of Exhibit B, Tab 10, Schedule 5, showing R/C ratios after implementation of its proposal, supported this claim: "... in all instances except rate M6A, to the extent the R/C ratio changed, it moves marginally closer to 1.0."

Intervenors' Positions 389

390 VECC stated that revenue to cost ratios should be close to equilibrium as a general principle, with any divergences to be carefully scrutinized and justified.

391 VECC noted that under Union's proposal, the range of revenue to cost ratios would change, from 1.022 to 0.511 in EBRO 499 (see accompanying table), to 1.06 to 0.295. Under VECC's proposal, the range would mirror the existing EBRO 499 range. VECC questioned the validity of Union's proposal primarily on the grounds that no other jurisdiction had incorporated a similar methodology that transferred system benefits from one class to another in its rate design to recognize avoided facilities costs.

392 Describing the process of analyzing an integrated system to find inter-class cost and benefit consequences as "laborious and unrewarding," VECC argued that "[i]f direct purchase customers get a credit for gas deliveries formerly made by Union before Direct Purchase came to be, then it is important that other types of benefits are recognized and similarly rewarded." Referring to the increased benefits to direct purchase customers arising from Union's Alliance and Vector contracts that allowed direct purchasers the benefits of turning back TCPL capacity and purchasing gas in the secondary market-- while not assuming the cost of the Alliance and Vector capacity, VECC asserted that consistency in rate design would require lower system customer rates in recognition.

393 VECC warned that accepting Union's "unique rate design ideas" could encourage "endless creative and theoretical wrangles about who really benefits from different aspects of Union's integrated system design ... divorced from the well-established principles of cost causality ... ."

394 VECC urged the Board not to accept Union's proposal, citing the Board's "historical and continued need to rely on revenue-to-cost ratios to ensure the just and reasonableness of rates", quoting excerpts from the Board's RP-1999-0017 Decision with Reasons, (paras 2.457 - 2.459):

395

> "The Board is also not prepared to accept the argument that there is no need to provide revenue and cost information on a rate class basis. The Board has generally relied on the revenue-to-cost ratio in determining that there is no unfair assignment of cost responsibility among rate classes. Evidence in this proceeding established no other basis upon which to check for cross-subsidization other than to use cost information."
>
> "The Board does not accept Union's arguments that "using a cost based measure, such as cross-subsidy is not meaningful in PBR because rates are judged just and reasonable by not being escalated beyond the restrictions approved by the Board" nor that "the approval by the Board of a level of pricing flexibility means that if Union makes rate changes anywhere within the boundaries of the flexibility constraints approved by the Board, then the result will be just and reasonable rates". The Board can not automatically assume that the resulting rates will remain just and reasonable among classes".
>
> "In the Board's view there will be a continuing need to monitor changes in rate relationships to ensure that rates continue to be just and reasonable. The Board therefore directs Union to file with the Board and provide in the customer review process appropriate cost information, including rate class revenue-to-cost impacts."

396 LPMA submitted that "... the key question related to the revenue-to-cost ratios resulting from Union's proposal to embed the DCC into delivery rates is whether or not those revenue-to-cost ratios are staying at a level that is reasonable."

397 LPMA provided a table summarizing the R/C ratios (for delivery services) for in-franchise customers as approved for 1999, under Union's proposal, and under the intervenors' proposal. This table is reproduced below.

398

Description	Rate Class	1999 Approved	Union Proposal	Intervenor Proposal
General Service	M2	1.021	1.067	1.022
Firm comm/ind contract	M4	1.019	0.936	1.021
Interruptible comm/ind contract	M5A	0.818	0.613	0.816
Seasonal comm/ind contract	M6A	0.583	0.365	0.583
Special large volume contract	M7			

Firm		0.886	0.655	0.873
Interruptible and seasonal		0.511	0.270	0.511
Large wholesale service	M9	1.003	1.033	1.004
Small wholesale service	M10	0.614	0.579	0.558
Contract Carriage	T1	0.792	0.499	0.771

399 In comparing the 1999 approved R/C ratios to the R/C ratios under Union's proposal, LPMA noted the "significant increases" to the M2 and the M9 classes and described the increases as "unacceptable and not reasonable." Further, under Union's proposal, the other rate classes "... see significant drops in their revenue-to-cost ratios."

400 LPMA argued that while the approved 1999 revenue-cost-ratios were found to be reasonable by the Board, the significant changes under Union's proposal demonstrate that the ratios would not remain reasonable. In contrast, the table shows that under the intervenors' proposal, revenue-to-cost ratios are maintained close to their existing levels, thereby better attaining Union's stated objective of ensuring that the R/C ratios stay at a reasonable level.

401 LPMA urged the Board to reject Union's proposal because, in incorporating rates adjustments not based on costs which have been actually incurred, moves away from cost-based rates. "Such a change would be a fundamental change in the way rates are set in this province and would result in rates that are neither just nor reasonable."

402 Kitchener argued that R/C ratios illustrate rate design and provide a measure of whether rates are just and reasonable. It submitted that the last rate design and rates based on a full cost allocation study and approved by the Board were those in EBRO 499. Further, Kitchener asserted that mid-term PBR rate design changes are inconsistent with the PBR principle of tying rate changes to the price cap formula.

403 Kitchener noted that the DCC was the only issue in this proceeding that could alter the EBRO 499 approved rate design and, based on a comparison between the EBRO R/C ratios and the R/C ratios under VECC's proposal, urged the Board to accept VECC's DCC proposal.

404 IGUA stated that the R/C issue arises "... because the rate changes Union proposes produce revenue-to-cost ratios below 1.0 for some contract rate classes with a delivery commitment differential credit and revenue-to-cost ratios greater than 1.0 for those rate classes with a delivery commitment differential debit."

405 IGUA urged that if the concern about R/C ratios was a matter of "optics,"a separate line item in the cost study to reflect the "delivery commitment differential" for each rate class would address this concern. IGUA proposed that for each rate class, this differential would reflect the mix of system sales and direct purchase customers in the class and would quantify the net benefits provided or enjoyed by the class due to the 100% load factor delivery commitments made by direct purchasers. IGUA suggested that the differential for each rate class be derived from the avoided carrying costs of incremental Dawn-Trafalgar facilities.

IGUA added that its "line item in the cost study" approach would provide a better alignment of R/C ratios and "... will better reflect the realities of the redistribution of risks and obligations associated with the provision of 100% load factor deliveries at specific points within Union's system which have ensued with the widespread shift to direct purchase and the consequential transfer of delivery commitments from Union's suppliers to direct purchasers." 406

Regardless of whether such a delivery commitment differential line item is added to the cost study, IGUA submitted that direct purchasers remain entitled to consideration for the system benefits that they provide. 407

Board Findings 408

The Board considers that an appropriate cost allocation study respects generally accepted principles of cost causation. In view of the principle that each rate classes should generally be responsible for costs it has caused to be incurred, the Board believes that revenue-to-cost ratios provide information that is useful in the consideration of the justness and reasonableness of proposed rates. In the absence of conflicting considerations, this approach would yield expected revenue-to-cost ratios of 1.0 for each rate class. 409

The Board acknowledges that, in practice, rates may be approved which do not result in revenue-to-cost ratios of 1.0 for each rate class. This may arise due to conflicting criteria considered in the rate design stage of developing a sound rate structure. 410

Notwithstanding the preceding, the Board believes that any proposal which results in the revenue-to-cost ratio for any class moving further away from 1.0 should be carefully scrutinized and justified before being given regulatory approval. The Board does not agree that any such further deviations from a revenue-to-cost ratio of 1.0 present merely a problem with "optics." 411

The Board notes that there is no evidence before it that any other jurisdiction has approved the inclusion of avoided costs of facilities in rates. As a matter of principle, the Board finds that no rate class should be assigned a cost that has not actually been incurred by the utility. Therefore, as the payment of the DCC is phased out by Union, it is appropriate that the cost embedded in rates be phased out, for the purposes of calculating the revenue requirement and the revenue-to-cost ratio. 412

The Board finds that both the revenues and costs used in deriving the revenue-to-cost ratios should reflect expected actual revenues collected and actual costs incurred. To derive these ratios otherwise, increases the opacity of the proposal and decreases the usefulness of the ratio itself. 413

Therefore, the Board accepts the position of some intervenors that, under Union's proposal, some rate classes that already enjoy a revenue-to-cost ratio of significantly less than 1.0, would see a further reduction in revenue-to-cost ratios. Under VECC's proposal, the class revenue-to-cost ratios would remain closer to those approved by the Board in EBRO 499. 414

Since the Board has found elsewhere in this Decision that the DCC be phased out over five years, it is also appropriate that the revenue requirement component corresponding to the DCC cost responsibility also be phased out over the five-year period. Union is therefore directed to amend its 415 rates to reflect the phasing out of the DCC and to provide the corresponding R/C ratios in its fiscal 2004 rates application.

6.4 Deferral Account Disposition 416

417 There are three categories of deferral accounts, namely, the Gas Supply Accounts, the Storage and Transportation Accounts and Others.

418 As of December 31, 2002, the Gas Supply Accounts balances consists of;

419 i) Firm Supply Purchase Gas Variance Account (179-80) debit balance of $6.885 million;

420 ii) Other Purchased Gas Costs Account (179-68) credit balance of $35.923 million after adjusting for the Unabsorbed Demand Charge of $3.1 million agreed upon by all parties at the Alternate Dispute Resolution ("ADR") Settlement; and

421 iii) the Southern Operations Area TCPL Tolls and Fuel Account (179-67) and the Northern Operations Area Heating Value Account (179-89) and the TCPL Tolls and Fuel Account (179-100) totalling a net credit balance of $2.259 million.

422 iv) the total for the Gas Supply Accounts amounts to a net credit of $31.297 million. The Storage and Transportation accounts and Other Deferral accounts amounts to a credit of $981,000. The total to be disposed amounts to a credit of $32.278 million.

423 Union proposed the following disposition of the Gas Supply Account balances:

424 a) **Firm Supply Purchase Gas Variance Deferral Account**

425 $6.885 million will be allocated to firm rate classes in the Northern and Eastern Operations Area, and all rate classes in the Southern Operations Area in proportion to system sales volume in 2002.

426 b) **Other Purchased Gas Costs Deferral Account (Credit of $35.923 million)**

427 i) Flexibility - South - Credit of $1.941 million to be assigned directly to the M2 general service rate class.

428 Flexibility - North - Credit of $0.123 million to be assigned directly to the M2 general service rate class.

429 ii) Unabsorbed Demand Charge

430

The Board acknowledges that for this case only, the parties agreed that Union should recover $3.1 million of Unabsorbed Demand Charge for 2002 instead of $6.277 million as originally submitted. Unabsorbed Demand Charge will be allocated based on a special allocation factor as detailed in Appendix C of the Alternate Dispute Resolution ("ADR") Settlement Agreement.

431 iii) Amount Recovered in Rates - South - $8.150 million..

432 Amount Recovered in Rates - North - $0.217 million will be recovered in proportion to firm 2002 system sales, ABC-T and bundled-T delivery volumes.

433 iv) Inventory Revaluation and Rate Rider - South - Debit of $0.855 million will be allocated to all rate classes in proportion to 2002 system sales volume in the Southern Operations Area.

434 Inventory Revaluation and Rate Rider - North - Debit of $0.274 million will be allocated to rate classes in proportion to firm 2002 system sales volume in the Northern and Eastern Operations Area.

435 c) **Southern Operations Area TCPL Tolls and Fuel Deferral Account**

436 The credit balance of $2.112 million will be allocated to all rate classes in the Southern Operations Area in proportion to 2002 system sales volume.

437 d) **Northern and Eastern Operations Area**

438 i) Heating Value - North

439 The credit balance of $2.073 million will be allocated to the Rate 01 and Rate 10 classes in proportion to firm 2002 system sales, ABC-T and bundled-t delivery volume for those rate classes

440 ii) TCPL Tolls and Fuel Deferral Account

441 The credit balance of $3.147 million of Fuel Deferral account will be allocated to rate classes in proportion to firm 2002 systems sales volumes in Northern and Eastern Operations Area.

442 The debit balance of $5.073 million on Tolls and Fuel Deferral Account will be allocated to all rate classes in the Northern and Eastern Operations Area firm 2002 system sales, ABC-T and bundled-t delivery volume for those rate classes.

443 e) **2002 Storage and Transportation Related Deferral Accounts**

i) Transportation and Exchange Services - Credit of $3.714 million 444

C1 and M12 customers and in-franchise customer will receive an allocation based on their proportional share of actual 2002 available Dawn Trafalgar and Ojibway-St. Clair capacity. The amount allocated to the in-franchise customers in the Southern Operations Area is to be allocated among rate classes in proportion to E.B.R.O. 499 design (peak) day demand and the balance allocated to customer in the Northern and Eastern Operations Area is to be allocated among rate classes in proportion to the allocation of 1999 storage demand costs as approved in E.B.R.O. 499. 445

ii) Balancing Services - Debit of $2.118 million 446

The balance will be allocated to in-franchise and ex-franchise customers (including customers in the Northern and Eastern Operations Area) in proportion to the allocation of peak storage as approved in rates. 447

The forecast Load Balancing Account charges that has been credited to Enbridge Consumers Gas in 2002 will be recovered. 448

The balance related to in-franchise customers in the Southern Operations Area is to be allocated among rate classes in proportion to E.B.R.O. 499 design (peak) day demand and the balance related to in-franchise customers in the Northern and Eastern Operations Area be allocated among rate classes in proportion to the allocation to 1999 storage demand costs as approved in E.B.R.O. 499. 449

iii) Short-Term Storage Services - Credit of $11.307 million 450

The balance will be allocated to in-franchise and ex-franchise customers in proportion to the allocation of 1999 storage deliverability. The balance relating to the in-franchise customers in the Southern Operations Area will be allocated to the rate classes in proportion to E.B.R.O. 499 design (peak) day demand and the balance related to in-franchise customers in the Northern and Eastern Operations Area be allocated among rate classes in proportion to the allocation to 1999 storage demand costs as approved in E.B.R.O. 499. 451

iv) Long-Term Peak Storage Services - Credit of $3.874 million, Other Storage and Transportation Services - Credit of $0.199 million and Other Direct Purchase Services - Credit of $0.672 million 452

The balance relating to the in-franchise customers in the Southern Operations Area will be allocated to the rate classes in proportion to E.B.R.O. 499 design (peak) day demand and the balance related to in-franchise customers in the Northern and Eastern Operations Area be allocated among rate classes in proportion to the allocation to 1999 storage demand costs as approved in E.B.R.O. 499. 453

f) Other Deferral Accounts 454

i) Direct Purchase Revenue and Payments - Debit of $4.216 million 455

The balance will be allocated to rate classes in the Southern Operations Area in proportion to Dawn-Trafalgar design day demand 456

ii) Lost Revenue Adjustment Mechanism - Debit of $0.582 million 457

The balance will be assigned to the in-franchise customers based on the revenue impact by rate classes as presented in Exhibit B, Tab 4, Schedule 3 of the Applicant's prefiled evidence 458

iii) Incremental Unbundling Costs - Debit of $3.202 million 459

The balance will be allocated to the in-franchise rate classes in proportion to the 1999 weighted average number of customers for second phase cost only. 460

iv) Intra-period WACOG - Debit of $6.480 million 461

The balance will be allocated to rate classes in proportion to the allocation of the pass-through items that the intra-period WACOG change relates to. 462

v) Pipeline Integrity - Debit of $2.189 million 463

The balance will be allocated to rate classes in proportion to 1999 total other transmission demand related costs in the Southern Operations Area and in proportion to 1999 total distribution related costs in the Northern and Eastern Operations Area. 464

There was a complete settlement on all components of the deferral accounts and the disposition of the balances. 465

The Board acknowledges that the agreement is without prejudice to the position of any party in any future proceeding in which the entitlement to recover UDC incurred in prior years or on a forecast basis and/or the manner of its recovery from ratepayers are raised as issues. 466

7 IMPLEMENTATION AND COST AWARDS 467

7.1 Rate Implementation 468

Background 469

Union proposed to combine the cumulative 2003 delivery and gas supply transportation rate adjustments and the 2002 delivery and gas supply transportation related deferral accounts balances and refund the total as a one-time credit based on 2002 consumption after July 1, 2003. This delay is to avoid confusion with the payment customers are making in respect of the cumulative impact resulting from the RP-2001-0029 proceeding. 470

Union proposed to dispose of the 2002 gas supply commodity-related deferral accounts balances based on the 2002 systems sales volume. The timing will coincide with the 2003 delivery and gas supply transportation (Northern and Eastern Operations area) rate adjustments and 2002 delivery and gas supply transportation-related deferral accounts disposition. 471

The Board has previously approved Union's proposal to recover the cumulative impact of 2000, 2001 and 2002 delivery and gas supply transportation (Northern and Eastern Operations area) rate adjustments and 1999, 2000 and 2001 delivery and gas supply transportation-related deferral accounts balances over the six month period from January 1, 2003 to June 30, 2003. 472

Union proposes to implement delivery and gas supply transportation (Northern and Eastern Operations area) rate changes for 2003, effective January 1, 2003 on or around July 1, 2003 provided that Union receives the Board's Decision in this case early in May 2003. 473

Positions of the Parties 474

VECC proposed that Union dispose of the balances in the deferral accounts within 60 days from the time the decision is given instead of July 1, 2003 as Union has proposed. 475

VECC's view is that the one-time credit method of refunding the balance would not confuse customers as to the nature of the credit if it was represented on a separate line item on the bill. 476

VECC felt that the one-time credit will provide assistance to low income residential customers who have been burdened with the 2000-2002 adjustments. 477

Board Findings 478

The Board acknowledges that the one-time credit will provide assistance to low income residential customers. 479

480 The Board is concerned that customers may still be confused about the nature of the credit as opposed to the debit adjustment that they have been paying from January to June 2003, arising from the RP-2001-0029 Decision.

481 The Board accepts Union's proposal to dispose the balances on July 1, 2003 or 60 days after the Decision is published whichever is later. Since the final arguments were not received until March 14, 2003 and given that 60 days lead time is required prior to implementing the disposition, it is the Board's view that July 1, 2003 is a reasonable date for disposition of the deferral accounts balances. The Board directs Union to provide a draft rate order and supporting schedules incorporating the Board's Findings in this Decision.

482 7.2 Cost Awards

483 The Board received cost submissions from the following parties:

484

GEC

CAC

LPMA

WGSPG

IGUA

VECC

OAPPA

Pollution Probe

Energy Probe

CEED

OASBO

CME

485 By letter dated May 5, 2003 Union filed objections to the cost claims submitted by CEED, IGUA and VECC stating that some hours claimed were in respect of the Market Hub Partners proceeding (RP-2000-0139/EB-2002-0415/EB-2002-0421) not the Union proceeding.

486 The Board has carefully reviewed all of the submissions, including the supporting documentation filed with the Board.

487 The Board was greatly assisted by the contributions of the parties and awards all intervenors 100% of their reasonably incurred costs in connection with this proceeding, subject to assessment by the Board's Cost Assessment Officer. The Board directs the Cost Assessment Officer to review the cost

submissions of CEED, IGUA and VECC with respect to the objections filed by Union and to make adjustments as necessary. The Board further directs the Cost Assessment Officer to review all cost submissions to ensure they are consistent with the Board's Tariff.

488 The Board orders that the eligible costs of intervenors, as assessed by the Cost Assessment Officer, shall be paid by Union upon receipt of the Board's Cost Order.

489 The Board's costs of and incidental to the proceeding shall be paid by Union upon receipt of the Board's invoice.

490 DATED at Toronto, May 8, 2003

Paul B. Sommerville
Presiding Member

Fred Peters
Member

DECISION WITH REASONS

RP-2002-0130

EB-2002-0363

UNION GAS

SETTLEMENT AGREEMENT

January 20, 2003

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Appendix B - Updated Deferral Account Balances

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RP-2002-0130
EB-2002-0363

AGREEMENT AMONG INTERESTED PARTIES

This Agreement is for the consideration of the Ontario Energy Board (the “Board”) in its determination of the issues raised in RP-2002-0130/EB-2002-0363. The Agreement identifies all issues even if no agreement has been reached. The Agreement is supported by evidence filed in RP-2002-0130/EB-2002-0363.

Each issue falls within one of the following three categories:

1. an issue for which there is complete settlement, because Union and all of the other parties who discussed the issue either agree with the settlement or take no position,
2. an issue for which there is no settlement, because Union and the other parties who discussed the issue are unable to reach an agreement to settle the issue, and
3. an issue for which there is partial settlement, because Union and the other parties agree to the settlement of the item, but not the full item or for which the majority of parties are in agreement and one or more parties do not agree with the settlement.

It is acknowledged and agreed that none of the provisions of this Agreement are severable. If the Board does not, prior to the commencement of the hearing of the evidence in RP-2002-0130/EB-2002-0363, accept the Agreement in its entirety, there is no Agreement (unless the parties agree that any portion of the Agreement the Board does accept may continue as a valid Agreement).

It is further acknowledged and agreed that parties will not withdraw from this Agreement under any circumstances except as provided under Rule 32.05 of the Ontario Energy Board’s Rules of Practice and Procedure.

For greater certainty, the parties further acknowledge and agree that these conditions apply to settled issues in respect of which they are shown as taking no position.

It is also acknowledged and agreed that this Agreement is without prejudice to parties re-examining these issues in a future proceeding.

The parties agree that all positions, information, documents, negotiations and discussion of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Agreement.

The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board’s Settlement Conference Guidelines. As noted in that document, “Board Staff who participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding." Board Staff is not a party to this Agreement.

The evidence supporting the agreement on each issue is set out in each section of the Agreement. Abbreviations will be used when identifying exhibit references. For example, Exhibit B, Tab 4, Schedule 1, Page 1 will be referred to as B/T4/S1/p1. There are Appendices to the Agreement which provide further evidentiary support. The parties agree that this Agreement and the Appendices form part of the record in the proceeding.

The following parties participated in the Settlement Conference: Canadian Institute of Environmental Law and Policy ("CIELAP"); Canadian Manufacturers and Exports ("CME"); Consumers' Association of Canada ("CAC"); City of Kitchener ("CCK"); Coalition for Efficient Energy Distribution ("CEED"); Direct Energy; Enbridge Gas Distribution Inc. ("EGD"); Energy Probe; Green Energy Coalition ("GEC"); Heating, Ventilation and Air Conditioning Contractors Coalition Inc. ("HVAC"); Industrial Gas Users Association ("IGUA"); London Property Management Association ("LPMA"); Ontario Association of Physical Plant Administrators ("OAPPA"); Ontario Association of School Business Officials ("Schools"); Pollution Probe; TransCanada PipeLines ("TCPL"); Vulnerable Energy Consumers Coalition ("VECC"); Wholesale Gas Services Purchasers Group ("WGSPG").

1. PRICE CAP

1.1 Calculation of the price cap.

[Complete Settlement]

The parties agree that the appropriate price cap for 2003 is -2.3%. The inflation factor for 2003 is derived by taking the percentage change of Q2:2002 over Q2:2001 using the most recently available StatsCan data. StatsCan has reported in its November 2002 revision that Q2:2002 was 107.5 and Q2:2001 was 107.3. A copy of that revision is attached as Appendix A. This results in an inflation factor of 0.2%. Applying the productivity factor of 2.5% produces the agreed upon price cap of -2.3%. The parties agree that the application of the price cap to the 2003 base delivery requirement of $727.8 results in a rate decrease of $ 16.74 million.

This agreement for 2003 is without prejudice to any party's position on calculation of price cap indices in future price cap plans.

The following parties agree with the settlement of this issue: CME; CAC; CCK; EGD; Energy Probe; IGUA; LPMA; Schools; TCPL; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; GEC; HVAC; OAPPA; Pollution Probe

Evidence Reference:
1. Exhibit B, Tab 1
2. C1.1, C1.2, C1.3, C15.1, C16.1, C25.1, C26.1, C26.2, C26.3

2. NON-ROUTINE ADJUSTMENTS

2.1 The appropriate criteria to be applied and how they are applied.

[Complete Settlement]

The criteria for non - routine adjustment cost recovery, as approved by the Board in its RP-1999-0017 Decision and reiterated in its decision in this proceeding on the motion pertaining to weather normalization, include:

- Items outside of the base upon which rates were derived
- The cost is material and has a significant influence on the company's operations
- The cost must be attributable to some event outside of management's control
- The costs must have been prudently incurred

While the criteria for qualification for a non-routine adjustment has been decided by the Board, and no decision is required of the Board under this issue, these criteria will be considered in the assessment of issue 2.2 below.

The following parties agree with the settlement of this issue: CME; CAC; CCK; EGD; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; GEC; HVAC; OAPPA; Pollution Probe; TCPL

2.2 Pipeline Integrity – Whether the prudently incurred costs are incremental and exceed the trigger threshold.

[Complete Settlement]

Union's actual Pipeline Integrity deferral account balance for 2002 is $2.189 million as shown on page 2, line 29 of the schedule attached as Appendix B of this Agreement.

Union confirms that the Pipeline Integrity deferral account balance is to begin each year of the trial PBR plan with a zero balance and accumulate incremental costs incurred within the respective year caused by the change in regulations filed in RP-2001-0029, Exhibit B, Tab, 7, Appendix A and in RP-2002-0130, Exhibit B, Tab 2, Updated (July 26, 2002).

The parties agree that the actual balance of $2.189 million which Union has recorded in the Pipeline Integrity Account for 2002 should be recovered from ratepayers in the manner proposed by Union.

This agreement is without prejudice to positions parties may take on the recovery of amounts in respect of pipeline integrity in rate proceedings subsequent to RP-2002-0130, including positions with respect to the continuance or discontinuance of a Pipeline Integrity deferral account.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; TCPL; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe

Evidence References:

1. Exhibit B, Tab 2 – Non-Routine Adjustments – Pipeline Integrity
2. Exhibit B, Tab 8 – Allocation of Rate Adjustments – Pipeline Integrity Adjustment
3. C1.4, C1.5, C1.6, C1.7, C1.8, C1.9, C1.10, C1.11, C1.12, C1.30, C1.52, C1.53, C1.70, C1.71, C1.74, C1.75, C1.76, C3.1, C3.2, C3.3, C3.4, C3.5, C3.6, C3.7, C3.8, C3.9, C3.10, C6.1, C6.2, C6.3, C6.4, C15.2, C16.2, C16.3, C16.4, C16.5, C16.6,

C16.7, C16.8, C16.9, C16.10, C16.11, C16.33, C16.34, C16.73, C16.74, C25.2, C25.3, C25.4, C25.28, C25.34, C25.37

2.3 Late Payment Policy – Implementation including calculation of the costs related to late payers.

[Complete Settlement]

In response to a direction of the Board, Union proposed in RP-2001-0029 to reduce its late payment charge from 5% to 2% which translated to a non-routine rate adjustment of $4.788 million on an annualized basis. Union's proposal was accepted in the RP-2001-0029 ADR settlement agreement and approved by the Board through acceptance of the ADR settlement agreement. The change to the late payment charge was made effective May 1, 2002 through an interim Decision and Order of the Board dated March 28, 2002.

The RP-2001-0029 Rate Order for 2002 rates included the recovery of a non-routine adjustment of $2.510 million, reflecting the May 1 implementation. In 2003, the reduction to the late payment charge will be in effect for the entire year necessitating a further non-routine rate adjustment of $2.278 million, which is the balance of the annualized non-routine adjustment of $4.788 million.

The Board's interim Decision and Order also directed Union to make a further proposal concerning changes to its late payment policy, specifically, to design a policy that reflects the time value of money and in which the marginal revenues cover the marginal costs attributed to late paying customers. Union undertook a study in response to the Board’s directive. Based on the forecast accounts receivable balance assumed in its analysis, Union proposed to replace the current one-time 2% late payment charge for rate classes R01, R10 and M2 with a 1.9% charge to be compounded monthly. This change in the late payment charge will increase the late payment revenues so that they cover costs of late payment attributed to late paying customers.

By changing from a 2% one-time charge to a 1.9% monthly compounded charge, Union will be recovering $3.55 million more from late paying customers. To keep Union revenue neutral, the rates for R01, R10 and M2 rate classes will be reduced. The costs to implement the change will be approximately $0.080 million. Therefore, Union proposes to reduce rates by $3.55 million less the one time implementation cost of $0.080 million. Combined with the non-routine adjustment that was required to increase rates by $2.278 million to recover the full year impact in 2003 of the reduction in the late payment charge from 5% to 2% that was made in 2002, the net change to 2003 rates as a result of the non-routine rate adjustment proposed at Exhibit B, Tab 2 and of the non-routine adjustment required as a result of the proposed change to the late payment charge made at Exhibit B, Tab 7 is a rate reduction of $1.192 million.

Union’s proposal to change from a 2% one-time charge to a 1.9% monthly compounded charge assumed an effective date of January 1, 2003, provided that a decision on this proposal was issued by September 30, 2002. Because this is no longer possible, the effective date and the rate impacts discussed in the evidence will have to be adjusted to reflect a partial year impact for 2003. Such adjustments will be circulated as part of the usual rate order finalization process.

In consideration for the Parties agreement to Union's proposals with respect to the late payment policy, Union agrees to complete an analysis of the costs associated with late payments to be filed in the 2004 rate case.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 2, June 25, 2002, Pages 25 to 30 – Non-Routine Adjustment –Late Payment Policy
2. Exhibit B, Tab 7, Addendum, July 26, 2002, Pages 13 to 23 – Deferral Accounts – Non Gas Supply
3. C1.13, C1.14, C6.20, C16.12, C16.13, C26.4

3. PASS-THROUGH ITEMS

3.1 Explanation of the change in Union's evidence on the calculation of UFG volumes for 2001 from 126,627 10^3 m^3 as filed on June 2002 to 184,102 10^3 m^3 filed on July 2002.

[Complete Settlement]

Prior to 2003, Union's process for recording unaccounted for gas ("UFG") was based on three interdependent calculations. These three calculations were applied both to a financial accounting system for gas and a volume accounting system for gas.

a) On a monthly basis, Union calculated the UFG by subtracting the volume of gas sent out from storage less the gas received from storage (either consumed or transported ex-franchise). Because Union conducts business in both volume (10^3 m^3) and energy (GJ's), Union applied a systemwide estimated heat value conversion factor to convert the energy transactions into volume transactions. In 2001, this monthly calculation produced a UFG of 126,627 10^3 m^3 attributable to volume measurement.

b) On an annual basis, Union recalculated the monthly UFG based on the actual heat value conversion factors. This effectively "trued-up" the UFG calculated above to compensate for the difference between the actual and the systemwide estimated heat value conversion factors. In 2001, this energy "true-up" resulted in a further UFG adjustment of 38,722 10^3 m^3.

c) Also on an annual basis, Union physically measured the volume of gas in the storage pools and the amount of gas required to "pack" distribution and transmission lines. After the physical measurement was taken, it was determined that an additional adjustment of 18,753 10^3 m^3 was required to Union's annual UFG for 2001.

These adjustments, applied properly, resulted in a total 2001 UFG of 184,102 10^3 m^3 (126,627 + 38,722 + 18,753).

Exhibit B, Tab 3, Schedule 2 was prepared in June 2002 in reliance upon the volume accounting system for gas. However, because of an oversight, the original amount filed for UFG in Tab 3, Schedule 2 reflected only the volume based on the estimated systemwide heat value and did not reflect either the true-up for actual heating value or the true-up for gas in storage and line pack.

Because Union's financial accounting system for gas had correctly applied all three measures of UFG, a discrepancy between the financial system UFG account and the volume system UFG account was noted shortly after filing Tab 3, Schedule 2. This led to an investigation of the UFG measurement which disclosed that the originally filed 126,267 10^3 m^3 did not reflect either the actual heating value true-up or the storage/line pack true-up. Once the correct UFG amount of 184,102 10^3 m^3 was confirmed, the corrected Tab 3, Schedule 2 was filed in July 2002.

As noted in Exhibit C1.15, Union has made accounting and other improvements to reduce the likelihood of any repetition of this kind of oversight.

Based on this explanation and Exhibit C1.15, the parties agree that the originally filed 2001 UFG volume of 126,627 10^3 m^3 was in error and that the correct 2001 UFG volume for 2001 is 184,102 10^3 m^3. Accordingly, parties agree with Union's evidence and proposals for the pass through of UFG in this case.

The following parties agree with the settlement of this issue: CME; CAC; CCK; EGD; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 3
2. C1.15, C3.11, C3.12, C15.3, C16.4

3.2 The impact of an October 1, 2002 WACOG adjustment on WACOG, UFG, and intra-period WACOG calculations.

[Complete Settlement]

Union had not proposed an October 1, 2002 WACOG adjustment. Certain intervenors requested to see the impact of an October 1, 2002 WACOG adjustment and this was provided during the interrogatory process by Union at Exhibit C1.16. An October 1, 2002 WACOG adjustment would have a neutral impact on the overall amount to be recovered from rate payers. As a result, this is no longer an issue.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 3
2. C1.16, C15.4, C15.5, C16.22

3.3 Appropriate volumes used to calculate WACOG: 1999 or the most currently available volumes.

[Complete Settlement]

Union uses E.B.R.O. 499 approved volumes in calculating the WACOG. The rationale for this was provided in the RP-1999-0017 proceeding. Under PBR, rate adjustments should be as formulaic as possible to remove any controversy and to allow rates to be set without the need for an exhaustive examination and hearing. Union has continued to use the 1999 approved volumes for the purpose of calculating the 2003 pass through adjustments to remain consistent with the Board's decision in RP-2001-0029.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 3
2. C1.17

4. 2003 VERTICAL SLICE

[Partial Settlement]

All parties except CEED accept Union's Vertical Slice proposals for 2003 on the condition that Union provides in the 2004 rate case: a) a full and complete description of the basis on which costs in the Other Purchased Gas Cost deferral account are classified as delivery – related; and b) its response to the Board's directive regarding load balancing and flexibility costs, including an identification of the components, if any, of Union's portfolio that are used for the purposes of balancing and flexibility.

The following parties agree with the partial settlement of this issue: CAC; Direct Energy; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

4.1 Assignability of TCPL capacity from November 2002 vertical slice.

[Partial Agreement]

See Issue 4 above.

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002 – Deferral Accounts – Non-Gas Supply
2. C1.18, C5.1, C5.2, C5.5, C5.6, C5.12 - 14, C6.9, C15.7, C25.18, C25.19

4.2 Lack of delivered supply (spot gas) in the 2003 vertical slice.

[Partial Settlement]

See Issue 4 above.

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002, Pages 9 to 13 and S5 and S6 – Deferral Accounts – Gas Supply
2. C1.19, C5.3, C5.4, C16.16, C16.48, C16.75, C25.17, C25.40

5. DEFERRAL ACCOUNTS

Attached as Appendix B is a schedule showing Union's updated actual unaudited deferral account balances for 2002. Union will be filing an evidence update to explain significant variances in deferral accounts, including an explanation of the inventory revaluation amount included in the balance of the Other Purchased Gas Costs deferral account.

5.1 Non-gas supply – the relationship between S&T deferral accounts and UDC, accounting for UDC-driven decisions to engage in S&T transactions, the mechanics of these transactions, appropriateness of incurred costs, allocation, storage and upstream asset allocations, and risk to ratepayers.

[Complete Settlement]

For the purposes of this case only, the parties agree that Union should recover $3.1 million of UDC for 2002. On this basis, Union agrees to reduce its request for recovery of 2002 UDC from $6.2 million to $3.1 million.

To achieve a settlement, the parties agreed to the allocation outlined in the schedule attached as Appendix C. The parties agree that the $3.1 million to be recovered in respect of UDC shall be allocated between Union's Northern & Eastern Operations area and Union's Southern Operations area consistent with the allocation of UDC between the Northern and Eastern Operations area and the Southern Operations area as per Exhibit B, Tab 8, Schedule 3, line 5. UDC related to the Southern Operations area has been allocated to customer classes, excluding T-service and ex-franchise classes (both of which are responsible for managing their own upstream transportation capacity), on the basis of design day demand. In the Northern & Eastern Operations area, UDC has been allocated to rate classes using excess peak and average excluding T-service.

This agreement is without prejudice to the position of any party in any future proceeding in which the entitlement to recover UDC incurred in prior years or on a forecast basis and/or the manner of its recovery from ratepayers are raised as issues.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, June 25, 2002, Pages 1 - 3
2. Exhibit B, Tab 4, Updated, Oct. 10, 2002
3. C3.13-15, C10.1, C15.6, C16.42, C25.9, C25.35

5.2 Pipeline integrity

[Complete Settlement]

See Issue 2.2 above.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

5.3 Intra-period WACOG

[Complete Settlement]

The intra-period WACOG deferral account was established in RP-1999-0017 to record the impact of changes in WACOG on amounts recovered in Union's delivery rates. The costs for 2002 delivery rates are based on the WACOG approved in EB-2001-0533 ($191.295/10^3 m^3$). The actual intra-period WACOG deferral account balance for 2002 is $6.480 million.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 4, Page 3 of 20
2. Exhibit B, Tab 4, Schedule 1, Page 2 of 2, Updated, October 10, 2002
3. C6.11

5.4 LRAM – Adjustments required by the Board's RP-2001-0029 decision, impact of the audit and the audit process.

[Complete Settlement]

The parties agree that Union's evidence on the LRAM deferral account balance for 2001 accurately reflects the Decision of the Board in RP-2001-0029 and agreed upon adjustments from the 2001 DSM audit process. Accordingly, the parties agree that the credited "true-up" of 2001 LRAM balances should be disposed of as proposed by Union. An explanation ("road map") of the derivation of the LRAM deferral account balance for 2001 is attached as Appendix D to this Agreement. The parties also agree that, subject to post-audit true-up in the next proceeding, the 2002 LRAM amounts proposed for disposition and recovery in 2003 rates are appropriate.

In response to a number of concerns raised by CME and Energy Probe, Union has agreed to attempt to resolve these concerns at an early date with CME and Energy Probe through the DSM Consultative Committee. The concerns of CME and Energy Probe include among other matters the manner in which the audit committee is selected, the reporting relationship of the external auditor and a review of the DSM Consultative participant funding guidelines. If these concerns are not resolved, then they will become issues for Union's 2004 rate application.

The following parties agree with the settlement of this issue: CIELAP; CME; CAC; Energy Probe; GEC; HVAC; IGUA; LPMA; Pollution Probe; Schools; VECC; WGSPG

The following parties take no position on this issue: CCK; CEED; Direct Energy; EGD; OAPPA; TCPL

Evidence References:

1. Exhibit B, Tab 4, June 25, 2002, Pages 4 to 9 – Deferral Accounts – LRAM
2. Exhibit B, Tab 4, Updated, October 10, 2002, Pages 2 to 4 – Deferral Accounts – LRAM
3. C1.31, C1.32, C3.16-22, C6.12, C15.8, C16.25, C25.7

5.5 Gas Supply – Appropriateness of Union's UDC claim; transportation portfolio and relationship to Vertical Slice.

[Complete Settlement]

See Issues 4 and 5.1.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002 – Deferral Accounts – Gas Supply
2. Exhibit B, Tab 4, Updated, October 10, 2002 – Deferral Accounts
3. C1.18, C1.19, C1.25-29, C1.50, C1.51, C3.13 to C3.15, C5.1 to C5.4, C5.6, C6.6 to C6.8, C15.6, C15.7, C16.37-49, C16.75, C17.1, C25.8-19, C25.22, C25.32, C25.33, C25.35, C25.37-44, C25.49

5.6 Retroactivity – Appropriate frequency of gas cost deferral accounts disposition, maximum lag between end of period of cost accumulation and disposition.

[Complete Settlement]

The parties agree that, in principle, deferral account balances should be cleared on an annual basis or more frequently, in order to minimize the extent of retroactivity. Union agrees to undertake a review of potential mechanisms to avoid significant retroactive rate adjustments resulting from large deferral account balances and to bring forward a proposal in any proceeding the Board initiates to deal with retroactivity concerns and, in the absence thereof, in Union's 2004 rate case.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Direct Energy; EGD; Energy Probe; IGUA; LPMA; OAPPA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; GEC; HVAC; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002 – Deferral Accounts
2. Exhibit B, Tab 4, Updated, October 10, 2002 – Deferral Accounts
3. C1.22, C1.23, C1.34-38, C6.10, C6.13, C6.15, C16.23, C16.27, C25.9, C25.23

5.7 Other Purchased Gas Costs Deferral Account – Composition and allocation.

[Complete Settlement]

The Other Purchased Gas Costs deferral account is used to capture variances in the unit cost of supply arriving at Dawn relative to the TCPL landed cost of gas benchmark. This includes supply and transportation that arrives at Dawn on Panhandle, Trunkline, Alliance and Vector, and delivered service. Subject to the commitment below, parties accept the composition and allocation of this account for the purposes of this proceeding.

Union commits to work with Board Staff to examine whether further segregation of the amounts in this deferral account would be beneficial.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, June 25, 2002, Pages 11 to 12 – Deferral Accounts – Gas Supply
2. C1.21, C1.24, C1.33, C1.39, C1.72, C6.5, C16.39, C16.43, C25.9-14

5.8 Risk Management costs and benefits.

[Complete Settlement]

The difference between Union's 2002 commodity risk managed cost and the indexed reference price is $19.9 million (see Exhibit C1.40) which is within the commodity risk management plan's parameters of one standard deviation of the market index. The parties accept that Union has followed its commodity risk management plan as previously approved by the Board and, accordingly, agree that Union should recover this amount. As agreed in the RP-2001-0029 Settlement Agreement, Union has engaged an independent consultant to conduct an assessment of its commodity risk management plan and will file that assessment as part of the overall consideration of Union's commodity risk management plan in the 2004 rate case.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. C1.40, C6.14

6. 2001 FINANCIAL RESULTS – EARNINGS SHARING

6.1 Calculation of actual utility earnings – reconciliation of income attributable to common shares in regulatory filing with annual report.

[Complete Settlement]

In response to the Board's decision in RP-2001-0029, Union revised its financial information. Union's new financial information reconciles the differences between the 2001 Annual Report and 2001 earnings subject to sharing. Parties accept Union's reporting of financials and reconciliation of Union's 2001 Annual Report to earnings subject to sharing.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 5
2. C1.41, C1.42, C15.9, C16.19, C16.21

6.2 Appropriate treatment of asset dispositions.

[Complete Settlement]

Union has included in utility earnings for purposes of the earnings sharing calculation the after tax financial impact of all asset dispositions, including sales of base pressure gas in 2001 and 2002 for a total gain of approximately $9.6 million, before taxes. Parties accept this treatment of asset dispositions for 2001 and 2002. This agreement is without prejudice to parties' positions on the regulatory treatment to be applied to any future asset dispositions that may occur in 2003 or thereafter.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 5
2. C1.43, C1.73

6.3 Application of the Earnings Sharing Mechanism.

[Complete Settlement]

In its RP-1999-0017 Decision, the Board ruled that an earnings sharing mechanism should apply for use during the trial PBR. The earnings sharing mechanism applies to actual earnings that fall outside of a range of 100 basis points from the benchmark return on equity (ROE). The benchmark ROE is determined through the use of the Board's formula.

For 2001, Union had proposed to use the current Board's formula for the determination of the benchmark ROE. In the RP-2001-0029 Settlement Agreement (Issue 2.1), the benchmark ROE of 9.66% was approved.

Union's calculation of 2001 earnings to which the earnings sharing mechanism applies is a net income of $109.2 million and a Return on Equity (ROE) of 10.47%. Sharing with ratepayers begins at an ROE of 10.66%. Therefore, earnings sharing is not required with respect to 2001 earnings.

Parties agreed with Union's reporting of financials and reconciliation of Union's 2001 Annual Report to earnings subject to sharing.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 5
2. C6.17, C26.5

7. SERVICE QUALITY INDICATORS

7.1 Telephone SQI – below target results.

[Complete Settlement]

In its RP-1999-0017 Decision dated July 21, 2001, the Board approved the service quality indicator ("SQI") proposed by Union for telephone response. This SQI measures the time between when a customer's call is first received at Union's Call Centre and when the customer talks with a customer representative. Union's SQI target for telephone responses is to have 65% of calls answered within 20 seconds.

Union's 2001 actual performance was 45%. Union's explanation was this level of performance was caused by:

- July 2000 implementation of a new customer information system and extensive learning curve required for staff
- Unprecedented price increases in the natural gas industry in both 2000 and 2001 resulted in an increase in the number of calls received and an increase in the average length of each customer call

In August of 2001, Union refined its processes to improve its service levels Union has consolidated its three call centres into two with a virtual network for all incoming calls. Union has also refined its call handling processes. Union purchased (at the expense of the shareholder for the term of the trial PBR plan) and now uses an integrated voice response system to manage incoming calls. As a result of these measures, Union's telephone response time has been increased above the threshold of 65%. Union's 2002 telephone response time was 67.5%, as shown in Appendix E attached (update of Exhibit C1.44).

Intervenors agree not to ask the Board to impose penalties for below target results in 2001 and 2002 but reserve their rights with respect to any subsequent evaluation of Union's SQI's for 2003 and beyond.

The following parties agree with the settlement of this issue: CME; CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 6, Page 4 – 9 – Service Quality Indicators – Telephone Response
2. C1.44, C1.45, C1.46, C1.48, C1.49, C6.18, C16.28, C25.24

8. ALLOCATION OF RATE ADJUSTMENTS AND DEFERRAL ACCOUNTS

8.1 Appropriateness of Union's proposed methodology for allocation of UDC.

[Complete Settlement]

See Issue 5.1.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; TCPL; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe

Evidence References:

1. Exhibit B, Tab 8, Updated, October 22, 2002, Page 6 – Allocation of Deferral Account Balances
2. Exhibit B, Tab 4, Updated, September 6, 2002, Para. 4 – UDC Cost Recovery
3. C16.36, C25.29-31

8.2 Allocation of Pipeline Integrity deferral account balance.

[Complete Settlement]

See Issue 2.2 above.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 8, Page 3 – Allocation of Rate Adjustments – Pipeline Integrity Adjustment
2. C1.52, C1.53, C1.74, C1.75, C1.76, C25.28, C25.37

9. RATE IMPLEMENTATION

9.1 Rate Implementation

[No Settlement]

Parties wish to know the likely timing of issuance of a Board decision on the approved rates and the impacts on ratepayers before accepting the particular rate implementation plan Union has proposed.

Evidence References:

1. Exhibit B, Tab 11, November, 2002, Page 6 – Rate Implementation
2. C1.54, C6.19, C16.29

10. BOARD DIRECTIVES

10.1 Appropriateness of the allocation methodology for the 3.3 Bcf of system integrity storage required to manage weather-related variances.

[Complete Settlement]

Given that Union will be filing full cost allocation evidence in the 2004 rate case, parties are prepared to accept Union's allocation methodology for the 3.3 Bcf of system integrity storage space for 2003. However, this agreement is without prejudice to the right of any party to address and seek changes to the cost allocation methodology associated with the 3.3 Bcf of system integrity storage space when Union brings forward its full cost study in the 2004 rate case.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 7, Pages 4-5
2. C1.55-56, C1.77-79, C16.32, C25.25

10.2 Financial Reporting – lines of business.

[Partial Settlement]

All parties agree that it would be helpful for the Board to provide further clarification of the lines of business directives contained in the Board's RP-1999-0017 and RP-2001-0029 Decisions. The parties agree to deal with the matter in argument only.

The following parties agree with the partial settlement of this issue: CME; CAC; CCK; CEED; Direct Energy; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. Exhibit B, Tab 7, Pages 8 – 10
2. C1.57, C1.58, C1.80, C1.81, C1.82, C5.7, C5.8, C5.9, C5.10, C5.11, C5.15, C5.16, C5.17, C10.2, C16.30, C25.26

10.3 Union's R20 and R100 proposals.

[Complete Settlement]

In response to the Board's direction in RP-1999-0017, Union has examined customer load factors, volumes, contract demand levels and load profiles for Rate 20 and Rate 100. This examination found that the rate class groupings are appropriate and that pricing of the Rate 20 service requires further refinement at the crossover points with both Rate 100 and Rate 10. Union proposed to smooth the rate continuum within Rate 20 and between Rate 20 and Rate 100, with the introduction of two contract demand and two delivery commodity blocks in Rate 20. For example, the new rate structure would reward Rate 20 customers who improve their load factor with a lower average unit rate. If a customer is on the margin between Rate 20 and Rate 100 qualification (in terms of load and load factor), then the average rates are similar between the two classes.

Union proposed that this redesign of Rate 20 be implemented effective on the date 2003 rates are implemented. There is no impact on Rate 100 from this proposal.

The following parties agree with the settlement of this issue: IGUA; Schools; TCPL

The following parties take no position on this issue: CIELAP; CME; CAC; CCK; CEED; Direct Energy; EGD; Energy Probe; GEC; HVAC; LPMA; OAPPA; Pollution Probe; VECC; WGSPG

Evidence References:
1. Exhibit B, Tab 10, Pages 6 - 13
2. Exhibit B, Tab 7, Page 11
3. C1.59, C25.27

10.4 Financial Reporting – paras. 6.4 and 6.5 of the RP-2001-0029 Decision with Reasons

[Complete Settlement]

See Issues 6.1 and 10.2.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:
1. RP-2001-0029 Decision with Reasons, para 6.4-6.5
2. C1.60

10.5 DCC – compliance or partial compliance with Board Directive in RP-2001-0029

[No Settlement]

Evidence References:
1. Exhibit B, Tab 9
2. C1.85, C4.1-4, C4.45-58, C15.16-17, C16.24, C16.35, C16.53-62, C16.64-69, C16.70, C16.72, C17.2, C25.20, C25.21, C25.45-C25.49
3. Exhibit D2 – Prefiled Evidence of John Todd and Joyce Poon
4. E2.1.1 – E2.1.3, E2.2.1

11. OTHER ISSUES

11.1 Kitchener's proposal for delivery point flexibility alternatives.

[No Settlement]

Evidence References:

1. Exhibit D1 – Prefiled Evidence of Dwayne Quinn
2. Exhibit B, Tab 12 – Union's Reply Evidence
3. C4.5, C4.6, C4.7, C4.8, C4.9, C4.10, C4.11, C4.12, C4.13, C4.14, C4.15, C4.16, C4.36, C4.37, C4.38, C4.39, C4.40, C16.63, C16.72, C26.8, C26.9
4. E1.1.1, E1.1.2, E1.1.3, E1.25.1, E1.25.2, E1.25.3, E1.25.4, E1.27.1, E1.27.2, E1.27.3, E1.27.4, E1.27.5, E1.27.6

11.2 Publication of Union's policies affecting the provision of its services and administration of its programs.

[Complete Settlement]

1. Union has committed to ensuring that written policies which affect regulated services (such as access, pricing and charges and terms and conditions) (collectively "policy" or "policies") are available to customers. It is Union's intent that such policies will principally be made available and updated when necessary on its website.
2. While it is recognized that not every eventuality is or necessarily should be the subject of a written policy, Union undertakes to pursue its commitment as soon as practicable:
    a. establishing and leading a working group consisting of Union representation, Board Staff and intervenor representatives. The purpose of the working group is to discuss and develop recommendations on existing policies, to propose policy areas that may require written form, and to develop recommendations on practices which are not currently in the form of written policies available to customers;
    b. conducting a review of its current policies, written or otherwise, that relate to access, pricing and charges and terms and conditions for the use of the working group;
    c. commencing the process of committing unwritten policies relating to access, etc. to writing; and
    d. delivering to the working group all of its existing policies relating to access, pricing and charges and terms and conditions, including those that were formerly unwritten as they become available. These are to include its policies on:
        i. the withholding of regulated services from a customer which is disputing an account; and

    ii. the DCC clawback charge, unless the Board eliminates the DCC credit in RP-2002-0130.

3. Union undertakes to report on the progress of the working group's deliberations in the 2004 rate case in sufficient time for interrogatory requests.
4. It is understood that Union's commitment to publish its policies does not extend to the operational aspects of priority of service for interruptible services.
5. All parties accepting this agreement will defer further consideration of this issue to the 2004 rate case when parties will be free to raise any issue regarding the availability or effect of any Union policy with the Board.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Direct Energy; Energy Probe; IGUA; LPMA; OAPPA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; EGD; GEC; HVAC; Pollution Probe; TCPL

Evidence References:
1. C1.61, C4.17-31, C4.41-44

11.3 Basis for SSS/SPS storage allocation including derivation of the rate.

[No Settlement]

Evidence References:
1. C1.62, C4.32-35

11.4 Revenue-to-cost ratios.

[No Settlement]

See Issue 10.5.

Evidence References:
1. Exhibit B, Tab 9, Page 11
2. Exhibit B, Tab 9. Schedule 3
3. C1.63, C4.48, C15.15-17

11.5 Affiliate transactions involving Duke and Union's S&T group – impact on the conduct of S&T marketing.

[No Settlement]

Union will be filing an evidence update on this issue.

Evidence References:
1. C1.64, C1.65, C1.66, C1.67, C1.68, C1.84, C15.10, C15.11, C16.31, C25.36

491 A The Settlement Agreement

492 This document is not available electronically. The document is available in the OEB Public File Room.

B Abbreviations Used in RP-2002-0130 493

Abbreviations used in RP-2002-0130 494

495

Act	the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B
ADR	alternative dispute resolution
Alliance	Alliance Pipelines
Alliance Vector	the Alliance and Vector pipelines
Application	Union application dated May 22, 2002
Board	Ontario Energy Board
CAC	Consumers' Association of Canada
Kitchener	The Corporation of the City of Kitchener
CEED	Coalition for Efficient Energy Distribution
CICA	Canadian Institute of Chartered Accountant
CME	Canadian Manufacturers & Exporters Inc.
Conference	the settlement conference in RP-2002-0130
CRP	customer review process of Union's PBR, initially described in RP-1999-0017
DP	Direct purchase
D-T	Dawn-Trafalgar
DCC	the Delivery Commitment Credit offered to Union's direct purchase customers which obligate to deliver to Union at a constant daily rate
DEGT	Duke Energy Gas Transmission
DEM	Direct Energy Marketing
Direct Energy	Direct Energy Marketing Limited
EBRO	Energy Board Rate Order
EGDI	Enbridge Gas Distribution Inc., formerly The Consumers' Gas Company Ltd.
ERF	electronic regulatory filing
FERC	the Federal Energy Regulatory Commission, USA
FT	firm transportation
FST	firm service tendered

GEC	Green Energy Coalition
GJ/d	Gigajoules per day
HONI	Hydro One Networks Inc.
HVAC	The Heating, Ventilation, Air Conditioning Contractors Coalition Inc.
I	inflation factor based on GDPPI
IGUA	Industrial Gas Users Association
IR	interrogatory
Kitchener	The Corporation of the City of Kitchener
LDC	local distribution company
LPMA	London Property Management Association
MMcf/d	million cubic feet per day
NEB	the National Energy Board, Canada
NRRI	the National Regulatory Research Institute, USA
NOVA	Nova Chemicals Corp.
OAPPA	Ontario Association of Physical Plant Administrators
OEB	Ontario Energy Board
PBR	performance based regulation
PCI	price cap index
PGVA	purchased gas variance account
RP-1999-0017	proceeding to hear the application dated March 5, 1999; see decision dated July 21, 2001
RP-2001-0029	proceeding to hear the Application dated July 30, 2001, this application
Schools	Ontario Association of School Business Officials
Settlement Agreement	RP-2002-0130 Settlement Agreement approved on February 17, 2003
S&T	Storage and Transportation
SSS	Standard Storage Service
SPS	Standard Peaking Service
Stelco	Steel Company
TCPL	TransCanada PipeLines Limited
Tractebel	Tractebel
Union	Union Gas Limited

VECC	Vulnerable Energy Consumers' Coalition
Vector	Vector Pipelines
WACOG	weighted average cost of gas
WGPSG	Wholesale Gas Purchasers Service Group
X	productivity and input price index factor

Schedule 1

Scenario 1 - Summary of 2013 Total Revenue Requirement by Rate Class as filed 2012-07-13 versus 2013 Total Revenue Requirement by Rate Class excluding Parkway Obligated Deliveries

Line No.	Rate Class ($000's)	Total Revenue Requirement Filed 2012-07-13 (1)	Total Revenue Requirement excluding Parkway Deliveries (2)	Difference ($000's)	%
		(a)	(b)	(c) = (b - a)	(d) = (c / a)
1	M1	396,023	404,057	8,034	2%
2	M2	52,840	55,543	2,703	5%
3	M4	15,927	16,712	785	5%
4	M5	16,280	16,288	7	0%
5	M7	5,291	5,653	362	7%
6	M9	771	901	129	17%
7	M10	75	79	4	5%
8	T1	54,272	57,177	2,905	5%
9	T3	4,843	5,754	912	19%
10	Total South In-franchise	546,323	562,165	15,842	3%
13	M12	165,389	150,443	(14,946)	(9%)
12	C1	14,283	14,283	-	0%
16	Total Ex-franchise	179,672	164,726	(14,946)	(8%)
17	R01	233,762	233,093	(669)	0%
18	R10	42,355	42,178	(177)	0%
19	R20	26,058	26,011	(47)	0%
20	R100	16,445	16,441	(3)	0%
22	Total North In-franchise	318,620	317,724	(895)	0%
23	Total	1,044,615	1,044,615	-	0%

Notes:

(1) Includes delivery, storage and transportation revenue requirement.

(2) Scenario 1 cost allocation assumes no Parkway obligated deliveries, no adjustment to M12 design day demands and no incremental facilities.

Schedule 2

Scenario 1 - Summary of 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation as filed 2012-07-13 versus 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries

Line No.	Rate Class ($000's)	Dawn-Parkway Demand Costs as Filed 2012-07-13	Dawn Station Demand Costs as Filed 2012-07-13	Total Costs with Parkway Deliveries	Dawn-Parkway Demand Costs excluding Parkway Deliveries (1)	Dawn Station Demand Costs excluding Parkway Deliveries	Total Costs excluding Parkway Deliveries	Difference	%
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (d + e)	(g) = (f - c)	(h) = (g / c)
1	M1	8,601	1,758	10,360	15,792	2,602	18,394	8,034	78%
2	M2	2,894	591	3,485	5,313	875	6,188	2,703	78%
3	M4	841	172	1,012	1,543	254	1,798	785	78%
4	M5	8	2	10	15	2	17	7	78%
5	M7	388	79	467	712	117	829	362	78%
6	M9	139	28	167	254	42	296	129	78%
7	M10	4	1	5	8	1	9	4	78%
8	T1	3,110	636	3,745	5,710	941	6,650	2,905	78%
9	T3	976	200	1,176	1,792	295	2,087	912	78%
10	Total South In-franchise	16,960	3,467	20,427	31,139	5,130	36,268	15,842	78%
11	M12	126,199	15,495	141,694	112,823	13,925	126,748	(14,946)	(11%)
12	C1	106	553	659	106	553	659	-	0%
13	Total Ex-franchise	126,305	16,048	142,353	112,928	14,479	127,407	(14,946)	(10%)
14	R01	5,621	688	6,309	5,022	618	5,640	(669)	(11%)
15	R10	1,488	182	1,670	1,329	164	1,493	(177)	(11%)
16	R20	392	48	440	350	43	393	(47)	(11%)
17	R100	27	3	31	24	3	27	(3)	(11%)
18	Total North In-franchise	7,528	921	8,449	6,726	828	7,553	(895)	(11%)
19	Total	150,793	20,436	171,228	150,793	20,436	171,228	-	0%

Notes:

(1) Scenario 1 cost allocation assumes no Parkway obligated deliveries, no adjustment to M12 design day demands and no incremental facilities.

Schedule 3

Scenario 1 - Summary of 2013 Dawn-Parkway Demand Cost Allocation as filed 2012-07-13 versus 2013 Dawn-Parkway Demand Cost Allocation excluding Parkway Obligated Deliveries

Line No.	Rate Class	Dawn-Parkway Demand Costs as Filed 2012-07-13 (10^{6}m^{3}/d x km)	%	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Dawn-Parkway Demand Costs excluding Parkway Deliveries (1) (10^{6}m^{3}/d x km)	%	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Difference ($000's)	%
		(a)	(b)	(c)	(d)	(e) = (c + d)	(f)	(g)	(h)	(i)	(j) = (h + i)	(k) = (j - e)	(l) = (k / e)
1	M1	1,820	6%	8,601	-	8,601	3,739	11%	15,792	-	15,792	7,191	84%
2	M2	612	2%	2,894	-	2,894	1,258	4%	5,313	-	5,313	2,419	84%
3	M4	178	1%	841	-	841	365	1%	1,543	-	1,543	703	84%
4	M5	2	0%	8	-	8	3	0%	15	-	15	7	84%
5	M7	82	0%	388	-	388	168	0%	712	-	712	324	84%
6	M9	29	0%	139	-	139	60	0%	254	-	254	116	84%
7	M10	1	0%	4	-	4	2	0%	8	-	8	4	84%
8	T1	658	2%	3,110	-	3,110	1,352	4%	5,710	-	5,710	2,600	84%
9	T3	207	1%	976	-	976	424	1%	1,792	-	1,792	816	84%
10	Total South In-franchise	3,588	11%	16,960	-	16,960	7,373	21%	31,139	-	31,139	14,179	84%
11	M12	26,557	84%	125,533	666	126,199	26,557	75%	112,157	666	112,823	(13,376)	(11%)
12	C1	-	0%	-	106	106	-	0%	-	106	106	-	0%
13	Total Ex-franchise	26,557	84%	125,533	771	126,305	26,557	75%	112,157	771	112,928	(13,376)	(11%)
14	R01	1,189	4%	5,621	-	5,621	1,189	3%	5,022	-	5,022	(599)	(11%)
15	R10	315	1%	1,488	-	1,488	315	1%	1,329	-	1,329	(159)	(11%)
16	R20	83	0%	392	-	392	83	0%	350	-	350	(42)	(11%)
17	R100	6	0%	27	-	27	6	0%	24	-	24	(3)	(11%)
18	Total North In-franchise	1,592	5%	7,528	-	7,528	1,592	4%	6,726	-	6,726	(802)	(11%)
19	Total	31,737	100%	150,021	771	150,793	35,522	100%	150,021	771	150,793	-	0%

Notes:

(1) Scenario 1 cost allocation assumes no Parkway obligated deliveries, no adjustment to M12 design day demands and no incremental facilities.

Schedule 4

Scenario 1 - Summary of 2013 Dawn Station Demand Cost Allocation as filed 2012-07-13 versus 2013 Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries

Line No.	Rate Class	Dawn Station Demand Costs as Filed 2012-07-13 (10^3m^3)	(%)	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Dawn Station Demand Costs excluding Parkway Deliveries (1) (10^3m^3)	(%)	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Difference ($000's)	(%)
		(a)	(b)	(c)	(d)	(e) = (c + d)	(f)	(g)	(h)	(i)	(j) = (h + i)	(k) = (j - e)	(l) = (k / e)
1	M1	13,183	9%	1,758	-	1,758	21,722	13%	2,602	-	2,602	843	48%
2	M2	4,435	3%	591	-	591	7,308	4%	875	-	875	284	48%
3	M4	1,288	1%	172	-	172	2,123	1%	254	-	254	82	48%
4	M5	12	0%	2	-	2	20	0%	2	-	2	1	48%
5	M7	594	0%	79	-	79	979	1%	117	-	117	38	48%
6	M9	212	0%	28	-	28	350	0%	42	-	42	14	48%
7	M10	7	0%	1	-	1	11	0%	1	-	1	0	48%
8	T1	4,766	3%	636	-	636	7,854	5%	941	-	941	305	48%
9	T3	1,496	1%	200	-	200	2,465	1%	295	-	295	96	48%
10	Total South In-franchise	25,994	17%	3,467	-	3,467	42,831	26%	5,130	-	5,130	1,663	48%
11	M12	116,184	78%	15,495	-	15,495	116,271	70%	13,925	-	13,925	(1,570)	(10%)
12	C1	-	0%	-	553	553	-	0%	-	553	553	-	0%
13	Total Ex-franchise	116,184	78%	15,495	553	16,048	116,271	70%	13,925	553	14,479	(1,570)	(10%)
14	R01	5,156	3%	688	-	688	5,160	3%	618	-	618	(70)	(10%)
15	R10	1,365	1%	182	-	182	1,366	1%	164	-	164	(18)	(10%)
16	R20	359	0%	48	-	48	360	0%	43	-	43	(5)	(10%)
17	R100	25	0%	3	-	3	25	0%	3	-	3	(0)	(10%)
18	Total North In-franchise	6,905	5%	921	-	921	6,910	4%	828	-	828	(93)	(10%)
19	Total	149,083	100%	19,883	553	20,436	166,012	100%	19,883	553	20,436	-	0%

Notes:

(1) Scenario 1 cost allocation assumes no Parkway obligated deliveries, no adjustment to M12 design day demands and no incremental facilities.

Schedule 5

Scenario 2 - Summary of 2013 Total Revenue Requirement by Rate Class as filed 2012-07-13 versus 2013 Total Revenue Requirement by Rate Class excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities

Line No.	Rate Class ($000's)	Total Revenue Requirement Filed 2012-07-13 (1)	Total Revenue Requirement excluding Parkway Deliveries (2)	Difference ($000's)	%
		(a)	(b)	(c) = (b - a)	(d) = (c / a)
1	M1	396,023	396,023	12,747	3%
2	M2	52,840	65,587	4,291	8%
3	M4	15,927	20,218	1,246	8%
4	M5	16,280	17,526	29	0%
5	M7	5,291	5,320	571	11%
6	M9	771	1,343	203	26%
7	M10	75	278	6	8%
8	T1	54,272	54,278	4,615	9%
9	T3	4,843	9,458	1,429	30%
10	Total South In-franchise	546,323	570,031	25,137	5%
13	M12	165,389	171,584	6,195	4%
12	C1	14,283	14,286	2	0%
16	Total Ex-franchise	179,672	185,870	6,196	3%
15	R01	233,762	233,762	843	0%
16	R10	42,355	43,198	226	1%
17	R20	26,058	26,284	67	0%
18	R100	16,445	16,512	18	0%
22	Total North In-franchise	318,620	319,756	1,155	0%
20	Total	1,044,615	1,075,657	32,488	3%

Notes

(1) Includes delivery, storage and transportation revenue requirement.

(2) Scenario 2 cost allocation assumes no Parkway obligated deliveries, a 300,000 GJ/d reduction in the M12 design day demands and $265 million in capital for new facilities with an estimated revenue requirement of $32.5 million.

Schedule 6

Scenario 2 - Summary of Total 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation as filed 2012-07-13 versus Total 2013 Dawn-Parkway and Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities

Line No.	Rate Class ($000's)	Dawn-Parkway Demand Costs as Filed 2012-07-13	Dawn Station Demand Costs as Filed 2012-07-13	Total Costs with Parkway Deliveries	Dawn-Parkway Demand Costs excluding Parkway Deliveries (1)	Dawn Station Demand Costs excluding Parkway Deliveries	Total Costs excluding Parkway Deliveries	Difference	%
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (d + e)	(g) = (f - c)	(h) = (g / c)
1	M1	8,601	1,758	10,360	20,196	2,729	22,925	12,566	121%
2	M2	2,894	591	3,485	6,795	918	7,713	4,228	121%
3	M4	841	172	1,012	1,974	267	2,240	1,228	121%
4	M5	8	2	10	19	3	21	12	121%
5	M7	388	79	467	910	123	1,033	566	121%
6	M9	139	28	167	325	44	369	202	121%
7	M10	4	1	5	10	1	11	6	121%
8	T1	3,110	636	3,745	7,302	987	8,289	4,543	121%
9	T3	976	200	1,176	2,292	310	2,602	1,426	121%
10	Total South In-franchise	16,960	3,467	20,427	39,822	5,382	45,204	24,777	121%
11	M12	126,199	15,495	141,694	134,272	13,618	147,890	6,196	4%
12	C1	106	553	659	106	553	659	-	0%
13	Total Ex-franchise	126,305	16,048	142,353	134,378	14,171	148,549	6,196	4%
14	R01	5,621	688	6,309	6,422	648	7,071	762	12%
15	R10	1,488	182	1,670	1,700	172	1,872	202	12%
16	R20	392	48	440	447	45	493	53	12%
17	R100	27	3	31	31	3	34	4	12%
18	Total North In-franchise	7,528	921	8,449	8,601	868	9,469	1,021	12%
19	Total	150,793	20,436	171,228	182,801	20,421	203,222	31,994	19%

Notes

(1) Scenario 2 cost allocation assumes no Parkway obligated deliveries, a 300,000 GJ/d reduction in the M12 design day demands and $265 million in capital for new facilities with an estimated revenue requirement of $32.5 million.

Schedule 7

Scenario 2 - Summary of Total 2013 Dawn-Parkway Cost Allocation as filed 2012-07-13 versus Total 2013 Dawn-Parkway Demand Cost Allocation excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities

Line No.	Rate Class	Dawn-Parkway Demand Costs as Filed 2012-07-13 (10^{6}m^3/d x km)	(%)	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Dawn-Parkway Demand Costs excluding Parkway Deliveries (1) (10^{6}m^3/d x km)	(%)	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Difference ($000's)	(%)
		(a)	(b)	(c)	(d)	(e) = (c + d)	(f)	(g)	(h)	(i)	(j) = (h + i)	(k) = (j - e)	(l) = (k / e)
1	M1	1,820	6%	8,601	-	8,601	3,739	11%	20,196	-	20,196	11,595	135%
2	M2	612	2%	2,894	-	2,894	1,258	4%	6,795	-	6,795	3,901	135%
3	M4	178	1%	841	-	841	365	1%	1,974	-	1,974	1,133	135%
4	M5	2	0%	8	-	8	3	0%	19	-	19	11	135%
5	M7	82	0%	388	-	388	168	0%	910	-	910	522	135%
6	M9	29	0%	139	-	139	60	0%	325	-	325	187	135%
7	M10	1	0%	4	-	4	2	0%	10	-	10	6	135%
8	T1	658	2%	3,110	-	3,110	1,352	4%	7,302	-	7,302	4,192	135%
9	T3	207	1%	976	-	976	424	1%	2,292	-	2,292	1,316	135%
10	Total South In-franchise	3,588	11%	16,960	-	16,960	7,373	22%	39,822	-	39,822	22,862	135%
11	M12	26,557	84%	125,533	666	126,199	24,737	73%	133,607	666	134,272	8,073	6%
12	C1	-	0%	-	106	106	-	0%	-	106	106	-	0%
13	Total Ex-franchise	26,557	84%	125,533	771	126,305	24,737	73%	133,607	771	134,378	8,073	6%
14	R01	1,189	4%	5,621	-	5,621	1,189	4%	6,422	-	6,422	801	14%
15	R10	315	1%	1,488	-	1,488	315	1%	1,700	-	1,700	212	14%
16	R20	83	0%	392	-	392	83	0%	447	-	447	56	14%
17	R100	6	0%	27	-	27	6	0%	31	-	31	4	14%
18	Total North In-franchise	1,592	5%	7,528	-	7,528	1,592	5%	8,601	-	8,601	1,073	14%
19	Total	31,737	195%	150,021	771	150,793	33,703	195%	182,030	771	182,801	32,008	21%

Notes

(1) Scenario 2 cost allocation assumes no Parkway obligated deliveries, a 300,000 GJ/d reduction in the M12 design day demands and $265 million in capital for new facilities with an estimated revenue requirement of $32.5 million.

Schedule 8

Scenario 2 - Summary of Total 2013 Dawn Station Demand Cost Allocation as filed 2012-07-13 versus Total 2013 Dawn Station Demand Cost Allocation excluding Parkway Obligated Deliveries with Reduced M12 Demands and New Facilities

Line No.	Rate Class	Dawn Station Demand Costs as Filed 2012-07-13 (10^3m^3)	(%)	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Dawn Station Demand Costs excluding Parkway Deliveries (1) (10^3m^3)	(%)	Allocated Costs ($000's)	Direct Assigned Costs ($000's)	Total Costs ($000's)	Difference ($000's)	(%)
		(a)	(b)	(c)	(d)	(e) = (c + d)	(f)	(g)	(h)	(i)	(j) = (h + i)	(k) = (j - e)	(l) = (k / e)
1	M1	13,183	9%	1,758	-	1,758	21,715	14%	2,729	-	2,729	971	55%
2	M2	4,435	3%	591	-	591	7,306	5%	918	-	918	327	55%
3	M4	1,288	1%	172	-	172	2,122	1%	267	-	267	95	55%
4	M5	12	0%	2	-	2	20	0%	3	-	3	1	55%
5	M7	594	0%	79	-	79	978	1%	123	-	123	44	55%
6	M9	212	0%	28	-	28	350	0%	44	-	44	16	55%
7	M10	7	0%	1	-	1	11	0%	1	-	1	0	55%
8	T1	4,766	3%	636	-	636	7,851	5%	987	-	987	351	55%
9	T3	1,496	1%	200	-	200	2,464	2%	310	-	310	110	55%
10	Total South In-franchise	25,994	17%	3,467	-	3,467	42,817	27%	5,382	-	5,382	1,915	55%
11	M12	116,184	78%	15,495	-	15,495	108,340	69%	13,618	-	13,618	(1,877)	(12%)
12	C1	-	0%	-	553	553	-	0%	-	553	553	-	0%
13	Total Ex-franchise	116,184	78%	15,495	553	16,048	108,340	69%	13,618	553	14,171	(1,877)	(12%)
14	R01	5,156	3%	688	-	688	5,158	3%	648	-	648	(39)	(6%)
15	R10	1,365	1%	182	-	182	1,365	1%	172	-	172	(10)	(6%)
16	R20	359	0%	48	-	48	359	0%	45	-	45	(3)	(6%)
17	R100	25	0%	3	-	3	25	0%	3	-	3	(0)	(6%)
18	Total North In-franchise	6,905	5%	921	-	921	6,908	4%	868	-	868	(53)	(6%)
19	Total	149,083	100%	19,883	553	20,436	158,065	100%	19,868	553	20,421	(15)	0%

Notes

(1) Scenario 2 cost allocation assumes no Parkway obligated deliveries, a 300,000 GJ/d reduction in the M12 design day demands and $265 million in capital for new facilities with an estimated revenue requirement of $32.5 million.

Schedule 9

Summary of Parkway Obligated Deliveries Scenarios - Rate Impacts

		Costs in Rates ($000's)			Unit Costs in Rates (cents/m^3)			Percent of Total 2013 Proposed Base Rate		
		Base Case	Scenario 1 (1)	Scenario 2 (2)	Base Case	Scenario 1 (1)	Scenario 2 (2)	Base Case	Scenario 1 (1)	Scenario 2 (2)
Line No.	Rate Class	With Parkway Obligated Deliveries	No Parkway Obligated Deliveries	No Parkway Obligated Deliveries Reduced M12 and New Facilities	With Parkway Obligated Deliveries	No Parkway Obligated Deliveries	No Parkway Obligated Deliveries Reduced M12 and Additional Facilities	With Parkway Obligated Deliveries	No Parkway Obligated Deliveries	No Parkway Obligated Deliveries Reduced M12 and New Facilities
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	M1	10,360	18,394	22,925	0.3602	0.6395	0.7970	2.6%	4.6%	5.8%
2	M2	3,485	6,188	7,713	0.3643	0.6469	0.8062	7.0%	12.5%	15.5%
3	M4	1,012	1,798	2,240	0.2630	0.4669	0.5819	7.9%	14.1%	17.5%
4	M5	10	17	21	0.0018	0.0032	0.0040	0.1%	0.1%	0.2%
5	M7	467	829	1,033	0.3172	0.5632	0.7020	11.5%	20.3%	25.3%
6	M9	167	296	369	0.2748	0.4879	0.6081	21.7%	38.6%	48.1%
7	M10	5	9	11	2.7252	4.8387	6.0309	93.4%	165.8%	206.6%
8	T1	3,745	6,650	8,289	0.0725	0.1288	0.1605	6.9%	12.3%	15.3%
9	T3	1,176	2,087	2,602	0.4311	0.7654	0.9540	25.2%	44.8%	55.8%
10	M12	141,694	126,748	147,890						
11	C1	659	659	659						
12	R01	6,309	5,640	7,071	0.7373	0.6592	0.8264	3.5%	3.1%	3.9%
13	R10	1,670	1,493	1,872	0.5280	0.4721	0.5918	6.7%	6.0%	7.5%
14	R20	440	393	493	0.0700	0.0626	0.0784	3.4%	3.0%	3.8%
15	R100	31	27	34	0.0016	0.0014	0.0018	0.2%	0.2%	0.2%
16		171,228	171,228	203,222						

Notes:

(1) Scenario 1 cost allocation assumes no Parkway obligated deliveries, no adjustment to M12 design day demands and no incremental facilities.

(2) Scenario 2 cost allocation assumes no Parkway obligated deliveries, a 300,000 GJ/d reduction in the M12 design day demands and $265 million in capital for new facilities with an estimated revenue requirement of $32.5 million.

Schedule 10

Dawn-Parkway and Dawn Station Demand Costs as filed 2012-07-13 as a Percentage of Average Delivery Rates

Line No.	Rate Class	Dawn-Parkway and Dawn Station Demand Costs Filed 2012-07-13 (1) ($000's)	Rate Class 2013 Annual Volume (10^3m^3)	Rate Class 2013 Unit Rate Dawn-Parkway and Dawn Station Demand Costs (cents/m^3)	Rate Class 2013 Average Delivery Rate (cents/m^3)	Dawn-Parkway and Dawn Station Demand Costs as a % of Total Rate
		(a)	(b)	(c) = (a/b)*100	(d)	(e) = (c/d)
1	M1	10,360	2,876,411	0.3602	13.8075	2.6%
2	M2	3,485	956,651	0.3643	5.1931	7.0%
3	M4	1,012	385,002	0.2630	3.3177	7.9%
4	M5	10	532,451	0.0018	2.2818	0.1%
5	M7	467	147,143	0.3172	2.7701	11.5%
6	M9	167	60,750	0.2748	1.2639	21.7%
7	M10	5	189	2.7252	2.9185	93.4%
8	T1	3,745	5,164,982	0.0725	1.0508	6.9%
9	T3	1,176	272,712	0.4311	1.7097	25.2%
10	M12	141,694				
11	C1	659				
12	R01	6,309	855,598	0.7373	21.0564	3.5%
13	R10	1,670	316,269	0.5280	7.9134	6.7%
14	R20	440	628,164	0.0700	2.0633	3.4%
15	R100	31	1,895,488	0.0016	0.8613	0.2%
16		171,228				

Notes:

(1) Includes delivery, storage and transportation revenue requirement.

Schedule 11

Scenario 1 - Dawn-Parkway and Dawn Station Demand Costs as a Percentage of Average Delivery Rates with No Parkway Obligated Deliveries

Line No.	Rate Class	Dawn-Parkway and Dawn Station Demand Costs (1) ($000's) (a)	Rate Class 2013 Annual Volume (10^3m^3) (b)	Rate Class 2013 Unit Rate Dawn-Parkway and Dawn Station Demand Costs (cents/m^3) (c) = (a/b)*100	Rate Class 2013 Average Delivery Rate (cents/m^3) (d)	Dawn-Parkway and Dawn Station Demand Costs as a % of Total Rate (e) = (c/d)
1	M1	18,394	2,876,411	0.6395	13.8075	4.6%
2	M2	6,188	956,651	0.6469	5.1931	12.5%
3	M4	1,798	385,002	0.4669	3.3177	14.1%
4	M5	17	532,451	0.0032	2.2818	0.1%
5	M7	829	147,143	0.5632	2.7701	20.3%
6	M9	296	60,750	0.4879	1.2639	38.6%
7	M10	9	189	4.8387	2.9185	165.8%
8	T1	6,650	5,164,982	0.1288	1.0508	12.3%
9	T3	2,087	272,712	0.7654	1.7097	44.8%
10	M12	126,748				
11	C1	659				
12	R01	5,640	855,598	0.6592	21.0564	3.1%
13	R10	1,493	316,269	0.4721	7.9134	6.0%
14	R20	393	628,164	0.0626	2.0633	3.0%
15	R100	27	1,895,488	0.0014	0.8613	0.2%
16		171,228				

Notes:

(1) Scenario 1 cost allocation assumes no Parkway obligated deliveries, no adjustment to M12 design day demands and no incremental facilities.

Schedule 12

Scenario 2 - Dawn-Parkway and Dawn Station Demand Costs as a Percentage of Average Delivery Rates with No Parkway Obligated Deliveries, Reduced M12 Demands and New Facilities

Line No.	Rate Class	Dawn-Parkway and Dawn Station Demand Costs (1) ($000's)	Rate Class 2013 Annual Volume (10^3m^3)	Rate Class 2013 Unit Rate Dawn-Parkway and Dawn Station Demand Costs (cents/m^3)	Rate Class 2013 Average Delivery Rate (cents/m^3)	Dawn-Parkway and Dawn Station Demand Costs as a % of Total Rate
		(a)	(b)	(c) = (a/b)*100	(d)	(e) = (c/d)
1	M1	22,925	2,876,411	0.7970	13.8075	5.8%
2	M2	7,713	956,651	0.8062	5.1931	15.5%
3	M4	2,240	385,002	0.5819	3.3177	17.5%
4	M5	21	532,451	0.0040	2.2818	0.2%
5	M7	1,033	147,143	0.7020	2.7701	25.3%
6	M9	369	60,750	0.6081	1.2639	48.1%
7	M10	11	189	6.0309	2.9185	206.6%
8	T1	8,289	5,164,982	0.1605	1.0508	15.3%
9	T3	2,602	272,712	0.9540	1.7097	55.8%
10	M12	147,890				
11	C1	659				
12	R01	7,071	855,598	0.8264	21.0564	3.9%
13	R10	1,872	316,269	0.5918	7.9134	7.5%
14	R20	493	628,164	0.0784	2.0633	3.8%
15	R100	34	1,895,488	0.0018	0.8613	0.2%
16		203,222				

Notes:

(1) Scenario 2 cost allocation assumes no Parkway obligated deliveries, a 300,000 GJ/d reduction in the M12 design day demands and $265 million in capital for new facilities with an estimated revenue requirement of $32.5 million.

Parkway Obligation Working Group

October 10, 2012

Agenda

- Purpose of the Parkway Obligation Working Group
- System Implications of the Parkway Obligation
- History of Parkway Obligation/Policies
- Delivery Commitment Credit
- DCQ Breakdown
- Current Cost Allocation and Rate Design
- Customer Presentation (IGUA)
- Next Steps

The Purpose of the Parkway Obligation Working Group

Section 3.17 of Union’s EB-2011-0210 Settlement Agreement outlines that:

- The parties agree that a Working Group will be established to review Union’s Parkway delivery obligation and whether or not any changes should be made in whole or in part to that obligation after 2013.
- The parties further agree that Union will report to the Board as part of its application to set rates for 2014 on the outcome of the Working Group process, and Union’s proposal, if any, in respect of the Parkway delivery obligation arising from the Working Group process.

Today's Objectives

Today's objectives are to:

- Provide an understanding of the system implications of the Parkway obligation
- Provide the historical context and the delivery obligation policies
- Provide an overview of the cost allocation associated with Parkway
- Determine the next steps

System Implications of the Parkway Obligation

Parkway Delivery Obligation

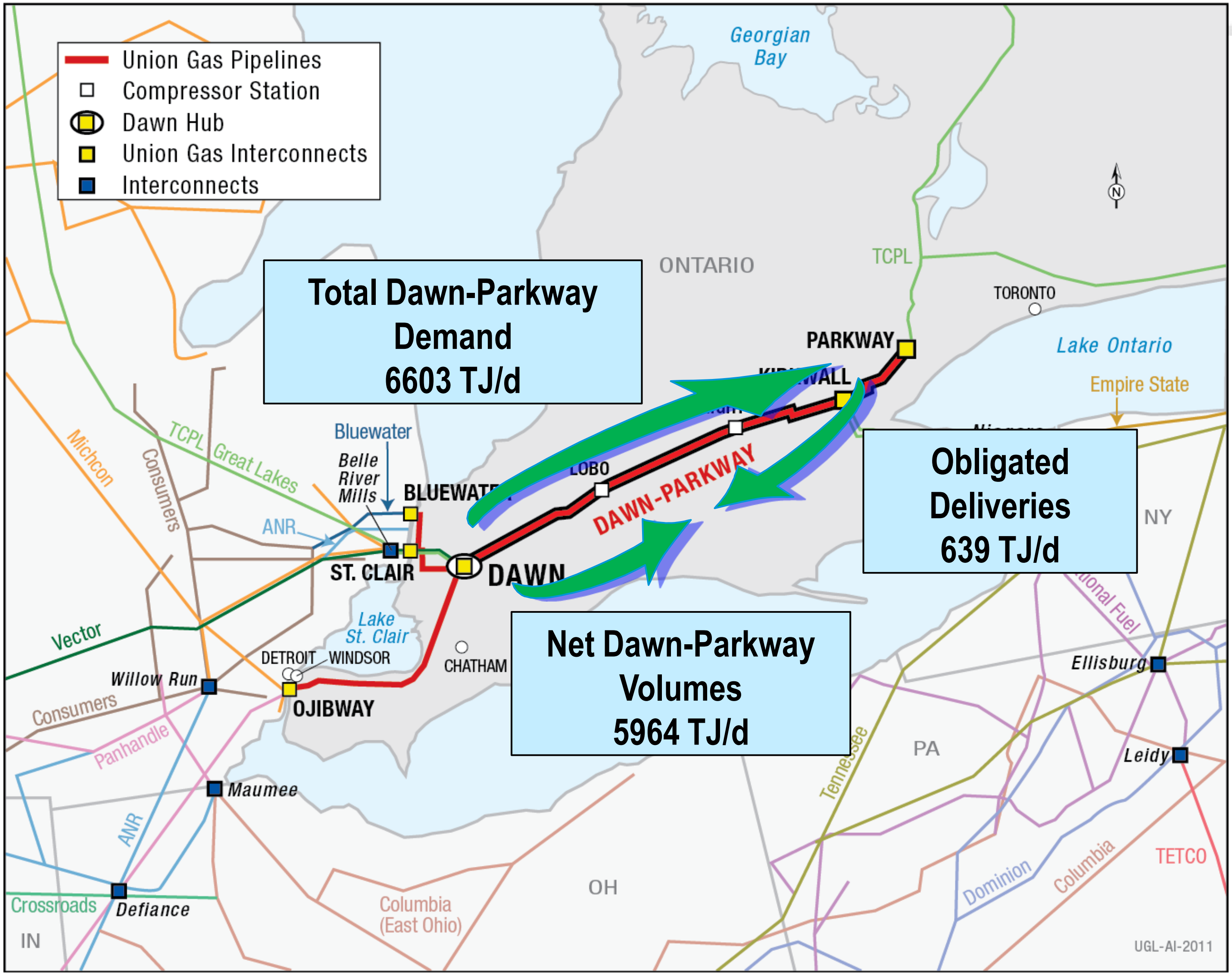
Union relies on obligated Parkway deliveries in designing the Dawn-Parkway transmission system.

- These volumes, plus the physical capacity of the Dawn-Parkway facilities, equal the total capacity of the Dawn-Parkway system.
- As a result of these deliveries the Dawn-Parkway transmission system is smaller than would otherwise be necessary.

Removal of obligated deliveries at Parkway would:

- Require replacement volumes to be sourced from Dawn and shipped on the Dawn-Parkway system.
- Increase the volume of gas compressed at Parkway.

System with Parkway Obligation

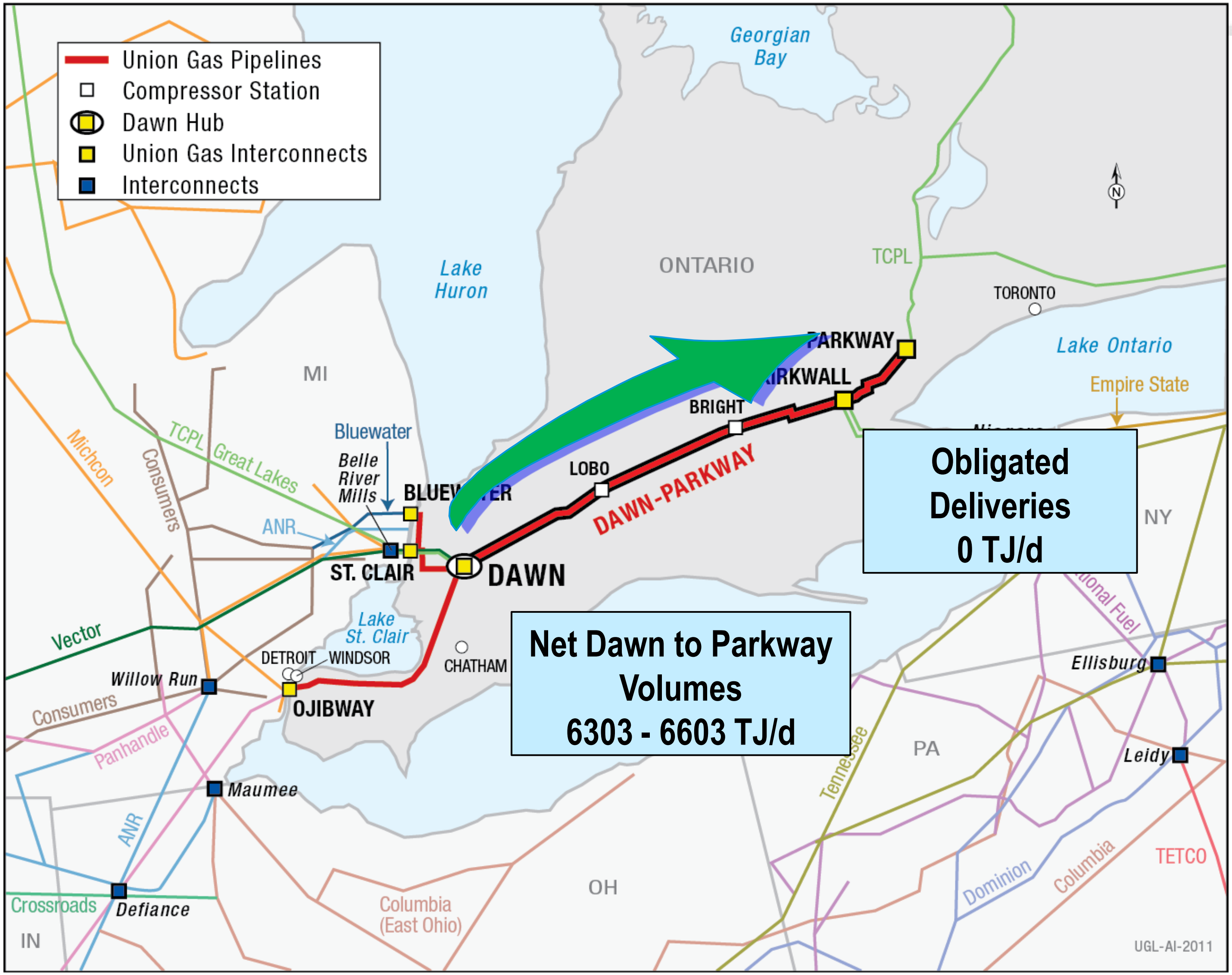


Total Dawn-Parkway Demand
6603 TJ/d

Obligated Deliveries
639 TJ/d

Net Dawn-Parkway Volumes
5964 TJ/d

System Without Parkway Obligation



Obligated Deliveries
0 TJ/d

Net Dawn to Parkway Volumes
6303 - 6603 TJ/d

System Planning Assumptions

- For purposes of determining facility impacts if the Parkway obligation is removed, the following assumptions have been made:
    - The obligation and customer arrangements are based on W13/14 levels at 639 TJ/d
    - Customers will turn back between 0-340 TJ/d of existing Dawn to Parkway capacity
    - Maximum Dawn to Parkway build requirement is 639 TJ/d
    - Minimum Dawn to Parkway build requirement is estimated at 300 TJ/d

- *These numbers may change based on future contracted demands on the Dawn to Parkway system and contracting arrangements made. Removing obligated deliveries does not guarantee customers will turn back any associated Dawn-Parkway contracts*

Estimated Facility Requirements

- If Union constructed facilities to eliminate the Parkway obligation, the proposed facilities to mitigate the minimum 300 TJ/d of increased Dawn to Parkway demand would include the following:

Project	Capacity Increase (TJ/d)	Cost
Parkway Compression	600 (Compression)	$75 MM
Hamilton-Milton 48”	225	$90 MM
Lobo C Compression	200	$100 MM
Total	**425 Dawn-Parkway** **600 Parkway Compression**	**$265 MM**

- Cost estimates are high level and could range between (+50% / -25%). Capacity is based on current forecast and will change relative to forecast supplies and demands.
- The combination of pipeline and compression facilities estimates are based on the expected demand on the Dawn to Parkway system. Pipeline and compression facilities can change based on actual contracted demands at the time of agreement.

History of Parkway Obligation/Policies

History of Delivery Obligation

- 1985 to 2001
  - 100% of DP customer’s Daily Contract Quantity (DCQ) was facilitated by allocating Union’s TCPL capacity from Empress to Parkway/Union CDA
- In 2000 (RP-1999-0017)
  - Delivery Point Flexibility introduced as part of settlement
    - 3-year, 20% system-wide solution to allow Dawn instead of Parkway as a receipt point (Nov.1/00 – Oct 31/03)

History of Delivery Obligation

- In 2001 (RP-1999-0017)
  - Vertical Slice approved to recognize diversity of Union's portfolio and reduction of TCPL capacity
    - General service customers' obligated DCQ allocated in the same proportion as Union's transportation portfolio
    - Obligation point is associated with the transportation path
  - Existing customers with Western DCQ's (i.e. 100% TCPL) were grandfathered (i.e. not subject to vertical slice)
- In 2003 (RP-2002-0130)
  - No consensus among customers to continue with Delivery Point Flexibility beyond Oct 31/03
    - Costs were removed from rates
  - Union committed to posting policies and create a working group to identify required policies and review them periodically

History of Delivery Obligation, cont'd

- In 2008, as a result of the NGEIR settlement
  - DCQ Policy updated
    - New end user located East of Dawn - Ontario deliveries obligated at Parkway
    - New end user located West of Dawn – option to have Ontario deliveries obligated at Dawn
  - DCQ policy for very large customers introduced

Union’s Direct Purchase Services

Service Type	**Service**	**Service Features Pertaining to Obligation Points**	**Obligation Point**
Bundled	*Western Buy/Sell*	*•Union purchased gas from end user at Empress* *•Union sold gas to end user at their facility*	*Empress*
	Ontario Buy/Sell	*•Union purchased gas from end user at Parkway* *•Union sold gas to end user at their facility*	*Parkway*
	Western Bundled-T	•End user purchases gas at Empress •Union transports end user’s gas to Parkway using Union’s contracted TCPL capacity	Empress
	Ontario Bundled-T	•End user responsible for transporting their gas to Parkway and/or Dawn for delivery to Union	Parkway/Dawn
Semi-unbundled	T1/T3	•End user responsible for transporting their gas to Parkway and/or Dawn for delivery to Union	Parkway/Dawn
Unbundled	Unbundled (U2)	•U2 customer purchases gas they need to meet daily requirements of their end user using a combination of storage and transportation assigned from Union.	Parkway Call currently for up to 22 days

Policies Relevant to Parkway Obligation

Policy	Relevance to Parkway Obligation	Obligation Point
Vertical Slice 2003 ➔	End users transferring from sales service to DP receive a proportionate assignment of Union's upstream transportation capacity	Dawn/Vector Parkway
Vertical Slice Turn Back 2003 ➔	Offers DP end users the opportunity to turn back their assigned slice of Union's upstream transportation capacity.	Dawn/Vector Parkway
Daily Contracted Quantity 2005 ➔	Identifies where the DP end user is obligated to deliver their gas to Union	Empress Parkway Dawn/Vector Dawn
TCPL Turn Back 2006 ➔	Offers DP end users the opportunity to turn back TCPL upstream transportation capacity.	Parkway

Delivery Commitment Credit

Summary of the DCC

What was the DCC?

- The delivery commitment credit ("DCC") was a volumetric credit paid to direct purchase customers who agreed to obligate their deliveries at Parkway.
- This payment recognized the system benefit of direct purchase customers maintaining their Parkway obligation.

How was it calculated?

- Originally the DCC represented the difference between the Ontario buy/sell price and Union's weighted average cost of gas ("WACOG") as approved in EBRO 412-III
- In EBRO 499 and onwards, the DCC rate was based on the avoided cost of transmission and storage facilities using existing M12 storage and transmission rates
  - Based on this methodology the DCC was increased from $\$3.88/10^3m^3$ to $\$4.25/10^3\ m^3$
  - This resulted in approximately $27 million of DCC costs being allocated to in-franchise customers

How was it included in rates?

- The costs of the DCC payout were recovered from all in-franchise rate classes based on the Dawn to Parkway design day demands.

History of DCC Continued

- Parties agreed that “the DCC will be eliminated in a manner which is revenue neutral to all end-use customers.” (RP-1999-0017)
- The DCC was ultimately dealt with in the 2003 customer review process. (RP-2002-0130)
- Union proposed that, for each rate class, the DCC payment be eliminated and delivery rates be lowered by the amount of the foregone DCC payment in recognition of the benefit of the avoided facilities costs.
- Those opposed wanted DCC eliminated based on how the DCC costs were recovered in rates.

History of DCC Continued

- Ultimately, the Board Decided that:
  - The DCC credit be phased out over four years in direct proportion to the DCC costs recovered in rates for each rate class.
  - Direct Purchasers assume the responsibilities of the delivery of commodity at specific delivery points.
  - Assuming the risks associated with that choice does not entitle them to compensation.
  - Compliance with contractual obligations should be achieved through penalty provisions.

DCQ Breakdown

Total South Deliveries

Line No.		Dawn			Parkway			Kirkwall		Percentage		
		East	West	Total	East	West	Total	Total	Total	Dawn	Parkway	Kirkwall
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	South BT - General Service	25,154		25,154	73,129		73,129	-	98,283	26	74	-
	South BT - Contract											
2	M1/M2	-	150	150	302	211	513	-	663	23	77	-
3	M4	105	1,462	1,567	25,849	14,639	40,488	-	42,055	4	96	-
4	M5	156	16,068	16,224	10,960	13,970	24,930	-	41,154	39	61	-
5	M7	3,155	143	3,298	7,363	10,834	18,197	-	21,495	15	85	-
6	M9	-	-	-	6,255	-	6,255	-	6,255	-	100	-
7	Total	3,416	17,823	21,239	50,729	39,654	90,383	-	111,622	19	81	-
8	T1/T2	39,805	183,699	223,504	209,608	128,322	337,930	-	561,434	40	60	-
9	T3	-		-	32,079		32,079	-	32,079	-	100	-
10	Unbundled	6,130		6,130	15,022		15,022	-	21,152	29	71	-
11	Total Direct Purchase	74,505	201,522	276,027	380,567	167,976	548,543	-	824,570	33	67	-
12	South Sales Portfolio			183,218			90,531	21,101	294,850	62	31	7
13	Total South Portfolio			459,245			639,074	21,101	1,119,420	41	57	2

Current Cost Allocation and Rate Design

Cost Allocation – Benefit of Parkway Deliveries

- There are two primary demand costs impacted by Union South in-franchise customers’ obligated deliveries at Parkway.
- Dawn Station transmission compression and Dawn-Parkway demand costs allocated to Union South in-franchise rate classes are reduced as a result of these customers delivering volumes at Parkway.
- In effect, Union South in-franchise customers receive a ‘credit’ on these costs by committing to deliver gas at Parkway.

2013 – Dawn Station Demand Cost Allocation

Dawn Transmission Compression Costs

- Union allocates Dawn Station transmission compression demand costs based on design day demands from Dawn.
- Union South in-franchise design day demands served from Dawn are reduced by approximately 40% as a result of Parkway obligated deliveries.

2013 – Dawn Station Demand Cost Allocation

Rate Class	Dawn Compression Allocation Units (10^3m^3)	%	Allocated Costs ($ 000's)	Direct Assigned Costs ($ 000's)	Total Costs ($ 000's)
M1	13,183	9%	1,758	-	1,758
M2	4,435	3%	591	-	591
M4	1,288	1%	172	-	172
M5	12	0%	2	-	2
M7	594	0%	79	-	79
M9	212	0%	28	-	28
M10	7	0%	1	-	1
T1	4,766	3%	636	-	636
T3	1,496	1%	200	-	200
C1	-	0%	-	553	553
M12	116,184	78%	15,495	-	15,495
R01	5,156	3%	688	-	688
R10	1,365	1%	182	-	182
R20	359	0%	48	-	48
R100	25	0%	3	-	3
Total	**149,083**	**100%**	**19,883**	**553**	**20,436**

Cost Allocation – Benefit of Parkway Deliveries

Dawn-Parkway Costs

- Union allocates Dawn-Parkway demand costs based on commodity kilometres (i.e. distance weighted demands).
- The commodity kilometres calculation considers in-franchise demands at each Dawn-Parkway lateral and the distance required from Dawn or Parkway to serve those demands.
- Parkway deliveries serve in-franchise demands west of Parkway. The remaining demands are served from Dawn.
- Total commodity kilometres for Union South in-franchise customers are 3,588 $10^6m^3/d$*km.
- Currently, the average unit of demand for Union South customers travels approximately 82 km.
- By comparison, M12 and Union North demands from Dawn to Parkway travel 228 km.

Cost Allocation – Benefit of Parkway Deliveries

Dawn-Parkway Costs (continued)

- Absent Parkway deliveries, all Union South in-franchise demands would be served from Dawn.
- Total commodity kilometres for Union South in-franchise customers would increase by more than 100% from 3,588 to 7,373 $10^6m^3/d$*km.
- The average unit of demand for Union South customers would travel approximately 169 km.
- Parkway obligated deliveries provide a ‘distance credit’ of 3,785 $10^6m^3/d$*km.

2013 - Dawn-Parkway Demand Cost Allocation

Rate Class	Dawn-Parkway Allocation Units ($10^6m^3/d*km$)	%	Allocated Costs ($ 000's)	Direct Assigned Costs ($ 000's)	Total Costs ($ 000's)
M1	1,820	6%	8,601	-	8,601
M2	612	2%	2,894	-	2,894
M4	178	1%	841	-	841
M5	2	0%	8	-	8
M7	82	0%	388	-	388
M9	29	0%	139	-	139
M10	1	0%	4	-	4
T1	658	2%	3,110	-	3,110
T3	207	1%	976	-	976
C1	-	0%	-	106	106
M12	26,557	84%	125,533	666	126,199
R01	1,189	4%	5,621	-	5,621
R10	315	1%	1,488	-	1,488
R20	83	0%	392	-	392
R100	6	0%	27	-	27
Total	**31,737**	**100%**	**150,021**	**771**	**150,793**

Proportion of Average 2013 Rate by Rate Class

Rate Class	Dawn-Trafalgar and Dawn Transmission Compression (a)	Rate Class 2013 Annual Volume (b)	Rate Class 2013 Unit Rate DTE & DTC (c) = (a/b)*100	Rate Class 2013 Average Delivery Rate (d)	DTE & DTC as a % of Total Rate (e) = (c/d)
M1	10,360	2,876,411	0.3602	13.8075	2.6%
M2	3,485	956,651	0.3643	5.1931	7.0%
M4	1,012	385,002	0.2630	3.3177	7.9%
M5	10	532,451	0.0018	2.2818	0.1%
M7	467	147,143	0.3172	2.7701	11.5%
M9	167	60,750	0.2748	1.2639	21.7%
M10	5	189	2.7252	2.9185	93.4%
T1	3,745	5,164,982	0.0725	1.0508	6.9%
T3	1,176	272,712	0.4311	1.7097	25.2%
M12	141,694				
C1	659				
R01	6,309	855,598	0.7373	21.0564	3.5%
R10	1,670	316,269	0.5280	7.9134	6.7%
R20	440	628,164	0.0700	2.0633	3.4%
R100	31	1,895,488	0.0016	0.8613	0.2%

Cost Allocation – Benefit of Parkway Deliveries

- Without Parkway obligated deliveries, approximately $15 to $18 million in existing Dawn compression and Dawn-Parkway costs would be re-allocated to Union South in-franchise customers.
- Costs associated with new Dawn compression and Dawn-Parkway facilities would be allocated to Union South, Union North and ex-franchise customers in proportion to the revised Dawn Compression and Dawn-Parkway allocation factors.

Customer Presentation (IGUA)

Next Steps

Union South Sales Portfolio DCQ

	Volume (GJ/d)				Percentage of total			
	Dawn	Parkway	Kirkwall	Total	Dawn	Parkway	Kirkwall	Total
Winter 13/14 forecast	183,218	90,531	21,101	294,850	62%	31%	7%	100%
Adjustment: Parkway to 50%	- 56,894	56,894		-				
Revised DCQ breakdown	126,324	147,425	21,101	294,850	43%	50%	7%	100%

Incremental volume to be moved to Parkway (GJ/d) **56,894**

Options:

1) a) Reduce Dawn purchases and replace with purchases at Empress that land at Parkway (based on current TCPL tolls)

Volume	56,894	
Incremental cost	$1.66	Incremental landed cost at Parkway vs Dawn
No of days	365	
Incremental gas cost	$34,454,317	

1) b) Reduce Dawn purchases and replace with purchases at Empress that land at Parkway (based on proposed TCPL tolls)

Volume	56,894	
Incremental cost	$ 0.99	Incremental landed cost at Parkway vs Dawn
No of days	365	
Incremental gas cost	$20,525,681	

2) Utilize Dawn-Parkway capacity (Union or others)

Volume	56,894	
Cost	$ 0.11	M12 tolls and fuel (OEB approved as at Oct. 1/12)
No of days	365	
Incremental gas cost	$2,325,827	

Assumptions:

1) Need to move Dawn purchases to Parkway for 365 days to replicate DP obligation at Parkway
2) Incremental cost differential is based on the comparison of the landed cost of Empress supplies delivered to Parkway versus the landed cost at Dawn (commodity cost based on ICF 5 year average pricing at Dawn and Empress).
3) TCPL current tolls based on current approved Empress Eastern Zone toll.
4) TCPL proposed toll based on proposed Empress - Union CDA toll from the TCPL Mainline 2012-2013 Tolls Application (June 28, 2012 revision)
5) Dawn-Parkway asset costed at current M12 tolls and fuel (OEB approved rates as at Oct 1/12). Fuel priced at average rate times 5 year average Dawn commodity cost.
6) For purposes of this illustration the impact of Kirkwall deliveries on Parkway has been ignored.

PARKWAY DELIVERY OBLIGATION: IGUA POSITION DOCUMENT

Background

- Union represents that it requires 639 Tj/day of gas delivered to its system at Parkway, in order to manage its system and serve its customers.

- Current obligations to provide the required Parkway deliveries are unequally distributed among Union's in-franchise customers:

	Daily Delivered Volumes (Tj)	% of **Daily Delivered Volumes**	**Daily Parkway Obligation (Tj)**	**% of Daily Parkway Obligation**
System	294.8	26%	90.5	14%
DP	824.6	74%	548.6	86%
Total	1119.4	100%	639.1	100%

- There is an incremental cost to deliver gas to Parkway, as opposed to delivering gas to Dawn. A proxy for this cost would be Union's M12 rate (currently 7.8¢/Gj) plus fuel costs. Total Parkway delivery costs for Union's in franchise customers are estimated at ***$23.7 million annually***.[1] Of this amount, 86% ($20.5 million) is borne by DP customers with obligated Parkway deliveries.[2]

The cost of Parkway deliveries is unevenly distributed among in-franchise customers, with DP customers bearing 86% of the cost (but delivering 74% of total daily volumes) and system customers bearing 14% of the cost (but delivering 26% of total daily volumes).

The obligation as among direct purchase customers is also unequally distributed:

- All new DP volumes consumed west of Dawn may be delivered to Dawn.

- All new DP volumes consumed east of Dawn must be delivered to Parkway.

- Existing customers who became DP customers prior to vertical slice are obligated to deliver to Parkway.

---

[1] 639,000 GJ/d X $0.078/GJ (current rate) X 365 days = $18 m + fuel {Fuel costs ~ 639,000 GJ/d X 0.7% fuel ratio) X $3.50/GJ (Dawn gas price) X 365 days = $5.7 m

[2] Replacing 639,000 Gj/day in the foregoing calculation with 548,600 Tj/day.

  - Existing customers who became DP customers after the introduction of vertical slice are obligated to deliver a portion of their volumes to Parkway, such portion being dictated by their vertical slice upon becoming direct purchase customers.

DP customers with Parkway delivery obligations are subsidizing all other Union customers whose Union service is supported by deliveries to Parkway.

Position

- The Parkway delivery obligation for in-franchise direct purchase customers should be eliminated. All direct purchase customers should be able to elect where to obligate their deliveries.

- To the extent that Union determines a greater need for Parkway deliveries than are voluntarily obligated by DP customers, Union should manage that requirement and ensure such deliveries (just as it would manage all other aspects of the operation of its system), and any costs associated with that activity should be recoverable from Union's customers who benefit from the Parkway deliveries.

Discussion

- Evidence in Union's 2013 rate case indicates potential turn back of Dawn to Parkway M12 capacity commencing in 2016. Union has forecast "at risk" M12 capacity as follows:

Deemed at risk for turn back M12 Capacity (Tj) [EB-2011-0210 Exhibit J.D-14-16-8, Attachment 2]:

	2016	**2017**	**2018**	**2019**	**Total**
Dawn - Kirkwall	31.7	10.8	262.6	0.0	305.1
Dawn - Parkway	177.8	193.4	116.7	21.6	509.5
Total	209.5	204.2	379.3	21.6	814.6
Cumulative Total	209.5	413.7	793.0	814.6	

- Under Union's current cost allocation methodology, the costs of the underutilized capacity would fall to Union's customers.

- Union could utilize any such excess capacity to displace Parkway delivery obligations to Dawn. The costs of the M12 capacity used to bring gas from Dawn to Parkway to provide volumes needed at Parkway to serve Union's customers would be allocated to <u>all</u> those customers who benefit from the Parkway delivered volumes.

- Assuming that actual M12 turn back tracks Union's forecast of M12 turn back, displacement of Parkway delivery obligations to Dawn with such turned back capacity could commence in 2016, and could be fully effective by 2019.

- In the interim:

  - Some DP customers currently obligated to deliver to Parkway hold Dawn to Parkway capacity to fulfill their Parkway delivery obligations. To the extent that these customers choose to deliver to Dawn going forward, the Dawn to Parkway capacity that they currently hold should be turned back to Union, for use by Union to ensure Parkway deliveries adequate to serve its customers. Union has indicated that this capacity could be as high as 340 Tj/day [October 2012 Parkway Obligation Working Group Presentation, page 9].

  - Other options available to Union in the interim to secure incremental deliveries to Parkway might include:

    - Contracting for DP customers to deliver volumes to Parkway.

    - Contracting for gas exchanges between Dawn and Parkway.

    - Utilizing TCPL capacity to deliver system gas volumes to Parkway. (Union currently delivers 183 Tj/day to Dawn on behalf of system customers.)

    - Developing one or more distribution rate mechanisms that incent customers to deliver to Parkway (for example, a distribution service under which Union could call for delivery to Parkway when required, and the customer's distribution rate would reflect the flexibility being supplied to Union by the customer).

    - Developing an interruptible M12 rate to alleviate Dawn to Parkway constraints on Peak days.

Union is best placed to determine the most economic means of meeting its service obligations, and to develop a fair and transparent means of recovering from customers served from Parkway the costs associated with ensuring adequate deliveries to Parkway.

Implementation

The EB-2011-0210 [2013 rates] Settlement Agreement contemplates a position from Union in its 2014 rates filing regarding changes, if any, to the Parkway delivery obligation.

A change is required.

Union should eliminate the current, arbitrary, Parkway delivery obligations, and assume responsibility for ensuring adequate deliveries to Parkway to support its service commitments.

Union should develop a plan to eliminate the Parkway obligation as soon as feasible, and file that plan with the Board as part of its 2014 rates filing. That plan should include:

- An analysis of the most cost-effective means for Union to itself arrange for required Parkway deliveries within a reasonable transition period.
- An analysis of which services (in-franchise and ex-franchise) are supported by the Parkway deliveries, and in what proportion.
- A proposal for an equitable and transparent allocation of the costs associated with the required Parkway deliveries.
- Details regarding transition issues and timing.

IGUA anticipates early discoveries on that filing, and an informed settlement process to pursue a fair, transparent and consensual resolution and timely implementation thereof.

Attachment 1 - July 16, 2013

Parkway Obligation - 2014 - 2019
Volume Changes
(TJ/day)

		Nov-13	**Nov-14**	**Nov-15**	**Nov-16**	**Nov-17**	**Nov-18**	**Nov-19**
Parkway Obligation @ Nov 1	1	671	430	430	488	462	305	120
In-franchise M12 capacity	2	0	0	-183	0	0	0	0
Dawn to Kirkwall turnback	3	0	0	0	-26	-109	-111	0
Marketer turnback	4	0	0	0	0	0	-75	0
Dawn to Parkway turnback	5	0	0	0	0	-48	0	-40
Existing Dawn to Parkway capacity	6	-241		241				
Parkway Obligation on Nov 1		430	430	488	462	305	120	80

Notes:
1 - Parkway obligation as at June 30, 2013 - includes direct purchase and sales service obligations.
2 - M12 Dawn to Parkway capacity held by in-franchise customers and assumed to be turned back if the Parkway obligation is eliminated.
3 - Forecast Dawn to Kirkwall turnback.
4 - Assumed that the M12 marketer held capacity will be turned back if the Parkway obligation is eliminated.
5 - Forecast Dawn to Parkway turnback in excess of the tranmission system requirements.
6 - Dawn to Parwkay capacity that is available from Nov 1, 2013 to Oct 31, 2015. In 2015 the capacity is included in Union's forecast system design.

Attachment 1 - July 16, 2013

Parkway Obligation - 2014 - 2019+
Change in Costs *
($000's)

	Nov-13	Nov-14	Nov-15	Nov-16	Nov-17	Nov-18	Nov-19	
Parkway Obligation @ Nov 1	$29,487	$18,904	$18,904	$21,451	$20,309	$13,415	$5,252	
In-franchise M12 capacity	$0	$0	-$8,036	$0	$0	$0	$0	
D-K turnback converted to D-P	$0	$0	$0	-$1,142	-$4,787	-$4,869	$0	
Marketer turnback	$0	$0	$0	$0	$0	-$3,294	$0	
Future Dawn to Parkway turnback	$0	$0	$0	$0	-$2,108	$0	-$1,757	
M12 available capacity	-$10,583	$0	$10,583	$0	$0	$0	$0	
Parkway Obligation on Nov 1	$18,904	$18,904	$21,451	$20,309	$13,415	$5,252	$3,495	
Rate Change (increase) / decrease	-$10,583	$0	$2,547	-$1,142	-$6,894	-$8,163	-$1,757	-$25,992

* Costs are estimated using M12 tolls and fuel. Final costs will be determined using the Board-approved cost study.

Allocation of Cost Changes
($000's)

Allocation by Rate Class **	%	Nov-13	Nov-14	Nov-15	Nov-16	Nov-17	Nov-18	Nov-19	Total
M1	**47%**	-$4,974	$0	$1,197	-$537	-$3,240	-$3,836	-$826	-$12,216
M2	**17%**	-$1,799	$0	$433	-$194	-$1,172	-$1,388	-$299	-$4,419
M4	**5%**	-$529	$0	$127	-$57	-$345	-$408	-$88	-$1,300
M5	**1%**	-$106	$0	$25	-$11	-$69	-$82	-$18	-$260
M7	**2%**	-$212	$0	$51	-$23	-$138	-$163	-$35	-$520
M9	**1%**	-$106	$0	$25	-$11	-$69	-$82	-$18	-$260
M10	**0%**	-$2	$0	$1	-$0	-$1	-$2	-$0	-$5
T1	**3%**	-$315	$0	$76	-$34	-$205	-$243	-$52	-$775
T2	**18%**	-$1,905	$0	$458	-$206	-$1,241	-$1,469	-$316	-$4,679
T3	**6%**	-$635	$0	$153	-$69	-$414	-$490	-$105	-$1,560
Total		-$10,583	$0	$2,547	-$1,142	-$6,894	-$8,163	-$1,757	-$25,992

** Allocations are representative only. Final allocations will be determined using the Board-approved cost study.

Parkway Obligation Reduction Options				
Option	**Pros**	**Cons**	**In-franchise Rate Impact ($millions)**	**Transition/Implementation**
Use M12 Turnback	- Removes obligation for all customers - Parkway obligation can be eliminated entirely through M12 turnback over time - There is potential for turnback of M12 by the customers who currently hold M12 to facilitate their Parkway obligation - There is 183,000 GJ of D-P capacity available for 2014/2015 (until Oct 31, 2015)	- May take 3-5 years for available capacity	See Attachment 2	- hold reverse open season for all in-franchise M12 contract holders - Use M12 turnback to reduce Parkway obligation (assumes no Parkway shortfall) - build costs into rates per Board-approved Dawn-Parkway Transmission Demand cost allocation methodology
Re-allocate Obligation Between all customers i.e. Split Deliveries at Parkway between sales service and all DP based on pro-rata demand	-Creates equity in the obligation among all customers	- Does not eliminate Parkway obligation for direct purchase customers - Does not generate a significant shift to Dawn for DP customers - Customers with 100% Dawn obligations would be assigned Parkway obligations	No rate change – obligation remains	- build costs into rates per Board-approved Dawn-Parkway Transmission Demand cost allocation methodology - Would need to provide customers with notice - could take 2+ years to implement
Build	- Removes obligation for all customers	- Potentially high costs - Future turnback would create excess Dawn – Parkway capacity	Facilities, Demand, Fuel and UFG $30.617	- build costs into rates per Board-approved Dawn-Parkway Transmission Demand cost allocation methodology - 3+ years
Winter Peaking Service/Exchange	- Union managed solution - May eliminate Parkway obligation if combined with in-franchise M12 turnback	- Potentially high and uncertain costs - Current market conditions indicate service may not be available	Market based	- build costs into rates per Board-approved Dawn-Parkway Transmission Demand cost allocation methodology - Transition depends on solution

August 1, 2013

Union Gas Responses to Parkway Obligation Questions from July 16, 2013 Meeting

1. Can TCPL provide Union with a service (e.g. WPS) to meet the Parkway delivery requirements on a design day?

   Answer

   The service would need to move gas from Dawn to Parkway or Dawn to the Union-CDA to meet the Parkway requirements. TCPL has not offered either of these paths in their most recent Open Seasons, which would mean that the capacity is not available without a new capacity build.

2. Would there be economies of scale if additional facilities were added to the existing Parkway projects to eliminate the Parkway obligation?

   Answer

   There are economies of scale when adding multiple facility expansions if the facility projects have synergies (i.e. one large compressor vs. two small compressors or one loop vs. 2 loops).

3. If the system facility builds were re-ordered (i.e. build to satisfy the Parkway obligation first then for the Parkway expansion second) would the costs to in-franchise customers be lower?

   Answer

   No, regardless of the order in which Dawn-Parkway facilities are built, combining multiple projects in Union's cost allocation study would result in the same level of costs allocated to in-franchise customers. Union's cost allocation methodology, which allocates Dawn transmission compression costs based on design day demands and Dawn-Parkway costs based on distance weighted design day demands, would treat both projects in the same manner.

4. If the upstream transportation and delivery point portfolio were re-allocated between direct purchase and sales service, what would the cost and rate impact be?

   Answer

   Re-allocating the upstream and transportation portfolio (i.e. maintaining the Parkway obligation) between direct purchase and sales service customers would not result in a cost shift between rate classes. Union's cost allocation methodology considers the total Parkway obligated deliveries when determining the distance weighted design day demands for Union South. Customers may see an impact to their gas supply costs.

5. With the turnback scenario provided, what are the rate impacts by rate class?

   Answer

   Please see Attachment 1 for the rate impacts by rate class of using M12 turnback to eliminate the Parkway obligation.

   Using the EB-2011-0210 Board-approved cost study, Union assumed that the 639 TJ/d Parkway obligation is reduced by M12 turnback of the same quantity. The costs associated with the assignment of the Dawn-Parkway capacity (demand, fuel, UFG) are allocated to in-franchise rate classes based on design day demands on the Dawn-Parkway system.

6. Provide the amount of TCPL capacity to Parkway that Union has temporarily assigned to customers that is being used to meet the Parkway Obligation.

   Answer

   In Union South, Union has 2 customers with a total of 50 GJ/d in temporary assignments from Empress to the Union CDA.

UNION GAS LIMITED
2013 Board Approved Revenue Requirement by Rate Class versus
2013 Revenue Requirement by Rate Class without Parkway Obligated Deliveries (2)

				Cost Allocation Change					
Line No.	Particulars ($000's)	2013 Board Approved Revenue Requirement (1)	2013 Adjusted Revenue Requirement (2)	Dawn-Parkway Demand (3)	UFG	Compressor Fuel	Total	Change (4) (%)	Cost Shift (5) (%)
		(a)	(b) = (a + f)	(c)	(d)	(e)	(f) = (c + d + e)	(g) = (f / a)	(h)
1	Rate M1	388,424	399,870	9,911	259	1,275	11,446	3%	45%
2	Rate M2	51,178	55,045	3,330	86	451	3,867	8%	15%
3	Rate M4	15,526	16,735	968	35	206	1,209	8%	5%
4	Rate M5	15,886	16,091	9	47	148	204	1%	1%
5	Rate M7	5,133	5,675	446	13	83	542	11%	2%
6	Rate M9	743	950	160	5	42	207	28%	1%
7	Rate M10	74	79	5	0	0	5	7%	0%
8	Rate T1	11,708	12,431	478	37	207	722	6%	3%
9	Rate T2	40,987	45,358	3,104	280	987	4,371	11%	17%
10	Rate T3	4,663	6,001	1,124	23	191	1,338	29%	5%
11	Total South In-franchise	534,324	558,235	19,536	786	3,589	23,911	4%	95%
12	Excess Utility Storage Space	5,626	5,635	0	9	0	9	0%	0%
13	Rate M12	160,040	134,744	(19,557)	(1,216)	(4,523)	(25,296)	(16%)	(100%)
14	Rate M13	211	219	0	8	0	8	4%	0%
15	Rate M16	451	476	0	18	8	25	6%	0%
16	Rate C1	8,144	9,137	0	308	685	994	12%	4%
17	Total Ex-franchise	174,471	150,211	(19,557)	(873)	(3,830)	(24,260)	(14%)	(96%)
18	Rate 01	259,005	259,250	16	61	168	245	0%	1%
19	Rate 10	51,423	51,499	4	19	53	76	0%	0%
20	Rate 20	27,331	27,358	1	7	19	27	0%	0%
21	Rate 100	15,660	15,661	0	0	1	1	0%	0%
22	Total North In-franchise	353,419	353,768	21	87	241	349	0%	1%
23	Total (line 11 + line 17 + line 22)	1,062,213	1,062,213	-	-	-	-	0%	0%

Notes:

(1) Includes delivery, storage and transportation revenue requirement.
(2) Cost allocation assumes that Parkway obligated deliveries are reduced from 639,000 gj/day to zero through an equivalent amount of M12 turnback. No incremental facilities.
(3) Dawn-Parkway Demand includes demand costs associated with Dawn transmission compression and Dawn-Parkway transmission.
(4) Increase in revenue requirement as a percent of the 2013 Board Approved revenue requirement.
(5) Percent shift of allocated costs between rate classes.

UNION GAS LIMITED
Estimated General Service Bill Impacts
2013 Board Approved Revenue Requirement by Rate Class versus 2013 Revenue Requirement by Rate Class without Parkway Obligated Deliveries

Line No.	Particulars	Total 2013 Cost Allocation Change (1) ($000's) (a)	2013 Board Approved Volume (2) (10^3m^3) (b)	Unit Rate (cents/m^3) (c) = (a / b)	Average Volume (3) (m^3) (d)	Annual Change ($) (e) = (c x d)	Annual Delivery Bill (3) ($) (f)	Change to Delivery Bill (%) (g) = (e / f)	Annual Total Bill (3) ($) (h)	Change to Annual Bill (%) (i)=(e / h)
	Union South									
1	Rate M1	11,446	2,939,543	0.3894	2,200	8.57	346.89	2.5%	678.29	1.3%
2	Rate M2	3,867	975,571	0.3964	73,000	289.35	4,327.42	6.7%	15,324.06	1.9%
	Union North									
3	Rate 01	245	884,421	0.0277	2,200	0.61	459.15	0.1%	982.67	0.1%
4	Rate 10	76	322,887	0.0236	93,000	21.97	6,775.81	0.3%	27,445.31	0.1%

Notes:
(1) Attachment 1, Page 1 of 2, column (f).
(2) EB-2011-0210, Rate Order, Working Papers, Schedule 14, pages 1, 2, 5, column (a).
(3) EB-2011-0210, Rate Order, Working Papers, Schedule 16, pages 1 & 2 for Rate M1/M2 and pages 6 &10 for Rate 01/10 Eastern Zone.

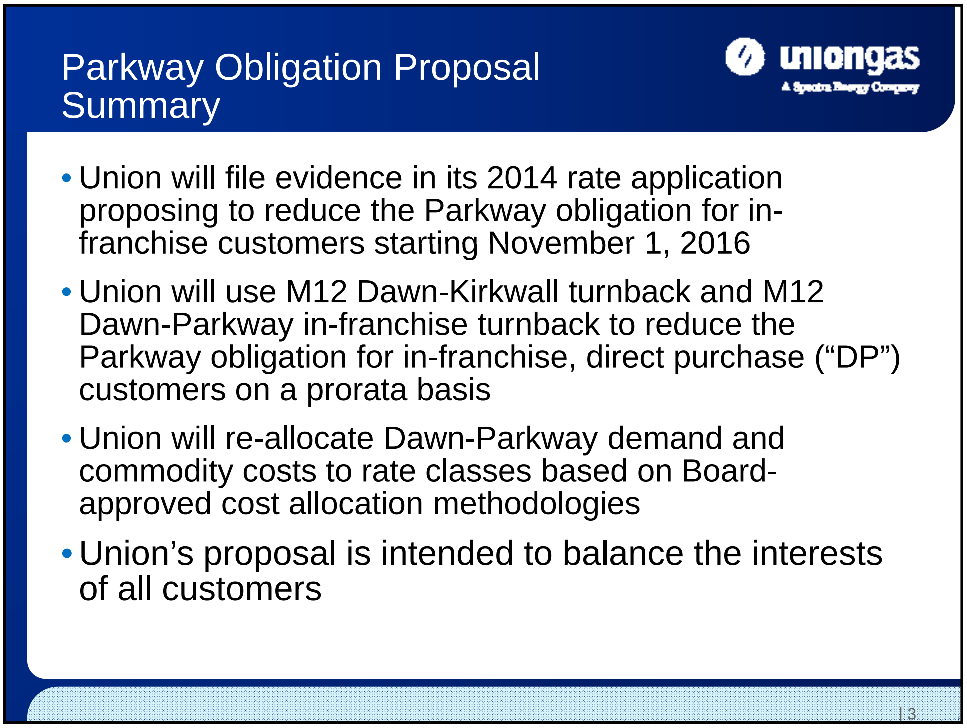
Parkway Obligation Working Group

Transition Proposal

Sept 4th, 2013

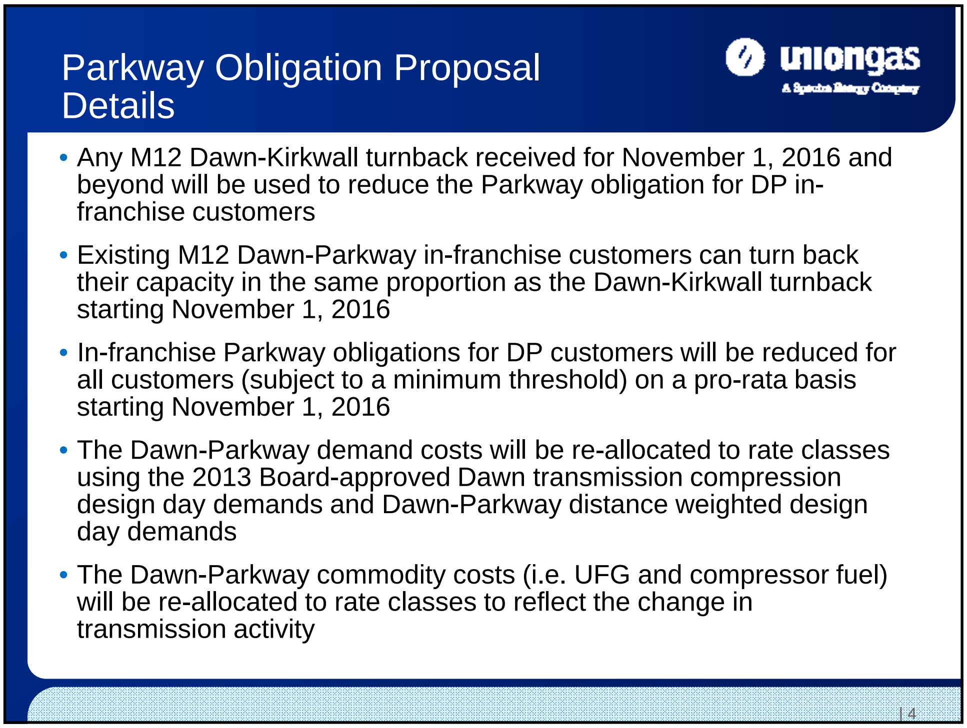
Agenda

- Proposal Summary
- Proposal Details
- Next Steps



Parkway Obligation Proposal Summary

- Union will file evidence in its 2014 rate application proposing to reduce the Parkway obligation for in-franchise customers starting November 1, 2016
- Union will use M12 Dawn-Kirkwall turnback and M12 Dawn-Parkway in-franchise turnback to reduce the Parkway obligation for in-franchise, direct purchase ("DP") customers on a prorata basis
- Union will re-allocate Dawn-Parkway demand and commodity costs to rate classes based on Board-approved cost allocation methodologies
- Union's proposal is intended to balance the interests of all customers



Parkway Obligation Proposal Details

- Any M12 Dawn-Kirkwall turnback received for November 1, 2016 and beyond will be used to reduce the Parkway obligation for DP in-franchise customers
- Existing M12 Dawn-Parkway in-franchise customers can turn back their capacity in the same proportion as the Dawn-Kirkwall turnback starting November 1, 2016
- In-franchise Parkway obligations for DP customers will be reduced for all customers (subject to a minimum threshold) on a pro-rata basis starting November 1, 2016
- The Dawn-Parkway demand costs will be re-allocated to rate classes using the 2013 Board-approved Dawn transmission compression design day demands and Dawn-Parkway distance weighted design day demands
- The Dawn-Parkway commodity costs (i.e. UFG and compressor fuel) will be re-allocated to rate classes to reflect the change in transmission activity

Parkway Obligation Proposal Details

- Union will allocate the costs to rate classes starting January 1 of each year and capture unrecovered costs as a result of timing differences in a deferral account
- A minimum threshold of <100 GJ/day will be used to give a higher allocation priority to small contracts migrating 294 (44%) contracts with only 14 TJ/d (3%) of turnback
- Incremental customer demand will be handled consistent with existing obligation policy and will be eligible for transition at next available opportunity
- Customers will be notified annually of allocated quantities effective each November 1 and will have the option to decline until subsequent year if desired

Parkway Obligation Proposal Forecasted Turnback and Estimated Transition

Parkway Obligation - 2016 - 2019+

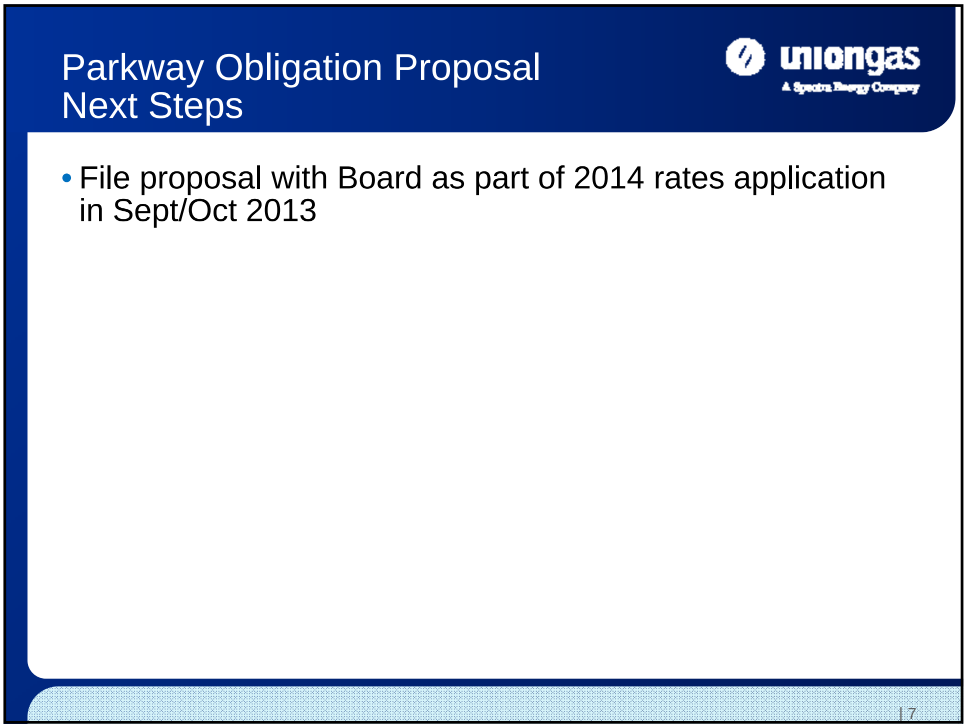
(TJ/day)

	Note	Nov-16	Nov-17	Nov-18	Nov-19 +
Direct Purchase Parkway Obligation @ Nov 1	1	564	522	347	183
In-franchise M12 capacity	2	-14	-57	-53	-60
Capacity from Forecast Dawn to Kirkwall Turnback	3	-28	-118	-111	0
Surplus required		0	0	0	-123
Direct Purchase Parkway Obligation on Nov 1		522	347	183	0

Notes:

1 - Parkway obligation as at Aug 1, 2013 - with minor adjustments to reflect winter DCQs.

2 - M12 Dawn to Parkway capacity held by in-franchise customers (approx 183 TJ/d) assumed renewed, but reduced as the Parkway obligation is eliminated.



Parkway Obligation Proposal
Next Steps

- File proposal with Board as part of 2014 rates application in Sept/Oct 2013

Filed: 2013-10-31
EB-2013-0365
Schedule 1

UNION GAS LIMITED
2015 Cost Allocation by Rate Class including the Decrease of 66 TJ/d in Parkway Obligation Delivery and M12 Demands

				Cost Allocation Change			
Line No.	Rate Class ($000's)	2015 Revenue Requirement with Parkway Projects (1)	Adjusted Revenue Requirement (2)	Dawn to Parkway Demand	UFG	Compressor Fuel	Total
		(a)	(b) = (a + f)	(c)	(d)	(e)	(f) = (c + d + e)
1	Rate M1	384,534	385,682	1,044	23	81	1,148
2	Rate M2	50,640	51,027	351	8	28	387
3	Rate M4	15,389	15,507	102	3	13	118
4	Rate M5	15,761	15,775	1	4	9	14
5	Rate M7	5,087	5,140	47	1	5	53
6	Rate M9	735	755	17	0	3	20
7	Rate M10	73	74	1	0	0	1
8	Rate T1	11,609	11,676	50	3	13	67
9	Rate T2	40,567	40,981	327	25	62	414
10	Rate T3	4,616	4,748	118	2	12	133
11	Total South In-franchise	529,010	531,365	2,058	70	227	2,355
12	Excess Utility Storage Space	5,570	5,571	0	1	0	1
13	Rate M12	171,848	169,370	(2,058)	(108)	(311)	(2,478)
14	Rate M13	209	210	0	1	0	1
15	Rate M16	449	457	0	2	7	9
16	Rate C1	8,123	8,225	0	27	75	102
17	Total Ex-franchise	186,199	183,834	(2,058)	(78)	(230)	(2,365)
18	Rate 01	258,953	258,961	(0)	5	2	7
19	Rate 10	51,618	51,620	(0)	2	1	2
20	Rate 20	27,268	27,269	(0)	1	0	1
21	Rate 100	15,526	15,526	0	0	0	0
22	Total North In-franchise	353,365	353,376	(0)	8	3	11
23	Total (line 11 + line 17 + line 22)	1,068,574	1,068,574	0	0	0	0

Notes:

(1) 2013 Board-approved EB-2011-0210 delivery, storage and transportation revenue requirement including filed EB-2012-0433 2015 Parkway West Project of $6.4 million and EB-2013-0074 2015 Brantford to Kirkwall and Compressor D Project of ($0.1) million.

(2) Cost allocation includes a decrease of 66 TJ/day in Parkway Delivery Obligation and M12 Demands.

Filed: 2013-10-31
EB-2013-0365
Schedule 2

UNION GAS LIMITED
2016 Cost Allocation by Rate Class including the Decrease of 66 TJ/d in Parkway Obligation Delivery and M12 Demands

				Cost Allocation Change			
Line No.	Rate Class ($000's)	2016 Revenue Requirement with Parkway Projects (1)	Adjusted Revenue Requirement (2)	Dawn to Parkway Demand	UFG	Compressor Fuel	Total
		(a)	(b) = (a + f)	(c)	(d)	(e)	(f) = (c + d + e)
1	Rate M1	384,740	386,049	1,205	23	80	1,308
2	Rate M2	50,994	51,435	405	8	28	441
3	Rate M4	15,488	15,622	118	3	13	134
4	Rate M5	15,726	15,741	1	4	9	15
5	Rate M7	5,139	5,200	54	1	5	61
6	Rate M9	756	778	19	0	3	23
7	Rate M10	74	74	1	0	0	1
8	Rate T1	11,647	11,721	58	3	13	74
9	Rate T2	40,892	41,356	377	25	62	464
10	Rate T3	4,764	4,915	137	2	12	151
11	Total South In-franchise	530,221	532,892	2,374	70	227	2,671
12	Excess Utility Storage Space	5,557	5,558	0	1	0	1
13	Rate M12	194,577	191,784	(2,374)	(108)	(311)	(2,794)
14	Rate M13	210	210	0	1	0	1
15	Rate M16	448	457	0	2	7	9
16	Rate C1	8,109	8,212	0	27	75	102
17	Total Ex-franchise	208,901	206,220	(2,374)	(78)	(229)	(2,682)
18	Rate 01	259,665	259,673	(0)	5	2	7
19	Rate 10	51,884	51,886	0	2	1	2
20	Rate 20	27,314	27,314	0	1	0	1
21	Rate 100	15,499	15,499	0	0	0	0
22	Total North In-franchise	354,362	354,372	(0)	8	3	11
23	Total (line 11 + line 17 + line 22)	1,093,484	1,093,484	0	0	0	0

Notes:

(1) 2013 Board-approved EB-2011-0210 delivery, storage and transportation revenue requirement including filed EB-2012-0433 2016 Parkway West Project of $16.5 million and EB-2013-0074 2016 Brantford to Kirkwall and Compressor D Project of $14.7 million.

(2) Cost allocation includes a decrease of 66 TJ/day in Parkway Delivery Obligation and M12 Demands.

UNION GAS LIMITED
2017 Cost Allocation by Rate Class including the Decrease of 94 TJ/d in Parkway Obligation Delivery and M12 Demands

				Cost Allocation Change			
Line No.	Rate Class ($000's)	2017 Revenue Requirement with Parkway Projects (1)	Adjusted Revenue Requirement (2)	Dawn to Parkway Demand	UFG	Compressor Fuel	Total
		(a)	(b) = (a + f)	(c)	(d)	(e)	(f) = (c + d + e)
1	Rate M1	385,379	387,246	1,707	33	128	1,868
2	Rate M2	51,087	51,717	574	11	45	630
3	Rate M4	15,511	15,703	167	5	21	192
4	Rate M5	15,747	15,769	2	6	15	22
5	Rate M7	5,147	5,234	77	2	8	87
6	Rate M9	757	790	27	1	4	32
7	Rate M10	74	75	1	0	0	1
8	Rate T1	11,663	11,771	82	5	21	108
9	Rate T2	40,959	41,628	535	36	99	669
10	Rate T3	4,772	4,988	194	3	19	216
11	Total South In-franchise	531,096	534,921	3,365	100	359	3,825
12	Excess Utility Storage Space	5,567	5,568	0	1	0	1
13	Rate M12	194,722	190,765	(3,356)	(155)	(446)	(3,957)
14	Rate M13	210	211	0	1	0	1
15	Rate M16	448	458	0	2	7	9
16	Rate C1	8,112	8,228	0	39	77	116
17	Total Ex-franchise	209,058	205,229	(3,356)	(112)	(362)	(3,829)
18	Rate 01	259,961	259,964	(7)	8	2	3
19	Rate 10	51,929	51,930	(2)	2	1	1
20	Rate 20	27,346	27,347	(0)	1	0	1
21	Rate 100	15,524	15,524	(0)	0	0	(0)
22	Total North In-franchise	354,761	354,765	(9)	11	3	5
23	Total (line 11 + line 17 + line 22)	1,094,915	1,094,915	0	0	0	0

Notes:

(1) 2013 Board-approved EB-2011-0210 delivery, storage and transportation revenue requirement including filed EB-2012-0433 2017 Parkway West Project of $17.2 million and EB-2013-0074 2017 Brantford to Kirkwall and Compressor D Project of $15.4 million.

(2) Cost allocation includes a decrease of 94 TJ/day in Parkway Delivery Obligation and M12 Demands.

UNION GAS LIMITED
2018 Cost Allocation by Rate Class including the Decrease of 212 TJ/d in Parkway Delivery Obligation and M12 Demands

Line No.	Rate Class ($000's)	2018 Revenue Requirement with Parkway Projects (1)	Adjusted Revenue Requirement (2)	Cost Allocation Change Dawn to Parkway Demand	UFG	Compressor Fuel	Total
		(a)	(b) = (a + f)	(c)	(d)	(e)	(f) = (c + d + e)
1	Rate M1	385,933	390,152	3,810	77	331	4,219
2	Rate M2	51,165	52,588	1,280	26	117	1,423
3	Rate M4	15,530	15,966	372	10	53	436
4	Rate M5	15,766	15,822	4	14	38	56
5	Rate M7	5,153	5,350	172	4	22	197
6	Rate M9	758	832	61	2	11	74
7	Rate M10	74	76	2	0	0	2
8	Rate T1	11,677	11,925	184	11	54	249
9	Rate T2	41,013	42,546	1,193	83	257	1,533
10	Rate T3	4,778	5,266	432	7	50	489
11	Total South In-franchise	531,846	540,522	7,510	233	933	8,677
12	Excess Utility Storage Space	5,575	5,578	0	3	0	3
13	Rate M12	194,637	185,789	(7,461)	(361)	(1,026)	(8,848)
14	Rate M13	210	212	0	2	0	2
15	Rate M16	449	461	0	5	7	13
16	Rate C1	8,114	8,288	0	91	83	174
17	Total Ex-franchise	208,985	200,329	(7,461)	(259)	(936)	(8,656)
18	Rate 01	260,213	260,196	(37)	18	2	(17)
19	Rate 10	51,966	51,963	(10)	6	1	(3)
20	Rate 20	27,375	27,374	(3)	2	0	(0)
21	Rate 100	15,547	15,547	(0)	0	0	(0)
22	Total North In-franchise	355,100	355,080	(49)	26	3	(21)
23	Total (line 11 + line 17 + line 22)	1,095,931	1,095,931	0	0	0	0

Notes:

(1) 2013 Board-approved delivery, storage and transportation revenue requirement including filed EB-2012-0433 2018 Parkway West Project costs of $17.7 million and EB-2013-0074 2018 Compressor D Project of $15.9 million.

(2) Cost allocation includes a decrease of 212 TJ/day in Parkway Delivery Obligation and M12 Demands.

Filed: 2013-10-31
EB-2013-0365
Schedule 5

UNION GAS LIMITED
2019 Cost Allocation by Rate Class including the Decrease of 379 TJ/d in Parkway Delivery Obligation and M12 Demands

				Cost Allocation Change			
Line No.	Rate Class ($000's)	2018 Revenue Requirement with Parkway Projects (1)	Adjusted Revenue Requirement (2)	Dawn to Parkway Demand	UFG	Compressor Fuel	Total
		(a)	(b) = (a + f)	(c)	(d)	(e)	(f) = (c + d + e)
1	Rate M1	385,933	393,383	6,662	143	644	7,450
2	Rate M2	51,165	53,679	2,238	48	228	2,514
3	Rate M4	15,530	16,304	651	20	104	774
4	Rate M5	15,766	15,873	6	26	75	107
5	Rate M7	5,153	5,502	300	7	42	349
6	Rate M9	758	890	107	3	21	132
7	Rate M10	74	77	3	0	0	3
8	Rate T1	11,677	12,123	322	20	105	447
9	Rate T2	41,013	43,753	2,086	155	499	2,740
10	Rate T3	4,778	5,642	756	13	96	865
11	Total South In-franchise	531,846	547,226	13,132	434	1,814	15,381
12	Excess Utility Storage Space	5,575	5,580	0	5	0	5
13	Rate M12	194,637	178,956	(13,064)	(672)	(1,945)	(15,681)
14	Rate M13	210	215	0	5	0	5
15	Rate M16	449	466	0	10	7	17
16	Rate C1	8,114	8,405	0	170	121	292
17	Total Ex-franchise	208,985	193,622	(13,064)	(483)	(1,816)	(15,363)
18	Rate 01	260,213	260,197	(51)	34	2	(16)
19	Rate 10	51,966	51,964	(13)	11	1	(2)
20	Rate 20	27,375	27,375	(4)	4	0	0
21	Rate 100	15,547	15,547	(0)	0	0	(0)
22	Total North In-franchise	355,100	355,082	(69)	48	2	(18)
23	Total (line 11 + line 17 + line 22)	1,095,931	1,095,931	0	0	0	0

Notes:

(1) 2013 Board-approved delivery, storage and transportation revenue requirement including filed EB-2012-0433 2018 Parkway West Project costs of $17.7 million and EB-2013-0074 2018 Compressor D Project of $15.9 million.

(2) Cost allocation includes a decrease of 379 TJ/day in Parkway Delivery Obligation and M12 Demands.

Filed: 2013-10-31
EB-2013-0365
Schedule 6

UNION GAS LIMITED
2019 General Service Bill Impacts related to Parkway Delivery Obligation Proposal
Annual Consumption of 2,200 m^3

Line No.	Rate M1 - Particulars ($)	2013 Approved including 2018 Parkway Projects Total Bill	2013 Approved including 2018 Parkway Projects and 2019 Parkway Delivery Obligation Total Bill	Impact	
		(a)	(b)	(c) = (b - a)	
	Delivery Charges				
1	Monthly Charge	252.00	252.00	-	
2	Delivery Commodity Charge	77.02	82.57	5.54	
3	Storage Services	15.98	16.01	0.03	
4	Total Delivery Charge (line 1 + line 2 + line 3)	345.01	350.58	5.58	1.6%
	Supply Charges				
5	Transportation to Union	96.79	96.79	-	
6	Commodity & Fuel	280.75	280.75	-	
7	Total Gas Supply Charge (line 5 + line 6)	377.54	377.54	-	
8	Total Bill (line 4 + line 7)	722.54	728.12	5.58	0.8%
9	Impacts for Customer Notices - Sales (line 8)			5.58	

Line No.	**Rate 01 Eastern Zone** - Particulars ($)	2013 Approved including 2018 Parkway Projects Total Bill	2013 Approved including 2018 Parkway Projects and 2019 Parkway Delivery Obligation Total Bill	Impact	
		(a)	(b)	(c) = (b - a)	
	Delivery Charges				
1	Monthly Charge	252.00	252.00	-	
2	Delivery Commodity Charge	204.20	204.23	0.03	
3	Total Delivery Charge (line 1 + line 2)	456.20	456.23	0.03	0.0%
	Supply Charges				
4	Transportation to Union	186.85	186.86	0.01	
5	Storage Services	85.20	85.12	(0.07)	
6	Subtotal (line 4 + line 5)	272.05	271.98	(0.07)	0.0%
7	Commodity & Fuel	280.75	280.75	-	
8	Total Gas Supply Charge (line 6 + line 7)	552.79	552.72	(0.07)	
9	Total Bill (line 3 + line 8)	1,008.99	1,008.95	(0.04)	0.0%
10	Impacts for Customer Notices - Sales (line 9)			(0.04)	

UNION GAS LIMITED
Calculation of 2019 Sales Service and Direct Purchase Bill Impacts for Typical Small and Large Customers - Union North

		2013 Approved including 2018 Parkway Projects		2013 Approved including 2018 Parkway Projects and 2019 Parkway Delivery Obligation		Impact		
Line No.	Particulars	Bill ($)	Unit Rate (cents/m^3)	Bill ($)	Unit Rate (cents/m^3)	Unit Rate (cents/m^3)	Delivery Rate Change ($)	Bill (%)
		(a)	(b)	(c)	(d)	(e) = (d-b)	(f) = (c-a)	(g) = (f/a)
	Small Rate 01							
1	Delivery Charges	456	20.7364	456	20.7377	0.0013	0	0.0%
2	Gas Supply Charges	553	25.1269	553	25.1238	(0.0031)	(0)	0.0%
3	Total Bill	1,009	45.8633	1,009	45.8615	(0.0018)	(0)	0.0%
4	Sales Service Impact						(0)	0.0%
5	Bundled-T (Direct Purchase) Impact						(0)	0.0%
	Small Rate 10							
6	Delivery Charges	4,771	7.9515	4,772	7.9527	0.0012	1	0.0%
7	Gas Supply Charges	14,087	23.4783	14,086	23.4763	(0.0020)	(1)	0.0%
8	Total Bill	18,858	31.4298	18,857	31.4290	(0.0007)	(0)	0.0%
9	Sales Service Impact						(0)	0.0%
10	Bundled-T (Direct Purchase) Impact						(0)	0.0%
	Large Rate 10							
11	Delivery Charges	15,508	6.2032	15,511	6.2045	0.0012	3	0.0%
12	Gas Supply Charges	58,696	23.4783	58,691	23.4763	(0.0020)	(5)	0.0%
13	Total Bill	74,204	29.6815	74,202	29.6808	(0.0007)	(2)	0.0%
14	Sales Service Impact						(2)	0.0%
15	Bundled-T (Direct Purchase) Impact						(2)	0.0%
	Small Rate 20							
16	Delivery Charges	74,232	2.4744	74,240	2.4747	0.0003	8	0.0%
17	Gas Supply Charges	681,712	22.7237	681,686	22.7229	(0.0009)	(26)	0.0%
18	Total Bill	755,944	25.1981	755,925	25.1975	(0.0006)	(18)	0.0%
19	Sales Service Impact						(18)	0.0%
20	Bundled-T (Direct Purchase) Impact						(18)	0.0%
	Large Rate 20							
21	Delivery Charges	283,244	1.8883	283,279	1.8885	0.0002	35	0.0%
22	Gas Supply Charges	3,207,132	21.3809	3,207,019	21.3801	(0.0008)	(113)	0.0%
23	Total Bill	3,490,376	23.2692	3,490,298	23.2687	(0.0005)	(78)	0.0%
24	Sales Service Impact						(78)	0.0%
25	Bundled-T (Direct Purchase) Impact						(78)	0.0%
	Average Rate 25							
26	Delivery Charges	62,972	2.7680	62,972	2.7680	-	-	0.0%
27	Gas Supply Charges	397,397	17.4680	397,397	17.4680	-	-	0.0%
28	Total Bill	460,369	20.2360	460,369	20.2360	-	-	0.0%
29	Sales Service Impact						-	0.0%
30	T-Service (Direct Purchase) Impact						-	0.0%
	Small Rate 100							
31	Delivery Charges	257,809	0.9548	257,809	0.9548	0.0000	1	0.0%
32	Gas Supply Charges	6,387,411	23.6571	6,387,619	23.6578	0.0008	209	0.0%
33	Total Bill	6,645,219	24.6119	6,645,429	24.6127	0.0008	209	0.0%
34	Sales Service Impact						209	0.0%
35	T-Service (Direct Purchase) Impact						1	0.0%
	Large Rate 100							
36	Delivery Charges	2,078,608	0.8661	2,078,613	0.8661	0.0000	4	0.0%
37	Gas Supply Charges	55,691,980	23.2050	55,693,754	23.2057	0.0007	1,773	0.0%
38	Total Bill	57,770,589	24.0711	57,772,366	24.0718	0.0007	1,778	0.0%
39	Sales Service Impact						1,778	0.0%
40	T-Service (Direct Purchase) Impact						4	0.0%

UNION GAS LIMITED

Calculation of 2019 Sales Service and Direct Purchase Bill Impacts for Typical Small and Large Customers - Union South

		2013 Approved including 2018 Parkway Projects		2013 Approved including 2018 Parkway Projects and 2019 Parkway Delivery Obligation		Impact		
Line No.	Particulars	Bill ($)	Unit Rate (cents/m^3)	Bill ($)	Unit Rate (cents/m^3)	Unit Rate (cents/m^3)	Delivery Rate Change ($)	Bill (%)
		(a)	(b)	(c)	(d)	(e) = (d-b)	(f) = (c-a)	(g) = (f/a)
	Small Rate M1							
1	Delivery Charges	345	15.6821	351	15.9356	0.2534	6	1.6%
2	Gas Supply Charges	378	17.1608	378	17.1608	-	-	0.0%
3	Total Bill	723	32.8430	728	33.0964	0.2534	6	0.8%
4	Sales Service Impact						6	0.8%
5	Direct Purchase Impact						6	1.6%
	Small Rate M2							
6	Delivery Charges	3,718	6.1974	3,873	6.4551	0.2577	155	4.2%
7	Gas Supply Charges	10,297	17.1608	10,297	17.1608	-	-	0.0%
8	Total Bill	14,015	23.3582	14,170	23.6159	0.2577	155	1.1%
9	Sales Service Impact						155	1.1%
10	Direct Purchase Impact						155	4.2%
	Large Rate M2							
11	Delivery Charges	12,286	4.9144	12,930	5.1721	0.2577	644	5.2%
12	Gas Supply Charges	42,902	17.1608	42,902	17.1608	-	-	0.0%
13	Total Bill	55,188	22.0752	55,832	22.3329	0.2577	644	1.2%
14	Sales Service Impact						644	1.2%
15	Direct Purchase Impact						644	5.2%
	Small Rate M4							
16	Delivery Charges	35,282	4.0322	37,012	4.2299	0.1977	1,730	4.9%
17	Gas Supply Charges	150,157	17.1608	150,157	17.1608	-	-	0.0%
18	Total Bill	185,439	21.1930	187,169	21.3908	0.1977	1,730	0.9%
19	Sales Service Impact						1,730	0.9%
20	Direct Purchase Impact						1,730	4.9%
	Large Rate M4							
21	Delivery Charges	271,561	2.2630	293,516	2.4460	0.1830	21,955	8.1%
22	Gas Supply Charges	2,059,301	17.1608	2,059,301	17.1608	-	-	0.0%
23	Total Bill	2,330,862	19.4238	2,352,817	19.6068	0.1830	21,955	0.9%
24	Sales Service Impact						21,955	0.9%
25	Direct Purchase Impact						21,955	8.1%
	Small Rate M5							
26	Delivery Charges	32,604	3.9521	32,754	3.9702	0.0181	150	0.5%
27	Gas Supply Charges	141,577	17.1608	141,577	17.1608	-	-	0.0%
28	Total Bill	174,181	21.1129	174,331	21.1310	0.0181	150	0.1%
29	Sales Service Impact						150	0.1%
30	Direct Purchase Impact						150	0.5%
	Large Rate M5							
31	Delivery Charges	181,702	2.7954	182,881	2.8136	0.0181	1,179	0.6%
32	Gas Supply Charges	1,115,455	17.1608	1,115,455	17.1608	-	-	0.0%
33	Total Bill	1,297,156	19.9562	1,298,336	19.9744	0.0181	1,179	0.1%
34	Sales Service Impact						1,179	0.1%
35	Direct Purchase Impact						1,179	0.6%
	Small Rate M7							
36	Delivery Charges	621,791	1.7272	684,007	1.9000	0.1728	62,216	10.0%
37	Gas Supply Charges	6,177,903	17.1608	6,177,903	17.1608	-	-	0.0%
38	Total Bill	6,799,694	18.8880	6,861,910	19.0609	0.1728	62,216	0.9%
39	Sales Service Impact						62,216	0.9%
40	Direct Purchase Impact						62,216	10.0%
	Large Rate M7							
41	Delivery Charges	2,372,708	4.5629	2,555,446	4.9143	0.3514	182,738	7.7%
42	Gas Supply Charges	8,923,637	17.1608	8,923,637	17.1608	-	-	0.0%
43	Total Bill	11,296,345	21.7237	11,479,083	22.0752	0.3514	182,738	1.6%
44	Sales Service Impact						182,738	1.6%
45	Direct Purchase Impact						182,738	7.7%

UNION GAS LIMITED

Calculation of 2019 Sales Service and Direct Purchase Bill Impacts for Typical Small and Large Customers - Union South

		2013 Approved including 2018 Parkway Projects		2013 Approved including 2018 Parkway Projects and 2019 Parkway Delivery Obligation		Impact		
Line No.	Particulars	Bill ($)	Unit Rate (cents/m^3)	Bill ($)	Unit Rate (cents/m^3)	Unit Rate (cents/m^3)	Delivery Rate Change ($)	Bill (%)
		(a)	(b)	(c)	(d)	(e) = (d-b)	(f) = (c-a)	(g) = (f/a)
	Small Rate M9							
1	Delivery Charges	119,194	1.7150	140,205	2.0173	0.3023	21,011	17.6%
2	Gas Supply Charges	1,192,678	17.1608	1,192,678	17.1608	-	-	0.0%
3	Total Bill	1,311,873	18.8759	1,332,883	19.1782	0.3023	21,011	1.6%
4	Sales Service Impact						21,011	1.6%
5	Direct Purchase Impact						21,011	17.6%
	Large Rate M9							
6	Delivery Charges	353,975	1.7543	416,346	2.0634	0.3091	62,371	17.6%
7	Gas Supply Charges	3,462,714	17.1608	3,462,714	17.1608	-	-	0.0%
8	Total Bill	3,816,690	18.9151	3,879,061	19.2242	0.3091	62,371	1.6%
9	Sales Service Impact						62,371	1.6%
10	Direct Purchase Impact						62,371	17.6%
	Average Rate M10							
11	Delivery Charges	4,917	5.2032	6,611	6.9955	1.7922	1,694	34.4%
12	Gas Supply Charges	16,217	17.1608	16,217	17.1608	-	-	0.0%
13	Total Bill	21,134	22.3641	22,828	24.1563	1.7922	1,694	8.0%
14	Sales Service Impact						1,694	8.0%
15	Direct Purchase Impact						1,694	34.4%
	Small Rate T1							
16	Delivery Charges	125,321	1.6627	132,418	1.7569	0.0942	7,097	5.7%
17	Gas Supply Charges	1,293,413	17.1608	1,293,413	17.1608	-	-	0.0%
18	Total Bill	1,418,733	18.8236	1,425,831	18.9177	0.0942	7,097	0.5%
19	Sales Service Impact						7,097	0.5%
20	Direct Purchase Impact						7,097	5.7%
	Average Rate T1							
21	Delivery Charges	191,781	1.6582	202,439	1.7503	0.0921	10,658	5.6%
22	Gas Supply Charges	1,984,812	17.1608	1,984,812	17.1608	-	-	0.0%
23	Total Bill	2,176,593	18.8190	2,187,251	18.9111	0.0921	10,658	0.5%
24	Sales Service Impact						10,658	0.5%
25	Direct Purchase Impact						10,658	5.6%
	Large Rate T1							
26	Delivery Charges	424,914	1.6583	447,529	1.7465	0.0883	22,615	5.3%
27	Gas Supply Charges	4,397,308	17.1608	4,397,308	17.1608	-	-	0.0%
28	Total Bill	4,822,222	18.8191	4,844,836	18.9074	0.0883	22,615	0.5%
29	Sales Service Impact						22,615	0.5%
30	Direct Purchase Impact						22,615	5.3%
	Small Rate T2							
31	Delivery Charges	481,184	0.8120	515,785	0.8704	0.0584	34,602	7.2%
32	Gas Supply Charges	10,168,828	17.1608	10,168,828	17.1608	-	-	0.0%
33	Total Bill	10,650,011	17.9729	10,684,613	18.0313	0.0584	34,602	0.3%
34	Sales Service Impact						34,602	0.3%
35	Direct Purchase Impact						34,602	7.2%
	Average Rate T2							
36	Delivery Charges	1,109,918	0.5612	1,214,037	0.6138	0.0526	104,119	9.4%
37	Gas Supply Charges	33,942,401	17.1608	33,942,401	17.1608	-	-	0.0%
38	Total Bill	35,052,319	17.7220	35,156,438	17.7746	0.0526	104,119	0.3%
39	Sales Service Impact						104,119	0.3%
40	Direct Purchase Impact						104,119	9.4%
	Large Rate T2							
41	Delivery Charges	1,808,361	0.4886	1,992,107	0.5383	0.0496	183,747	10.2%
42	Gas Supply Charges	63,510,384	17.1608	63,510,384	17.1608	-	-	0.0%
43	Total Bill	65,318,745	17.6495	65,502,491	17.6991	0.0496	183,747	0.3%
44	Sales Service Impact						183,747	0.3%
45	Direct Purchase Impact						183,747	10.2%
	Large Rate T3							
46	Delivery Charges	3,027,230	1.1100	3,892,005	1.4271	0.3171	864,775	28.6%
47	Gas Supply Charges	46,799,672	17.1608	46,799,672	17.1608	-	-	0.0%
48	Total Bill	49,826,902	18.2709	50,691,677	18.5880	0.3171	864,775	1.7%
49	Sales Service Impact						864,775	1.7%
50	Direct Purchase Impact						864,775	28.6%

UNION GAS LIMITED

M12/M12-X/C1 Transportation Demand Charges including Parkway Delivery Obligation & M12 Demands Changes

Line No.	Services ($/GJ)	EB-2011-0210 Rate Order ($/GJ/day) (1)	Year 2018 Parkway Projects ($/GJ/day) (2)	Year 2018 Parkway Projects including 2019 Parkway Delivery Obligation ($/GJ/day) (3)	Difference	% Change
		(a)	(b)	(c)	(d) = (c - b)	(e) = (d / b)
1	M12/C1 Dawn to Kirkwall	0.066	0.077	0.076	-0.001	-1.2%
2	M12/C1 Dawn to Parkway	0.078	0.091	0.090	-0.001	-1.2%
3	M12/C1 Kirkwall to Parkway	0.012	0.015	0.014	0.000	-1.2%
4	C1 Parkway to Kirkwall	0.019	0.023	0.022	0.000	-1.2%
5	C1 Kirkwall to Dawn	0.034	0.040	0.040	0.000	-1.2%
6	C1 Parkway to Dawn	0.019	0.023	0.022	0.000	-1.2%
7	M12-X	0.097	0.114	0.113	-0.001	-1.2%

Notes:
(1) EB-2011-0210, Appendix A, Pages 14-16, column (c), effective January 1, 2013.
(2) Parkway Projects include Parkway West Project & Brantford to Kirkwall and Parkway D Compressor Project.
(3) 2019 Parkway Delivery Obligation and M12 Demand Decrease = 379 TJ.

UNION GAS LIMITED
2015 & 2016 Cost Allocation Impacts to Union South In-Franchise customers of M12 Demand and Commodity Costs based on 146 TJ/d of M12 Dawn to Parkway Capacity

Line No.	Rate Class	2013 Approved Dawn-Parkway Design Day Demands (1) (10^3m^3/d) (a)	Allocation of Demand Costs (2) ($000's) (b)		2013 Approved Delivery Volumes East of Dawn (4) (10^3m^3) (c)	Allocation of Fuel & UFG Costs (5) ($000's) (d)		Total Cost ($000's) (e) = (b+d)
1	M1	22,132	2,152		1,823,853	647		2,799
2	M2	7,435	723		645,259	229		952
3	M4	2,162	210		294,126	104		315
4	M5 (F)	20	2		7,501	3		5
5	M5 (I)	-	-		203,891	72		72
6	M7 (F)	997	97		118,324	42		139
7	M7 (I)	-	-		-	-		-
8	M9	356	35		60,750	22		56
9	M10	11	1		189	0		1
10	T1 (F)	1,068	104		267,950	95		199
11	T1 (I)	-	-		28,552	10		10
12	T2 (F)	6,931	674		1,380,265	490		1,164
13	T2 (I)	-	-		32,431	12		12
14	T3	2,511	244		272,712	97		341
15	Total	43,624	4,241	(3)	5,135,803	1,823	(6)	6,064

Notes:

(1) In-franchise Peak Day Demand Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Page 7, line 2, Updated for Board Decision.

(2) Allocated using column (a).

(3) Calculated as 146 TJ x 365 x ($2.421/GJ x 12 / 365) = $4.241 million.
Rate represents the M12 Dawn to Parkway demand rate as proposed in EB-2013-0365.
The actual costs of the early transition capacity will be based on Union's proposed 2015 & 2016 M12 Rates.

(4) S_E_INFRFUELVOL Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 21, Page 13 & 14, Updated for Board Decision.

(5) Allocated using column (c).

(6) Calculated as 146 TJ x 365 x $0.034/GJ = $1.823 million.
Rate represents the average VT1 Easterly Dawn to Parkway fuel rate per M12 Schedule 'C' as proposed in EB-2013-0365.
The actual costs of the early transition capacity will be based on Union's proposed 2015 & 2016 M12 Rates.

UNION GAS LIMITED
2017 Cost Allocation Impacts to Union South In-Franchise customers of M12 Demand and Commodity Costs based on 118 TJ/d of M12 Dawn to Parkway Capacity

Line No.	Rate Class	2013 Approved Dawn-Parkway Design Day Demands (1) ($10^3m^3/d$)	Allocation of Demand Costs (2) ($000's)		2013 Approved Delivery Volumes East of Dawn (4) (10^3m^3)	Allocation of Fuel & UFG Costs (5) ($000's)		Total Cost ($000's)
		(a)	(b)		(c)	(d)		(e) = (b+d)
1	M1	22,132	1,739		1,823,853	523		2,262
2	M2	7,435	584		645,259	185		769
3	M4	2,162	170		294,126	84		254
4	M5 (F)	20	2		7,501	2		4
5	M5 (I)	-	-		203,891	58		58
6	M7 (F)	997	78		118,324	34		112
7	M7 (I)	-	-		-	-		-
8	M9	356	28		60,750	17		45
9	M10	11	1		189	0		1
10	T1 (F)	1,068	84		267,950	77		161
11	T1 (I)	-	-		28,552	8		8
12	T2 (F)	6,931	545		1,380,265	396		941
13	T2 (I)	-	-		32,431	9		9
14	T3	2,511	197		272,712	78		276
15	Total	43,624	3,428	(3)	5,135,803	1,474	(6)	4,901

Notes:

(1) In-franchise Peak Day Demand Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Page 7, line 2, Updated for Board Decision.
(2) Allocated using column (a).
(3) Calculated as 118 TJ x 365 x ($2.421/GJ x 12 / 365) = $3.428 million.
Rate represents the M12 Dawn to Parkway demand rate as proposed in EB-2013-0365.
The actual costs of the early transition capacity will be based on Union's proposed 2017 M12 Rates.
(4) S_E_INFRFUELVOL Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 21, Page 13 & 14, Updated for Board Decision.
(5) Allocated using column (c).
(6) Calculated as 118 TJ x 365 x $0.034/GJ = $1.474 million.
Rate represents the average VT1 Easterly Dawn to Parkway fuel rate per M12 Schedule 'C' as proposed in EB-2013-0365.
The actual costs of the early transition capacity will be based on Union's proposed 2017 M12 Rates.

UNION GAS LIMITED
Summary of the Parkway Delivery Obligation Proposal Rate Adjustments from 2015-2019

		January 2015				January 2016				January 2017			
Line No.	Rate Class ($000's)	Parkway Obligation (1)	Temporary Capacity (2)	Total	Variance	Parkway Obligation (3)	Temporary Capacity (2)	Total	Variance	Parkway Obligation (4)	Temporary Capacity (5)	Total	Variance
		(a)	(b)	(c) = (a + b)	(d) = (g - c)	(e)	(f)	(g) = (e + f)	(h) = (k - g)	(i)	(j)	(k) = (i + j)	(l) = (o - k)
1	Rate M1	1,148	2,799	3,947	160	1,308	2,799	4,107	23	1,868	2,262	4,130	88
2	Rate M2	387	952	1,339	54	441	952	1,393	6	630	769	1,399	24
3	Rate M4	118	315	433	16	134	315	448	(2)	192	254	446	(10)
4	Rate M5	14	77	92	0	15	77	92	(7)	22	62	85	(29)
5	Rate M7	53	139	192	7	61	139	200	(0)	87	112	199	(2)
6	Rate M9	20	56	76	3	23	56	79	(1)	32	45	78	(4)
7	Rate M10	1	1	2	0	1	1	2	0	1	1	2	0
8	Rate T1	67	209	276	8	74	209	284	(7)	108	169	277	(28)
9	Rate T2	414	1,175	1,590	50	464	1,175	1,640	(21)	669	950	1,619	(86)
10	Rate T3	133	341	473	18	151	341	492	(0)	216	276	491	(3)
11	Total South In-franchise	2,355	6,064	8,419	316	2,671	6,064	8,735	(9)	3,825	4,901	8,726	(49)
12	Excess Utility Storage Space	1	-	1	(0)	1	-	1	0	1	-	1	1
13	Rate M12	(2,478)	-	(2,478)	(316)	(2,794)	-	(2,794)	(1,163)	(3,957)	-	(3,957)	(4,891)
14	Rate M13	1	-	1	(0)	1	-	1	0	1	-	1	1
15	Rate M16	9	-	9	0	9	-	9	1	9	-	9	3
16	Rate C1	102	-	102	0	102	-	102	14	116	-	116	58
17	Total Ex-franchise	(2,365)	-	(2,365)	(316)	(2,682)	-	(2,682)	(1,147)	(3,829)	-	(3,829)	(4,827)
18	Rate 01	7	-	7	(0)	7	-	7	(5)	3	-	3	(19)
19	Rate 10	2	-	2	(0)	2	-	2	(1)	1	-	1	(5)
20	Rate 20	1	-	1	(0)	1	-	1	(0)	1	-	1	(1)
21	Rate 100	0	-	0	(0)	0	-	0	(0)	(0)	-	(0)	(0)
22	Total North In-franchise	11	-	11	(0)	11	-	11	(6)	5	-	5	(25)
23	Total (line 11 + line 17 + line 22)	0	6,064	6,064	0	0	6,064	6,064	(1,163)	0	4,901	4,901	(4,901)

Notes:

(1) Schedule 1, column (f).
(2) Schedule 9, column (e).
(3) Schedule 2, column (f).
(4) Schedule 3, column (f).
(5) Schedule 10, column (e).

UNION GAS LIMITED

Summary of the Parkway Delivery Obligation Proposal Rate Adjustments from 2015-2019

		January 2018				January 2019		
Line No.	Rate Class ($000's)	Parkway Obligation (6)	Temporary Capacity	Total	Variance	Parkway Obligation (7)	Temporary Capacity	Total
		(m)	(n)	(o) = (m + n)	(p) = (s - o)	(q)	(r)	(s) = (q + r)
1	Rate M1	4,219	-	4,219	3,231	7,450	-	7,450
2	Rate M2	1,423	-	1,423	1,091	2,514	-	2,514
3	Rate M4	436	-	436	338	774	-	774
4	Rate M5	56	-	56	51	107	-	107
5	Rate M7	197	-	197	152	349	-	349
6	Rate M9	74	-	74	58	132	-	132
7	Rate M10	2	-	2	1	3	-	3
8	Rate T1	249	-	249	198	447	-	447
9	Rate T2	1,533	-	1,533	1,207	2,740	-	2,740
10	Rate T3	489	-	489	376	865	-	865
11	Total South In-franchise	8,677	-	8,677	6,704	15,381	-	15,381
12	Excess Utility Storage Space	3	-	3	2	5	-	5
13	Rate M12	(8,848)	-	(8,848)	(6,833)	(15,681)	-	(15,681)
14	Rate M13	2	-	2	2	5	-	5
15	Rate M16	13	-	13	5	17	-	17
16	Rate C1	174	-	174	117	292	-	292
17	Total Ex-franchise	(8,656)	-	(8,656)	(6,706)	(15,363)	-	(15,363)
18	Rate 01	(17)	-	(17)	1	(16)	-	(16)
19	Rate 10	(3)	-	(3)	1	(2)	-	(2)
20	Rate 20	(0)	-	(0)	1	0	-	0
21	Rate 100	(0)	-	(0)	(0)	(0)	-	(0)
22	Total North In-franchise	(21)	-	(21)	3	(18)	-	(18)
23	Total (line 11 + line 17 + line 22)	0	0	0	0	0	0	0

Notes:

(6) Schedule 4, column (f).

(7) Schedule 5, column (f).

VOLUME BREAKPOINT ANALYSIS

The purpose of this evidence is to respond to the Board's directive from its EB-2011-0210 Decision, for Union to complete a comprehensive cost allocation study which includes Union's general service volume breakpoint reduction proposal.

In EB-2011-0210, Union proposed to reduce the annual volume breakpoint between the Union South Rate M1/Rate M2 and Union North Rate 01/Rate 10 general service rate classes from 50,000 m^3 to 5,000 m^3 and harmonize the Rate 01 and Rate 10 blocking structures with Rate M1 and Rate M2. Union proposed these rate design changes to improve the rate class homogeneity in the small volume rate classes (Rate M1 and Rate 01) and improve the rate class size in the large volume rate classes (Rate M2 and Rate 10).

In its Decision, the Board stated that Union's proposal to reduce the annual volume breakpoint had merit, but agreed with the submissions of Board staff and intervenors that Union's methodology to allocate costs was flawed and resulted in an inequitable allocation of costs between Rate M1 and Rate M2 and Rate 01 and Rate 10. Accordingly, the Board did not approve Union's rate design proposal and directed Union to complete a comprehensive cost allocation study.

In response to the Board's directive, Union completed a comprehensive update of its 2013 Board-approved cost allocation study to include the 5,000 m^3 annual volume breakpoint, and formed a working group with interested stakeholders to review the results of Union's updated cost allocation study.

Based on Union's cost allocation study and the resulting rate and bill impacts, Union is not proposing to implement the 5,000 m^3 annual volume breakpoint or the harmonization of the blocking structures as part of its 2014-2018 Incentive Regulation term. As described in Section 2 below, the delivery bill increases for Rate M1 customers that would transition to Rate M2 based on the 5,000 m^3 annual volume breakpoint are greater than 40%. As a result, Union will not implement the annual volume breakpoint reduction proposal given the magnitude of the cost allocation impacts and the bill increases for these customers.

This evidence is organized under the following headings:

1. Cost Allocation Study at the 5,000 m^3 Annual Volume Breakpoint
2. Rate and Bill Impacts
3. Working Group Meetings
4. Summary

1.0 Cost Allocation Study at the 5,000 m^3 Annual Volume Breakpoint

To complete a cost allocation study that includes the Rate M1/Rate M2 and Rate 01/Rate 10 rate classes at the 5,000 m^3 annual volume breakpoint, Union updated the 2013 Board-approved cost allocation study in accordance with Board-approved cost allocation methodologies.

Union also maintained the same overall level of costs allocated to the Rate M1/Rate M2 and Rate 01/Rate 10 rate classes as the 2013 Board-approved cost allocation study. This approach is consistent with Union's proposal in EB-2011-0210 and ensures that the cost allocation study based on the 5,000 m^3 annual volume breakpoint does not impact in-franchise customers in contract rate classes or ex-franchise customers.

To update the 2013 Board-approved cost allocation study, Union revised the 2013 Board-approved number of customers and volumes at the 50,000 m^3 annual volume breakpoint to shift customers and volumes from Rate M1 to Rate M2 and from Rate 01 to Rate 10 based on the 5,000 m^3 annual volume breakpoint. Specifically, Union updated the 2013 Board-approved number of customers and volumes in proportion to the 2010 actual number of customers and volumes at the 5,000 m^3 annual volume breakpoint.

Union also updated the 2013 general service design day demands based on the 2010 actual general service volumes at the 5,000 m^3 annual volume breakpoint. The resulting 2013 Board-approved number of customers, volumes and design day demands at the 50,000 m^3 and 5,000 m^3 annual volume breakpoints are provided at Table 1 below.

Table 1

2013 Number of Customers, Annual Volumes and Demands at the

50,000 m^3 and 5,000 m^3 Annual Volume Breakpoints

Line No.	Particulars	Rate M1	Rate M2	Rate 01	Rate 10
		(a)	(b)	(c)	(d)
	At 50,000 m^3 Breakpoint				
1	Customers	1,058,900	6,788	319,978	2,052
2	Annual Volumes (10^3m^3)	2,939,543	975,571	884,421	322,887
3	Design Day Demands (10^3m^3/day)	28,724	9,650	8,921	2,584
	At 5,000 m^3 Breakpoint				
4	Customers	1,004,661	61,027	300,669	21,361
5	Annual Volumes (10^3m^3)	2,134,461	1,780,653	643,947	563,361
6	Design Day Demands (10^3m^3/day)	21,444	16,930	6,426	5,078
	Variance				
7	Customers	(54,239)	54,239	(19,309)	19,309
8	Annual Volumes (10^3m^3)	(805,082)	805,082	(240,474)	240,474
9	Design Day Demands (10^3m^3/day)	(7,279)	7,279	(2,495)	2,495

As shown in Table 1, lines 7 to 9, 54,239 customers in Rate M1 would transition to Rate M2 at the 5,000 m^3 annual volume breakpoint, along with annual volumes of 805,082 10^3m^3 and design day demands of 7,279 10^3m^3/day. In Rate 01, 19,309 customers would transition to Rate 10 at the 5,000 m^3 annual volume breakpoint, along with annual volumes of 240,474 10^3m^3 and design day demands of 2,495 10^3m^3/day.

The updated cost allocation study at the 5,000 m^3 annual volume breakpoint results in a decrease in costs allocated to Rate M1 and Rate 01, and an offsetting increase in costs allocated to Rate

M2 and Rate 10. The allocation of the 2013 Board-approved general service costs to Rate M1/Rate M2 and Rate 01/Rate 10 at the 50,000 m^3 and 5,000 m^3 annual volume breakpoints are provided at Table 2 below.

Table 2
Allocation of 2013 Board-Approved General Service Costs at the
50,000 m^3 and 5,000 m^3 Annual Volume Breakpoints

Line No.	Costs ($ millions)	Rate M1	Rate M2	Rate 01	Rate 10
		(a)	(b)	(c)	(d)
	At 50,000 m^3 Breakpoint				
1	Customer-related	269.1	8.7	114.1	4.8
2	Demand-related	97.4	33.3	45.8	14.7
3	Commodity-related	0.3	1.9	0.7	0.2
4	Total Costs at 50,000 m^3	366.8	43.8	160.6	19.7
	At 5,000 m^3 Breakpoint				
5	Customer-related	240.1	37.6	106.4	12.5
6	Demand-related	72.7	57.9	32.8	27.7
7	Commodity-related	(0.6)	2.8	0.6	0.4
8	Total Costs at 5,000 m^3	312.2	98.3	139.8	40.6
9	Difference (line 8 - line 4)	(54.5)	54.5	(20.9)	20.9

As shown in Table 2, Rate M1 costs decrease by $54.5 million as a result of the customers that would transition to Rate M2 at the 5,000 m^3 annual volume breakpoint. These costs are offset by a cost increase in Rate M2 of $54.5 million. Rate 01 costs decrease by $20.9 million as a result of the customers that would transition to Rate 10 at the 5,000 m^3 annual volume breakpoint. These costs are offset by a cost increase in Rate 10 of $20.9 million.

2.0 Rate and Bill Impacts

To determine the rate and bill impacts of the updated cost allocation study at the 5,000 m^3 annual volume breakpoint, Union maintained the same overall delivery revenue as 2013 Board-approved delivery rates for Union South and Union North general service rate classes. Union also maintained the existing general service rate structure, which includes a common monthly customer charge for small volume rate classes (Rate M1/Rate 01) and large volume rate classes (Rate M2/ Rate 10) and multiple delivery blocks to recover the balance of customer-related costs, demand-related costs and commodity-related costs in volumetric delivery rates. This approach is consistent with Union's rate design proposal in EB-2011-0210.

As described earlier, Union also proposed to harmonize the Rate 01 and Rate 10 blocking structures with Rate M1 and Rate M2. Union included the blocking structure harmonization when determining the Rate 01 and Rate 10 rates at the 5,000 m^3 annual volume breakpoint.

Using the rate design guidelines described above, Union designed rates for Rate M1 and Rate M2 and Rate 01 and Rate 10 based on the updated cost allocation study at the 5,000 m^3 annual volume breakpoint. Please see Table 3 and Table 4 below for a summary of the Board-approved delivery rates at the 50,000 m^3 annual volume breakpoint compared to delivery rates based on the cost allocation study at the 5,000 m^3 annual volume breakpoint.

Table 3

Rate M1 and Rate M2 Delivery Rates based on 2013 Board-Approved and 2013 at 5,000 m^3 Annual Volume Breakpoint

Line No.	At 50,000 m^3 Breakpoint	Rates (cents/m^3)	At 5,000 m^3 Breakpoint	Rates (cents/m^3)
		(a)		(b)
	Rate M1 Delivery		Rate M1 Delivery	
1	Monthly Charge	$21.00	Monthly Charge	$21.00
	Monthly Delivery Charge		Monthly Delivery Charge	
2	First 100 m^3 per month	3.7795	First 100 m^3 per month	3.1389
3	Next 150 m^3 per month	3.5730	Next 150 m^3 per month	2.7839
4	Over 250 m^3 per month	3.0845	Over 250 m^3 per month	2.2862
	Rate M2 Delivery		Rate M2 Delivery	
5	Monthly Charge	$70.00	Monthly Charge	$32.00
	Monthly Delivery Charge		Monthly Delivery Charge	
6	First 1,000 m^3 per month	4.1416	First 1,000 m^3 per month	4.4256
7	Next 6,000 m^3 per month	4.0653	Next 6,000 m^3 per month	4.2756
8	Next 13,000 m^3 per month	3.8379	Next 13,000 m^3 per month	4.0756
9	Over 20,000 m^3 per month	3.5650	Over 20,000 m^3 per month	3.7698

Table 4
Rate 01 and Rate 10 Delivery Rates based on
2013 Board-Approved and 2013 at 5,000 m^3 Annual Volume Breakpoint

Line No.	At 50,000 m^3 Breakpoint	Rates (cents/m^3)	At 5,000 m^3 Breakpoint	Rates (cents/m^3)
		(a)		(b)
	Rate 01 Delivery		Rate 01 Delivery	
1	Monthly Charge	$21.00	Monthly Charge	$21.00
	Monthly Delivery Charge		Monthly Delivery Charge	
2	First 100 m^3 per month	9.7347	First 100 m^3 per month	10.1347
3	Next 200 m^3 per month	9.2102	Next 150 m^3 per month	9.9979
4	Next 200 m^3 per month	8.8375	Over 250 m^3 per month	9.7489
5	Next 500 m^3 per month	8.4955		
6	Over 1,000 m^3 per month	8.2130		
	Rate 10 Delivery		Rate 10 Delivery	
7	Monthly Charge	$70.00	Monthly Charge	$32.00
	Monthly Delivery Charge		Monthly Delivery Charge	
8	First 1,000 m^3 per month	7.7070	First 1,000 m^3 per month	6.4117
9	Next 9,000 m^3 per month	6.2934	Next 6,000 m^3 per month	5.9605
10	Next 20,000 m^3 per month	5.4872	Next 13,000 m^3 per month	5.4605
11	Next 70,000 m^3 per month	4.9711	Over 20,000 m^3 per month	4.9035
12	Over 100,000 m^3 per month	3.0159		

The delivery rates designed based on the updated cost allocation study at the 5,000 m^3 annual volume breakpoint result in varying bill impacts for customers in Rate M1/Rate M2 and Rate 01/Rate 10. The bill impacts vary based on a customer’s annual consumption and whether the customer has transitioned from Rate M1 to Rate M2 or from Rate 01 to Rate 10.

Please see Table 5 for the delivery bill impacts for Rate M1 and Rate M2 customers at various annual consumption levels.

Table 5
Rate M1 and Rate M2 Delivery Bill Impacts

Line No.	Annual Volume (m^3/year)	Total Delivery Bill ($) At 50,000 m³ Breakpoint	Total Delivery Bill ($) At 5,000 m³ Breakpoint	Annual Bill Impacts (%)	Average Unit Price (cents/m³) At 50,000 m³ Breakpoint	Average Unit Price (cents/m³) At 5,000 m³ Breakpoint
	(a)	(b)	(c)	(d) = ((c-b)/b)	(e) = (b/a)	(f) = (c/a)
1	2,200	330.66	314.76	-5%	15.03	14.31
2	5,000	420.72	382.81	-9%	8.41	7.66
3	5,001	420.75	605.32	44%	8.41	12.10
4	20,000	886.04	1,253.82	42%	4.43	6.27
5	50,000	1,811.40	2,531.95	40%	3.62	5.06
6	50,001	2,873.03	2,531.99	-12%	5.75	5.06
7	100,000	4,827.62	4,601.20	-5%	4.83	4.60
8	200,000	8,568.31	8,561.13	0%	4.28	4.28
9	500,000	19,424.78	20,045.86	3%	3.88	4.01

For current Rate M1 customers that remain in Rate M1 at the 5,000 m^3 annual volume breakpoint, the annual delivery bill decreases by up to approximately 9% as compared to the current 2013 annual delivery bill.

Current Rate M1 customers with annual volumes ranging from 5,001 m^3 to 50,000 m^3 would transition to Rate M2. The annual delivery bill for these customers increases by approximately 40% to 44% as compared to the current 2013 annual delivery bill.

For current Rate M2 customers that remain in Rate M2 at the 5,000 m^3 annual volume breakpoint, the annual delivery bill impacts vary. Current Rate M2 customers with annual volume up to 200,000 m^3 would see a delivery bill decrease ranging from 0% to 12%, while current Rate M2 customers with annual volume of 200,000 m^3 to 500,000 m^3 would see a delivery bill increase of up to 3%.

Table 5 also shows the average unit price change at the annual volume breakpoint. At the current approved annual volume breakpoint, a customer with an annual volume of 50,000 m^3 has an average unit delivery price of 3.62 cents/m^3, while a customer with an annual volume of 50,001 m^3 has an average unit delivery price of 5.75 cents/m^3.

At the 5,000 m^3 annual volume breakpoint, a customer with an annual volume of 5,000 m^3 has an average unit price of 7.66 cents/m^3, while a customer with an annual volume of 5,001 m^3 has an average unit price of 12.10 cents/m^3. The difference in the average unit price at the 5,000 m^3 annual volume breakpoint (approximately 4.5 cents/m^3) is not an appropriate rate design outcome.

The main driver for the average unit price increase at the 5,000 m^3 annual volume breakpoint is the level of the monthly customer charge. The Rate M1 monthly customer charge of $21 recovers all of the customer-related costs and 5% of the demand-related costs identified in the updated cost allocation study. The Rate M1 volumetric rates recover the remaining demand-related costs and commodity-related costs.

The Rate M2 monthly customer charge of $32 recovers 62% of the customer-related costs identified in the updated cost allocation study. The Rate M2 volumetric rates recover the remaining customer-related costs, demand-related and commodity-related costs.

Please see Tab 5, Appendix A for the recovery of customer and demand-related costs in the Rate M1 and Rate M2 monthly customer charges in 2013 Board-approved rates and 2013 rates based on the updated cost allocation study at the 5,000 m^3 annual volume breakpoint.

The level of customer and demand-related costs recovered in the Rate M1 and Rate M2 monthly customer charges is reasonable. Monthly customer charges that are designed to recover a significant level of customer and demand-related costs, which are fixed costs, are appropriate.

With a Rate M1 monthly customer charge of $21, Union cannot improve the Rate M1 and Rate M2 average unit price difference of 4.5 cents/m^3 described above. While a reduction in the Rate M1 monthly customer charge would improve the average unit price difference of 4.5 cents/m^3, any decrease in the monthly customer charge would not allow for a reasonable level of recovery of customer and demand-related costs.

Please see Table 6 for the delivery bill impacts for Rate 01and Rate 10 customers at various annual consumption levels.

Table 6

Rate 01 and Rate 10 Delivery Bill Impacts

Line No.	Annual Volume (m^3/year)	Total Delivery Bill ($) At 50,000 m³ Breakpoint	Total Delivery Bill ($) At 5,000 m³ Breakpoint	Annual Bill Impacts (%)	Average Unit Price (cents/m³) At 50,000 m³ Breakpoint	Average Unit Price (cents/m³) At 5,000 m³ Breakpoint
	(a)	(b)	(c)	(d) = ((c-b)/b)	(e) = (b/a)	(f) = (c/a)
1	2,200	459.15	472.36	3%	20.87	21.47
2	5,000	706.50	747.12	6%	14.13	14.94
3	5,001	706.58	704.65	0%	14.13	14.09
4	20,000	1,961.33	1,625.12	-17%	9.81	8.13
5	50,000	4,432.36	3,416.33	-23%	8.86	6.83
6	50,001	4,156.37	3,416.38	-18%	8.31	6.83
7	100,000	7,181.99	6,244.28	-13%	7.18	6.24
8	200,000	12,859.81	11,601.33	-10%	6.43	5.80
9	500,000	28,435.60	26,656.38	-6%	5.69	5.33

For current Rate 01 customers that remain in Rate 01 at the 5,000 m^3 annual volume breakpoint, the annual delivery bill increases by up to approximately 6% as compared to the current 2013 annual delivery bill.

Current Rate 01 customers with annual volumes ranging from 5,001 m^3 to 50,000 m^3 would transition to Rate 10. The annual delivery bill impacts for these customers range from 0% to a decrease of 23% as compared to the current 2013 annual delivery bill.

For current Rate 10 customers that remain in Rate 10 at the 5,000 m^3 annual volume breakpoint the annual delivery bill decreases by 6% to 18% as compared to the current 2013 annual delivery bill.

Table 6 also shows the average unit price change at the annual volume breakpoint. At the current approved annual volume breakpoint, a customer with an annual volume of 50,000 m^3 has an average unit delivery price of 8.86 cents/m^3, while a customer with an annual volume of 50,001 m^3 has an average unit delivery price of 8.31 cents/m^3.

At the 5,000 m^3 annual volume breakpoint, a customer with an annual volume of 5,000 m^3 has an average unit delivery price of 14.94 cents/m^3, while a customer with an annual volume of 5,001 m^3 has an average unit delivery price of 14.09 cents/m^3. The difference in the average unit price at the 5,000 m^3 annual volume breakpoint (less than 0.9 cents/m^3) is reasonable.

In summary, based on Union’s updated cost allocation study and the resulting rate and bill impacts, Union is not proposing to implement the 5,000 m^3 annual volume breakpoint or the harmonization of the blocking structures as part of its 2014-2018 IRM term. In particular, the delivery bill increases of 40% or greater for Rate M1 customers that would transition to Rate M2 based on the 5,000 m^3 annual volume breakpoint are not appropriate.

3.0 Working Group Meetings

In response to the Board’s directive Union also formed a working group with interested stakeholders to review the results from Union’s updated cost allocation study at the 5,000 m^3 annual volume breakpoint.

The first working group meeting was held on June 25, 2013. At this meeting, Union presented the cost allocation study results and the rate impacts at the 5,000 m^3 volume breakpoint, as described above. The presentation from the June 25, 2013 working group meeting is provided at Tab 5, Appendix B.

While stakeholders expressed no concerns with the Rate 01 and Rate 10 rate and bill impacts at the 5,000 m^3 volume breakpoint, both Union and stakeholders acknowledged concerns with the rate and bill impacts for Rate M1 customers that would transition to Rate M2.

Stakeholders also questioned the appropriateness of Union’s 2013 Board-approved cost allocation study due to demand-related costs per unit of volume being higher in Rate M2 than Rate M1. Stakeholders suggested that this result did not seem appropriate given average unit costs generally decrease as a customer’s annual consumption increases. Union agreed to review the 2013 Board-approved cost allocation study and present its findings at the next working group meeting.

Finally, Union and stakeholders agreed that Union would review the methodologies used in the updated cost allocation study and consider alternate approaches to allocate Demand Side Management (“DSM”) program costs, distribution meters, regulators and customer stations and distribution demand-related costs. Union also agreed to confirm the cost allocation methodology for bad debt/uncollectible accounts.

The second, and final, working group meeting was held on September 4, 2013. At this meeting Union presented its findings on the items from the first working group meeting it agreed to review. Specifically, Union presented its findings on:

a) 2013 Board-approved demand-related costs per unit of volume;
b) Alternate cost allocation methodologies at the 5,000 m^3 volume breakpoint; and,
c) Bad debt/uncollectible accounts.

Union also presented the rate and bill impacts associated with the alternate cost allocation methodologies that were reviewed. Union’s findings are described in more detail below. The presentation from the September 4, 2013 working group meeting is provided at Tab 5, Appendix C.

a) 2013 Board-Approved Demand-Related Costs Per Unit of Volume

In response to stakeholder concerns about the higher demand-related costs per unit of volume in Rate M2 as compared to Rate M1 in the 2013 Board-approved cost allocation study, Union reviewed the allocation of demand-related costs in both the 2013 and 2007 Board-approved cost allocation studies. The 2013 and 2007 Board-approved demand-related costs per unit of volume are provided at Table 7 below.

Table 7
Demand-Related Costs Per Unit of Volume
Per the 2013 and 2007 Board-Approved Cost Allocation Studies

Line No.	Particulars	Rate M1	Rate M2	Rate 01	Rate 10
		(a)	(b)	(c)	(d)
	2013 Approved Costs				
1	Demand-related Cost ($000's)	97,402	33,256	45,805	14,682
2	2013 Annual Volume (10^3m^3)	2,939,543	975,571	884,421	322,887
3	Unit Demand-related Cost (cents/m^3) (line 1/line 2*100)	3.3135	3.4089	5.1791	4.5471
	2007 Approved Costs				
4	Demand-related Cost ($000's)	91,262	30,441	35,883	14,459
5	2007 Annual Volume (10^3m^3)	2,862,265	1,100,502	905,311	381,369
6	Unit Demand-related Cost (cents/m^3) (line 4/line 5*100)	3.1884	2.7661	3.9636	3.7914
7	Difference in Unit Demand-related Cost (cents/m^3) (line 3 - line 6)	0.1251	0.6428	1.2155	0.7557

As shown in Table 7, the demand-related costs per unit of volume is greater for small volume rate classes (Rate M1 and Rate 01) than large volume rate classes (Rate M2 and Rate 10), with the exception of Rate M1 and Rate M2 in 2013. The Rate M1 demand-related unit cost is 3.3135 cents per m^3 in 2013, while the Rate M2 demand-related unit cost is 3.4089 cents per m^3.

The higher demand-related unit cost in Rate M2 as compared to Rate M1 in the 2013 Board-approved cost allocation study is not the result of cost allocation errors or inappropriate cost allocation methodologies. Rather, the higher demand-related unit cost in Rate M2 is the outcome of a decrease in Rate M2 load factor since the 2007 Board-approved cost allocation study was completed. Load factor is defined as a rate class' annual forecast volumes as a percentage of a rate class' design day demands multiplied by 365 days.

Please see Table 8 for a comparison of the load factors in the general service rate classes in 2007 and 2013.

Table 8

General Service Rate Class Load Factors
Per the 2013 and 2007 Board-Approved Cost Allocation Studies

Line No.	Particulars	Rate M1	Rate M2	Rate 01	Rate 10
		(a)	(b)	(c)	(d)
	2013 Approved				
1	Number of Customers	1,058,900	6,788	319,978	2,052
2	Annual Volume (10^3m^3)	2,939,543	975,571	884,421	322,887
3	Design Day Demands (10^3m^3/day)	28,724	9,650	8,921	2,584
4	Load Factor (line 2/(line 3*365) (1)	28.0%	27.7%	27.2%	34.2%
	2007 Approved				
5	Number of Customers	980,085	6,978	295,672	2,962
6	Annual Volume (10^3m^3)	2,862,265	1,100,502	905,311	381,369
7	Design Day Demands (10^3m^3/day)	28,115	9,200	8,360	2,927
8	Load Factor (line 6/(line 7*365) (1)	27.9%	32.8%	29.7%	35.7%
	Difference				
9	Number of Customers	78,815	(190)	24,306	(910)
10	Annual Volume (10^3m^3)	77,278	(124,931)	(20,890)	(58,482)
11	Design Day Demands (10^3m^3/day)	609	450	561	(343)

As shown in Table 8, lines 9 to 11, column (b), the Board-approved number of customers in Rate M2 decreased by 190 (or approximately 3%) and the Board-approved annual volumes decreased by 124,931 10^3m^3 (or approximately 11%) from 2007 to 2013.

While the number of customers and annual volumes in Rate M2 have decreased, the Board-approved design day demands in Rate M2 have increased by 450 10^3m^3/day (or approximately

5%) from 2007 to 2013. As a result of the changes described above, the Rate M2 load factor has decreased from 32.8% to 27.7% from 2007 to 2013 (lines 8 and 4, column (b)). Over the same period, the Rate M1 load factor has remained constant at approximately 28% (lines 8 and 4, column (a)).

As noted above, the higher demand-related unit cost in Rate M2 as compared to Rate M1 is the result of a decrease in the Rate M2 load factor since the completion of the 2007 Board-approved cost allocation study.

To illustrate the impact a decrease in the Rate M2 load factor had on the demand-related costs per unit of volume, Union re-calculated the Rate M2 demand-related unit cost using the 2013 Board-approved Rate 10 load factor of 34.2% (Table 8, line 4, column (d)). Using the Rate 10 load factor of 34.2% for Rate M2 results in a demand-related cost per unit of volume of 2.7579 cents per m^3, which is lower than the 2013 Board-approved Rate M1 demand-related unit cost of 3.3135 cents per m^3.

Please see Table 9 below for the calculation of the Rate M2 demand-related costs per unit of volume using the Rate 10 load factor.

Table 9

2013 Board-Approved Rate M2 Load Factor Comparison

Line No.	Particulars	Rate M2	Rate M2 at Rate 10 Load Factor
		(a)	(b)
	2013 Approved Costs		
1	Demand-related Cost ($000's)	33,256	33,256
2	2013 Annual Volume (10^3m^3)	975,571	1,205,844
3	Unit Demand-related Cost (cents/m^3)	3.4089	2.7579
4	Rate Class Load Factor	27.7%	34.2%

Accordingly, Union did not identify any cost allocation errors or inappropriate methodologies related to the allocation of demand-related costs in either the 2013 or 2007 Board-approved cost allocation studies. The increase in the allocation of demand-related costs to Rate M2 in the 2013 Board-approved cost allocation study is consistent with the increase in Rate M2 design day demands. The higher demand-related unit cost in Rate M2 of 3.4089 cents per m^3 as compared to Rate M1 of 3.3135 cents per m^3 is driven by the decline in the Rate M2 load factor.

b) Alternate Cost Allocation Methodologies at the 5,000 m^3 Volume Breakpoint

As described above, Union agreed to review the methodologies used in the updated cost allocation study and consider alternate approaches to allocate Demand Side Management ("DSM") program costs, distribution meters, regulators and customer stations and distribution demand-related costs.

DSM Program Costs

The Board-approved cost allocation methodology for DSM program costs is based on the DSM program budget by rate class. Low-income DSM costs are allocated to rate classes in proportion to Board-approved distribution revenue. In the updated cost allocation study at the 5,000 m^3 volume breakpoint presented in the first working group meeting, Union allocated the Rate M1/Rate M2 and Rate 01/Rate 10 DSM program and low-income costs in proportion to forecast volumes at the 5,000 m^3 annual volume breakpoint.

For the cost allocation study presented at the September 4, 2013 working group meeting, Union allocated DSM program costs to general service rate classes based on input from Union's DSM group. Union's DSM group reviewed the number and types of customers that would transition from Rate M1 to Rate M2 and Rate 01 to Rate 10 and provided an allocation of DSM program costs on this basis.

Low-income DSM costs continued to be allocated to rate classes in proportion to forecast volumes at the 5,000 m^3 annual volume breakpoint.

Overall, this change resulted in a $0.1 million decrease in the DSM costs allocated to Rate M1 and an offsetting increase to Rate M2. There was no material change to the allocation of DSM costs to Rate 01 and Rate 10.

Union South Distribution Meters, Regulators and Customer Stations

The Board-approved cost allocation methodology for Union South distribution customer-related meters, regulators and customer stations is based on station replacement costs. The station replacement costs include the costs associated with the customer meters, regulators, fittings, materials and installation.

The Board-approved allocation of station replacement costs to general service rate classes is determined by estimating a replacement cost for residential, commercial and industrial customers in Rate M1 and Rate M2. In the updated cost allocation study including the 5,000 m^3 annual volume breakpoint presented at the first working group meeting, Union maintained the Board-approved cost allocation methodology described above.

For the second working group meeting, Union agreed to investigate alternate cost allocation methodologies that would allow station replacement costs to be calculated based on the different levels of consumption for customers in Rate M1 and Rate M2. Accordingly, Union worked with various internal groups to determine if there was an alternate methodology that might account for consumption differences in Rate M1 and Rate M2.

As a result of this investigation, Union determined that an inventory of installed meters for customers with annual consumption less than and greater than 5,000 m^3 was available. Union also confirmed the availability of estimated replacement costs for each group of meters, including the applicable regulator, fittings, materials and installation costs. As compared to the Board-approved allocation methodology, which considers the customer type (residential, commercial or industrial), this alternate cost allocation methodology accounts for the number of installed meters by type at the 5,000 m^3 annual volume breakpoint.

For the cost allocation study presented in the second working group meeting, Union applied the alternate station replacement cost methodology described above to the 2013 Board-approved cost allocation study at the 5,000 m^3 annual volume breakpoint. This change resulted in a $3.3 million decrease in distribution customer-related meters, regulators and customer stations costs allocated to Rate M1 and an offsetting increase to Rate M2.

Distribution Demand-Related Costs

The Board-approved cost allocation methodology for Union South distribution demand-related costs allocates costs to rate classes in proportion to distribution design day demands. The allocation of distribution demand-related costs between Rate M1 and Rate M2 is determined based on winter volumes.

The Board-approved cost allocation methodology for Union North distribution demand-related costs allocates these costs to rate classes based on various allocation factors related to the classification of mains as grid, joint, and sole-use. The allocation of distribution demand-related costs between Rate 01 and Rate 10 is primarily determined based on annual volumes and peak day demands.

In the updated cost allocation study including the 5,000 m^3 annual volume breakpoint presented at the first working group meeting, Union utilized the Board-approved cost allocation methodologies described above.

For the September 4, 2013 working group meeting, Union agreed to investigate alternate cost allocation methodologies for the allocation of distribution demand-related costs between Rate M1 and Rate M2 and Rate 01 and Rate 10. Specifically, Union reviewed the use of peak hour demands used to model the Union North and Union South distribution systems to allocate the distribution demand-related costs between general service rate classes. The use of peak hour information to allocate the general service design day demands resulted in a $0.1 million increase in distribution-demand related costs to Rate M1 and a $3.8 million increase to Rate 10, with offsetting reductions to Rate M2 and Rate 01, respectively.

Please see Table 10 for the overall results of the four alternate cost allocation methodologies investigated by Union.

Table 10

Impact of Alternate Cost Allocation Methodologies at the 5,000 m^3 Volume Breakpoint

Line No.	Particulars ($ millions)	Rate M1 (a)	Rate M2 (b)	Rate 01 (c)	Rate 10 (d)
1	DSM	(0.1)	0.1	0	0
2	Bad Debt	0	0	0	0
3	Station Replacement Costs	(3.3)	3.3	0	0
4	Design Day Demands	0.1	(0.1)	(3.8)	3.8
5	Total	(3.3)	3.3	(3.8)	3.8

As shown in Table 10, the alternate cost allocation methodologies result in a $3.3 million increase in costs allocated to Rate M2 and a $3.8 million increase in cost allocated to Rate 10.

c) Bad Debt/Uncollectable Accounts

The Board-approved cost allocation methodology for delivery-related bad debt/uncollectable accounts allocates costs to rate classes based on the number of customers by customer type. Union confirmed for the working group that it applied the Board-approved cost allocation methodology to the allocation of bad debt/uncollectable accounts by using the revised number of customers at the 5,000 m^3 volume breakpoint. Union was not asked by stakeholders to review or consider alternate cost allocation methodologies for bad debt/uncollectable accounts.

Rate and Bill Impacts including the Alternate Cost Allocation Methodologies

At the second working group meeting on September 4, 2013, Union also presented rate and bill impacts at the 5,000 m^3 volume breakpoint, including the alternate cost allocation methodologies described above and shown in Table 10.

Please see Table 11 and Table 12 below for a summary of the Board-approved delivery rates at the 50,000 m^3 annual volume breakpoint compared to delivery rates based on the cost allocation study at the 5,000 m^3 annual volume breakpoint, including the cost allocation changes shown in Table 10.

Table 11
Rate M1 and Rate M2 Delivery Rates based on
2013 Board-Approved and 2013 at 5,000 m³ Annual Volume Breakpoint

Line No.	At 50,000 m³ Breakpoint	Rates (cents/m^3) (a)	At 5,000 m³ Breakpoint	Rates (cents/m^3) (b)
	Rate M1 Delivery		Rate M1 Delivery	
1	Monthly Charge	$21.00	Monthly Charge	$21.00
	Monthly Delivery Charge		Monthly Delivery Charge	
2	First 100 m^3 per month	3.7795	First 100 m^3 per month	2.9798
3	Next 150 m^3 per month	3.5730	Next 150 m^3 per month	2.6248
4	Over 250 m^3 per month	3.0845	Over 250 m^3 per month	2.1271
	Rate M2 Delivery		Rate M2 Delivery	
5	Monthly Charge	$70.00	Monthly Charge	$32.00
	Monthly Delivery Charge		Monthly Delivery Charge	
6	First 1,000 m^3 per month	4.1416	First 1,000 m^3 per month	4.6163

7	Next 6,000 m^3 per month	4.0653	Next 6,000 m^3 per month	4.4663
8	Next 13,000 m^3 per month	3.8379	Next 13,000 m^3 per month	4.2663
9	Over 20,000 m^3 per month	3.5650	Over 20,000 m^3 per month	3.9605

Table 12
Rate 01 and Rate 10 Delivery Rates based on
2013 Board-Approved and 2013 at 5,000 m³ Annual Volume Breakpoint

Line No.	At 50,000 m³ Breakpoint	Rates (cents/m^3) (a)	At 5,000 m³ Breakpoint	Rates (cents/m^3) (b)
	Rate 01 Delivery		Rate 01 Delivery	
1	Monthly Charge	$21.00	Monthly Charge	$21.00
	Monthly Delivery Charge		Monthly Delivery Charge	
2	First 100 m^3 per month	9.7347	First 100 m^3 per month	9.9364
3	Next 200 m^3 per month	9.2102	Next 150 m^3 per month	9.7996
4	Next 200 m^3 per month	8.8375	Over 250 m^3 per month	9.5506
5	Next 500 m^3 per month	8.4955		
6	Over 1,000 m^3 per month	8.2130		
	Rate 10 Delivery		Rate 10 Delivery	
7	Monthly Charge	$70.00	Monthly Charge	$32.00
	Monthly Delivery Charge		Monthly Delivery Charge	
8	First 1,000 m^3 per month	7.7070	First 1,000 m^3 per month	6.6384
9	Next 9,000 m^3 per month	6.2934	Next 6,000 m^3 per month	6.2322
10	Next 20,000 m^3 per month	5.4872	Next 13,000 m^3 per month	5.8122
11	Next 70,000 m^3 per month	4.9711	Over 20,000 m^3 per month	4.9660
12	Over 100,000 m^3 per month	3.0159		

Please see Table 13 for the delivery bill impacts for Rate M1 and Rate M2 customers at various annual consumption levels.

Table 13
Rate M1 and Rate M2 Delivery Bill Impacts
at 5000 m^3 Breakpoint including Alternate Cost Allocation Methodologies

Line No.	Annual Volume (m^3/year)	Total Delivery Bill ($) At 50,000 m^3 Breakpoint	Total Delivery Bill ($) At 5,000 m^3 Breakpoint	Annual Bill Impacts (%)	Average Unit Price (cents/m^3) At 50,000 m^3 Breakpoint	Average Unit Price (cents/m^3) At 5,000 m^3 Breakpoint
	(a)	(b)	(c)	(d) = ((c-b)/b)	(e) = (b/a)	(f) = (c/a)
1	2,200	330.66	311.26	-6%	15.03	14.15
2	5,000	420.72	374.86	-11%	8.41	7.50
3	5,001	420.75	614.86	46%	8.41	12.29
4	20,000	886.04	1,291.96	46%	4.43	6.46
5	50,000	1,811.40	2,627.30	45%	3.62	5.25
6	50,001	2,873.03	2,627.34	-9%	5.75	5.25
7	100,000	4,827.62	4,791.89	-1%	4.83	4.79
8	200,000	8,568.31	8,942.52	4%	4.28	4.47
9	500,000	19,424.78	20,999.34	8%	3.88	4.20

Table 13, lines 3 to 5, shows the bill impacts for Rate M1 customers that would transition to Rate M2 based on the updated cost allocation study at the 5,000 m^3 annual volume breakpoint, including the alternate cost allocation methodologies.

For the M1 customers that would transition to Rate M2 the annual delivery bill increases are approximately 45% to 46%. These delivery bill increases are greater than the increases of

40% to 44% for the same group of customers shown in Table 5. As described earlier, the bill increases for Rate M1 customers that would transition to Rate M2 are not appropriate.

Please see Table 14 for the delivery bill impacts for Rate 01 and Rate 10 customers at various annual consumption levels.

Table 14
Rate 01 and Rate 10 Delivery Bill Impacts
at 5000 m^3 Breakpoint including Alternate Cost Allocation Methodologies

Line No.	Annual Volume (m^3/year)	Total Delivery Bill ($) At 50,000 m^3 Breakpoint	Total Delivery Bill ($) At 5,000 m^3 Breakpoint	Annual Bill Impacts (%)	Average Unit Price (cents/m^3) At 50,000 m^3 Breakpoint	Average Unit Price (cents/m^3) At 5,000 m^3 Breakpoint
	(a)	(b)	(c)	(d) = ((c-b)/b)	(e) = (b/a)	(f) = (c/a)
1	2,200	459.15	468.00	2%	20.87	21.27
2	5,000	706.50	737.20	4%	14.13	14.74
3	5,001	706.58	715.99	1%	14.13	14.32
4	20,000	1,961.33	1,674.57	-15%	9.81	8.37
5	50,000	4,432.36	3,547.09	-20%	8.86	7.09
6	50,001	4,156.37	3,547.15	-15%	8.31	7.09
7	100,000	7,181.99	6,535.24	-9%	7.18	6.54
8	200,000	12,859.81	12,146.93	-6%	6.43	6.07
9	500,000	28,435.60	27,560.81	-3%	5.69	5.51

As shown in Table 14, the annual delivery bill changes for Rate 01 and Rate 10 customers are similar to the results shown in Table 6. The annual delivery bill changes are reasonable for all Rate 01 and Rate 10 customers.

4.0 Summary

In response to the Board's directive, Union completed a comprehensive update of its 2013 Board-approved cost allocation study to include the 5,000 m^3 annual volume breakpoint, and formed a working group with interested stakeholders to review the results of Union's updated cost allocation study.

Based on Union's updated 2013 Board-approved cost allocation study and the resulting rate and bill impacts, Union is not proposing to implement the 5,000 m^3 annual volume breakpoint or the harmonization of the blocking structures as part of its 2014-2018 Incentive Regulation term. As described below, the delivery bill increases for Rate M1 customers that would transition to Rate M2 based on the 5,000 m^3 annual volume breakpoint are greater than 40%. As a result, Union will not implement the annual volume breakpoint reduction proposal given the magnitude of the cost allocation impacts and the bill increases for these customers.

Should Union determine that a reduction in the annual volume breakpoint between Rate M1/Rate M2 and Rate 01/Rate 10 is appropriate and results in reasonable rate and bill impacts to all customers in the four general service rate classes, Union will bring forward any proposal for Board approval in a future rates proceeding.

UNION GAS LIMITED
Recovery of Customer-related and Total Fixed Costs in the General Service Monthly Customer Charge

		Fixed Costs		Variable Costs								
Line No.	Rate Class	Customer-related ($000's)	Demand-Related ($000's)	Volume-related ($000's) (1)	Total ($000's)	Total Allocated Costs ($000's)	Customer Charge Revenue ($000's)	Variable Revenue ($000's)	Total Delivery Revenue ($000's)		Recovery of Customer-Related Costs	Recovery of Fixed Costs
		(a)	(b)	(c)	(d)=(b+c)	(e)=(a+d)	(f)	(g)	(h)=(f+g)		(i)=(f/a)	(j)=f/(a+b)
		Costs at the 50,000 m^3 Breakpoint					Revenue at the 50,000 m^3 Breakpoint					
1	Rate 01	114,119	45,805	719	46,524	160,643	80,634	80,615	161,249	(1)	70.7%	50.4%
2	Rate 10	4,830	14,682	231	14,913	19,743	1,724	18,255	19,979	(1)	35.7%	8.8%
3	Rate M1	269,096	97,402	267	97,669	366,765	266,843	100,665	367,508	(1)	99.2%	72.8%
4	Rate M2	8,664	33,256	1,892	35,148	43,812	5,702	37,173	42,874	(1)	65.8%	13.6%
5	Total	396,710	191,144	3,110	194,254	590,964	354,903	236,707	591,610		89.5%	60.4%
		Costs at the 5,000 m^3 Breakpoint					Revenue at the 5,000 m^3 Breakpoint					
6	Rate 01	106,401	32,805	577	33,382	139,783	75,769	64,382	140,151		71.2%	54.4%
7	Rate 10	12,548	27,682	373	28,055	40,603	8,203	32,875	41,078		65.4%	20.4%
8	Rate M1	240,116	72,744	-614	72,130	312,246	253,174	59,421	312,595		105.4%	80.9%
9	Rate M2	37,645	57,914	2,773	60,686	98,331	23,434	74,352	97,786		62.3%	24.5%
10	Total	396,710	191,144	3,109	194,253	590,963	360,580	231,030	591,610		90.9%	61.3%

Notes:

(1) EB-2011-0210 total delivery revenue by rate class at the 50,000 m^3 volume breakpoint is the sum of Rate Order Working Paper Schedule 14, col. (g) and Rate Order Working Paper, Schedule 24, page 1, col. (g).

Rate M1/Rate M2 and Rate 01/Rate 10 Volume Breakpoint Working Group

June 25, 2013

Agenda

- Purpose of the Rate M1/Rate M2 and Rate 01/Rate 10 Volume Breakpoint Working Group
- Today's Objectives
- Guiding Principles: Cost Allocation and Rate Design
- Review of EB-2011-0210 Proposal
- EB-2011-0210 Board Directive
- Cost Allocation and Rate Impacts
- Next Steps

The Purpose of the Working Group

- Respond to the Board’s directive from EB-2011-0210
- Provide recommendation(s) based on the results obtained from Union’s analysis
- File evidence for Board approval if a consensus is reached on an annual volume breakpoint other than the current approved level of 50,000 m^3/year

Today's Objectives

- Review Union's approach in EB-2011-0210 rate case
- Review two scenarios Union has developed:
  - Annual volume breakpoint analysis at 5,000 m^3 using the Cost Allocation Study
  - Annual volume breakpoint analysis at 5,000 m^3 using a proxy of costs similar to the approach used in the EB-2011-0210 rate case
- Review rates and bill impacts of all scenarios
- Determine next steps

Guiding Principles
Cost Allocation and Rate Design

Guiding Principles:
Cost Allocation

- Maintain the 2013 Board-approved cost allocation methodologies
- No cost allocation impacts to contract rate classes
- Maintain the total 2013 Union South and Union North general service costs from the 2013 Board-approved cost allocation study
- Revise the 2013 Board-approved number of customers and volumes at the new volume breakpoint on the same basis as the 2013 rebasing customer and volume forecast

Guiding Principles:
Rate Design

- Lower the annual volume breakpoint to:
  - Improve homogeneity in the small volume rate classes (Rate 01/ Rate M1)
  - Improve rate class size & composition in the large volume rate classes (Rate 10/Rate M2)
- Harmonize rate block structures in Union North with current rate blocks in Union South
- Maintain a revenue neutral approach for general service rate classes in each of Union North and Union South
- Maintain common monthly customer charge levels for small volume rate classes (Rate 01/Rate M1) and for large volume rate classes (Rate 10/ Rate M2)

EB-2011-0210 July 2012 Update
Annual Volume Breakpoint of 5,000 m³
Based on Cost Allocation Proxies

Rates per July 2012 Update
Union North

2013 Proposed			
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)
Proposed 2013 Rate 01 Delivery			
Monthly Charge	3,832,876	80,490	$21.00
Monthly Delivery Charge			
First 100 m^3 per month	253,052	24,585	9.7156
Next 200 m^3 per month	285,237	26,216	9.1911
Next 200 m^3 per month	124,436	10,973	8.8184
Next 500 m^3 per month	85,489	7,246	8.4764
Over 1,000 m^3 per month	107,383	8,799	8.1939
Total 2013 Rate 01 Delivery	855,598	158,311	
Proposed 2013 Rate 10 Delivery			
Monthly Charge	24,573	1,720	$70.00
Monthly Delivery Charge			
First 1,000 m^3 per month	23,230	1,757	7.5628
Next 9,000 m^3 per month	125,165	7,697	6.1492
Next 20,000 m^3 per month	79,608	4,254	5.3430
Next 70,000 m^3 per month	60,460	2,918	4.8269
Over 100,000 m^3 per month	27,805	798	2.8717
Total 2013 Rate 10 Delivery	316,269	19,144	
Total 2013 General Service Delivery	1,171,866	177,455	

2014 Proposed			
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(d)	(e)	(f)
Proposed 2014 Rate 01 Delivery			
Monthly Charge	3,602,569	75,654	$21.00
Monthly Delivery Charge			
First 100 m^3 per month	231,257	22,229	9.6122
Next 150 m^3 per month	262,760	24,284	9.2420
All Over 250 m^3 per month	165,752	14,463	8.7256
Total 2014 Rate 01 Delivery	659,769	136,630	
Proposed 2014 Rate 10 Delivery			
Monthly Charge	254,880	8,921	$35.00
Monthly Delivery Charge			
First 1,000 m^3 per month	188,187	12,631	6.7117
Next 6,000 m^3 per month	152,274	10,102	6.6340
Next 13,000 m^3 per month	63,469	3,800	5.9873
All Over 20,000 m^3 per month	108,167	5,372	4.9660
Total 2014 Rate 10 Delivery	512,098	40,825	
Total 2014 General Service Delivery	1,171,866	177,455	

Delivery-Related Bill Impacts
Union North

Annual Volume (m^3/year)	2013 Proposed - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		2013	2014
	Rate 01 ($)	Rate 10 ($)	Rate 01 ($)	Rate 10 ($)	($)	(%)	**Proposed**	**Proposed**
1,800	422.31		421.12		(1.19)	-0.3%	**23.4615**	**23.3954**
2,200	458.73		457.04		(1.69)	-0.4%	**20.8514**	**20.7746**
2,600	494.80		492.79		(2.01)	-0.4%	**19.0309**	**18.9536**
3,000	530.67		528.39		(2.28)	-0.4%	**17.6891**	**17.6131**
5,000	705.54		705.23		(0.31)	0.0%	**14.1108**	**14.1045**
7,000	876.55			889.80	13.25	1.5%	**12.5221**	**12.7114**
10,000	1,128.39			1,090.00	(38.39)	-3.4%	**11.2839**	**10.9000**
20,000	1,957.51			1,755.24	(202.27)	-10.3%	**9.7875**	**8.7762**
30,000	2,780.82			2,419.31	(361.50)	-13.0%	**9.2694**	**8.0644**
50,000	4,422.82			3,743.64	(679.18)	-15.4%	**8.8456**	**7.4873**
80,000		5,899.52		5,626.55	(272.97)	-4.6%	**7.3744**	**7.0332**
100,000		7,037.89		6,863.64	(174.24)	-2.5%	**7.0379**	**6.8636**
200,000		12,571.60		12,626.80	55.19	0.4%	**6.2858**	**6.3134**
300,000		17,752.05		17,917.17	165.12	0.9%	**5.9173**	**5.9724**
500,000		27,715.09		28,150.63	435.54	1.6%	**5.5430**	**5.6301**

Rates per July 2012 Update
Union South

	2013 Proposed			2014 Proposed		
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)	(d)	(e)	(f)
Proposed Rate M1 Delivery						
Monthly Charge	12,706,802	266,843	$21.00	12,057,495	253,207	$21.00
Monthly Delivery Charge						
First 100 m^3 per month	868,730	35,564	4.0938	807,714	34,437	4.2635
Next 150 m^3 per month	767,998	29,854	3.8873	703,930	27,586	3.9188
All Over 250 m^3 per month	1,239,684	42,134	3.3988	634,207	21,640	3.4122
Total Rate M1 Delivery	2,876,411	374,396		2,145,851	336,871	
Proposed Rate M2 Delivery						
Monthly Charge	81,451	5,702	$70.00	730,758	25,577	$35.00
Monthly Delivery Charge						
First 1,000 m^3 per month	52,132	2,147	4.1184	461,452	15,280	3.3112
Next 6,000 m^3 per month	253,275	10,238	4.0421	571,592	18,425	3.2234
Next 13,000 m^3 per month	285,869	10,905	3.8147	288,792	9,026	3.1256
All Over 20,000 m^3 per month	365,375	12,941	3.5418	365,375	11,150	3.0517
Total Rate M2 Delivery	956,651	41,932		1,687,211	79,457	
Total General Service Delivery	3,833,062	416,328		3,833,062	416,328	

Delivery-Related Bill Impacts
Union South

Annual Volume	2013 Proposed - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		**2013**	**2014**
(m^3/year)	Rate M1 ($)	Rate M2 ($)	Rate M1 ($)	Rate M2 ($)	($)	(%)	**Proposed**	**Proposed**
1,800	323.12		324.97		1.85	0.6%	**17.9511**	**18.0538**
2,200	337.57		339.58		2.01	0.6%	**15.3443**	**15.4356**
2,600	351.94		354.09		2.14	0.6%	**13.5363**	**13.6187**
3,000	366.20		368.47		2.27	0.6%	**12.2068**	**12.2824**
5,000	436.44		439.21		2.77	0.6%	**8.7287**	**8.7842**
7,000	505.38			651.36	145.98	28.9%	**7.2197**	**9.3052**
10,000	608.53			749.11	140.58	23.1%	**6.0853**	**7.4911**
20,000	948.89			1,073.28	124.39	13.1%	**4.7445**	**5.3664**
30,000	1,288.78			1,396.41	107.64	8.4%	**4.2959**	**4.6547**
50,000	1,968.54			2,038.38	69.85	3.5%	**3.9371**	**4.0768**
80,000		4,031.07		2,987.00	(1,044.07)	-25.9%	**5.0388**	**3.7337**
100,000		4,804.38		3,616.58	(1,187.80)	-24.7%	**4.8044**	**3.6166**
200,000		8,521.82		6,720.25	(1,801.58)	-21.1%	**4.2609**	**3.3601**
300,000		12,148.30		9,797.39	(2,350.91)	-19.4%	**4.0494**	**3.2658**
500,000		19,308.57		15,922.58	(3,385.98)	-17.5%	**3.8617**	**3.1845**

Review of EB-2011-0210 Proposal Decision and Order, page 87

uniongas

- Parties agreed that the volume breakpoint between the Rate 01/ Rate10 and Rate M1/ Rate M2 should be reduced and that the rate blocking structure should be harmonized
- The Board agreed that Union's proposal had merit since the proposed breakpoint:
  - Achieves more homogeneous small volume rate classes
  - Improves rate class size and composition in Rate 10 and Rate M2 ensuring viable rate classes and improved rate stability
- The Board, Board Staff, LPMA, SEC and other parties raised concerns regarding Union's methodology for allocating costs between the rate classes
- As a result of these concerns, the Board did not approve Union's proposal

EB-2011-0210 Board Directive Rate Order, Appendix F, Directive #6

- Undertake a comprehensive cost allocation study which includes the Rate M1/Rate M2 and Rate 01/ Rate 10 breakpoint reduction proposal no later than Union’s 2014 rates filing
- The study is to include an analysis regarding the allocation of costs for Distribution Maintenance - Meter and Regulator repairs related to the customers that would be moving rate classes

Cost Allocation Study Results
Annual Volume Breakpoint of 5,000 m³

Distribution Cost Allocation Methodology

- The cost allocation methodology for Distribution customer-related and demand-related costs is different between the Union South and Union North operating areas
- Union reviewed harmonization opportunities in the EB-2005-0520 cost of service proceeding and did not propose changes to the different approaches
- The cost allocation methodologies recognize the different configuration of the delivery systems in each operating area

Distribution Customer Cost Allocation
Union South

- Union South Distribution Customer-related costs are primarily allocated to rate classes based on:
  - Service Replacement Costs – Distribution mains and services
  - Station Replacement Costs – Meters, regulators and customer stations
  - Service and Meter Call Time – Distribution O&M
  - Average Number of Customers – Customer accounting (i.e. billing and meter reading)
- All of the allocators, except average number of customers, include a “weighting” or calculation of costs based on the type of customer (residential, commercial and industrial)

Distribution Demand Cost Allocation Union South

- Union South Distribution Demand-related costs are primarily allocated to rate classes based on:
  - Distribution Demand – based on design day demand
    - The general service design day is determined in total and split between Rate M1 and Rate M2 based on winter volumes.
  - DSM - the DSM program is allocated to rate classes based on program details.
    - For the purposes of the cost allocation study at the 5,000 m^3 breakpoint, annual delivery volumes were used to split Rate M1 and Rate M2.

Distribution Customer Cost Allocation
Union North

Union North Distribution Customer-Related costs are primarily allocated based on:

- Average Number of Customers – Used partially in the allocation of mains-grid, regulator, meter and customer station costs, with the following rate class exceptions:
  - Mains (Grid) – Includes Rate 01 and Rate 10 customers only
  - Regulators – Includes a direct assignment to Rate 01 based on an estimated cost to replace residential regulators
  - Meters – Uses a historic/fixed allocation to Rate 01 and Rate 10
  - Customer Stations – Excludes customers that do not meet an hourly design threshold of 320 m^3/hr
- North Services Factor (Cascade Method) – Used to allocate service costs
- Service and Meter Call Time (O&M) - developed based on the number of calls by customer type and the average time spent on the call

Distribution Demand Cost Allocation Union North

- Union North Distribution Demand-related costs are primarily allocated based on the definition of grid, joint and sole-use
- Grid, Joint, Sole-Use Factors - Allocates mains, measuring and regulating equipment
  - Grid – Allocates costs to Rate 01 and Rate 10 customers based on peak day and average day demands
  - Joint – Uses peak day and average day demands excluding all sole-use customers (connected directly to the TCPL mainline)
  - Sole-Use – Excludes Rate 01 or Rate 10. Direct assignment of sole-use gross plant to Rate 20, Rate 100 and Rate 25
- Peak Day Demand – Allocates demand-related regulator costs
- DSM – the DSM program costs are allocated to rate classes based on program details. For the purposes of the cost allocation study at the 5,000 m^3 breakpoint, annual delivery volumes were used to split Rate 01 and Rate 10

Number of Customers and Volumes

	Union North			Union South		
Particulars	Rate 01	Rate 10	Total	Rate M1	Rate M2	Total
	(a)	(b)	(c)=(a+b)	(d)	(e)	(f)=(d+e)
2013 Approved at 50,000 m^3 breakpoint						
Customers	319,978	**2,052**	322,030	1,058,900	**6,788**	1,065,688
Annual Volume	884,421	322,887	1,207,308	2,939,543	975,571	3,915,114
2014 Proposed at 5,000 m^3 breakpoint						
Customers	300,669	**21,361**	322,030	1,004,661	**61,027**	1,065,688
Annual Volume	643,947	563,361	1,207,308	2,134,461	1,780,653	3,915,114
Transition to 5,000 m^3						
Customers	(19,309)	**19,309**		(54,239)	**54,239**	
Annual Volume	(240,474)	240,474		(805,082)	805,082	

Revenues and Costs
Union North

		2013 Approved at 50,000 m^3 breakpoint			2014 Proposed at 5,000 m^3 breakpoint		
		Approved Revenue	Allocated Cost	Revenue-to-Cost Ratio	Proposed Revenue	Allocated Cost	Revenue-to-Cost Ratio
Rate 01	Customer-related	80,634	114,119	70.7%	75,769	106,401	71.2%
	Delivery-related	80,615	46,524		64,382	33,382	
	Total	161,249	160,643	100.4%	140,151	139,783	
Rate 10	Customer-related	1,724	4,830	35.7%	8,203	12,548	65.4%
	Delivery-related	18,255	14,913		32,875	28,055	
	Total	19,979	19,743	101.2%	41,078	40,603	
Total GS: Union North		**181,228**	**180,386**		**181,228**	**180,386**	

Revenues and Costs
Union South

		2013 Approved at 50,000 m^3 breakpoint			2014 Proposed at 5,000 m^3 breakpoint		
		Approved Revenue	Allocated Cost	Revenue-to-Cost Ratio	Proposed Revenue	Allocated Cost	Revenue-to-Cost Ratio
Rate M1	Customer-related	266,843	269,096	99.2%	253,174	240,116	105.4%
	Delivery-related	100,665	97,669		59,421	72,130	
	Total	367,508	366,765		312,595	312,247	
Rate M2	Customer-related	5,702	8,664	65.8%	23,434	37,645	62.3%
	Delivery-related	37,173	35,148		74,352	60,685	
	Total	42,874	43,812		97,786	98,330	
Total GS: Union South		**410,382**	**410,577**		**410,382**	**410,577**	

Customer-Related Costs

	2013 Approved			2014 Proposed		
Rate Class	Customer-related Costs ($000's)	Monthly Customer Charge Revenue ($000's)	Percent Recovery	Customer-related Costs ($000's)	Monthly Customer Charge Revenue ($000's)	Percent Recovery
	(a)	(b)	(c) = (b / a)	(d)	(e)	(f) = (e / d)
Rate 01	114,119	80,634	70.7%	106,401	75,769	71.2%
Rate 10	4,830	1,724	35.7%	12,548	8,203	65.4%
Rate M1	269,096	266,843	99.2%	240,116	253,174	105.4%
Rate M2	8,664	5,702	65.8%	37,645	23,434	62.3%
Total	396,710	354,903	89.5%	396,710	360,580	90.9%

Rates
Union North

2013 Approved				2014 Proposed			
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)	Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)		(d)	(e)	(f)
Approved 2013 Rate 01 Delivery				**Proposed 2014 Rate 01 Delivery**			
Monthly Charge	3,839,732	80,634	$21.00	Monthly Charge	3,608,030	75,769	$21.00
Monthly Delivery Charge				Monthly Delivery Charge			
First 100 m^3 per month	260,791	25,387	9.7347	First 100 m^3 per month	238,995	24,221	10.1347
Next 200 m^3 per month	296,122	27,273	9.2102	Next 150 m^3 per month	273,645	27,359	**9.9979**
Next 200 m^3 per month	129,180	11,416	8.8375	All Over 250 m^3 per month	131,307	12,801	9.7489
Next 500 m^3 per month	88,231	7,496	8.4955				
Over 1,000 m^3 per month	110,097	9,042	8.2130				
Total 2013 Rate 01 Delivery	884,421	161,249		Total 2014 Rate 01 Delivery	643,947	140,151	
Approved 2013 Rate 10 Delivery				**Proposed 2014 Rate 10 Delivery**			
Monthly Charge	24,629	1,724	$70.00	Monthly Charge	256,331	8,203	$32.00
Monthly Delivery Charge				Monthly Delivery Charge			
First 1,000 m^3 per month	23,682	1,825	7.7070	First 1,000 m^3 per month	188,639	12,095	6.4117
Next 9,000 m^3 per month	127,854	8,046	6.2934	Next 6,000 m^3 per month	186,596	11,122	**5.9605**
Next 20,000 m^3 per month	81,326	4,462	5.4872	Next 13,000 m^3 per month	77,769	4,247	**5.4605**
Next 70,000 m^3 per month	61,664	3,065	4.9711	All Over 20,000 m^3 per month	110,357	5,411	4.9035
Over 100,000 m^3 per month	28,362	855	3.0159				
Total 2013 Rate 10 Delivery	322,887	19,979		Total 2014 Rate 10 Delivery	563,361	41,078	
Total 2013 General Service Delivery	1,207,308	181,228		Total 2014 General Service Delivery	1,207,308	181,228	

Delivery-Related Bill Impacts
Union North

Annual Volume	2013 Approved - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		Average Unit Price	
(m^3/year)	Rate 01 ($)	Rate 10 ($)	Rate 01 ($)	Rate 10 ($)	($)	(%)	Approved	Proposed
1,800	422.65		432.90		10.25	2.4%	23.48	24.05
2,200	459.15		472.36		13.21	2.9%	20.87	21.47
2,600	495.30		511.75		16.45	3.3%	19.05	19.68
3,000	531.25		551.07		19.82	3.7%	17.71	18.37
4,999	706.41		747.02		40.61	5.7%	14.13	14.94
5,000	706.50		747.12		40.62	5.7%	14.13	14.94
5,001	706.58			704.65	(1.93)	-0.3%	14.13	14.09
6,000	792.76			768.70	(24.05)	-3.0%	13.21	12.81
7,000	877.89			832.68	(45.20)	-5.1%	12.54	11.90
10,000	1,130.30			1,018.40	(111.90)	-9.9%	11.30	10.18
20,000	1,961.33			1,625.12	(336.20)	-17.1%	9.81	8.13
30,000	2,786.54			2,225.08	(561.46)	-20.1%	9.29	7.42
49,999	4,432.28			3,416.27	(1,016.01)	-22.9%	8.86	6.83
50,000	4,432.36			3,416.33	(1,016.04)	-22.9%	8.86	6.83
50,001		4,156.37		3,416.38	(739.99)	-17.8%	8.31	6.83
60,000		4,785.64		3,990.75	(794.89)	-16.6%	7.98	6.65
70,000		5,412.57		4,557.98	(854.59)	-15.8%	7.73	6.51
80,000		6,014.80		5,121.53	(893.27)	-14.9%	7.52	6.40
100,000		7,181.99		6,244.28	(937.71)	-13.1%	7.18	6.24
200,000		12,859.81		11,601.33	(1,258.48)	-9.8%	6.43	5.80
300,000		18,184.35		16,684.91	(1,499.44)	-8.2%	6.06	5.56
500,000		28,435.60		26,656.38	(1,779.22)	-6.3%	5.69	5.33

Rates
Union South

	2013 Approved			2014 Proposed		
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)	(d)	(e)	(f)
Approved 2013 Rate M1 Delivery				**Proposed 2014 Rate M1 Delivery**		
Monthly Charge	12,706,802	266,843	$21.00	12,055,926	253,174	$21.00
Monthly Delivery Charge						
First 100 m^3 per month	885,353	33,462	3.7795	824,336	25,875	3.1389
Next 150 m^3 per month	786,168	28,090	3.5730	722,101	20,102	**2.7839**
All Over 250 m^3 per month	1,268,023	39,113	3.0845	588,024	13,443	2.2862
Total Rate M1 Delivery	2,939,543	367,508		2,134,461	312,595	
Approved 2013 Rate M2 Delivery				**Proposed 2014 Rate M2 Delivery**		
Monthly Charge	81,451	5,702	$70.00	732,327	23,434	$32.00
Monthly Delivery Charge						
First 1,000 m^3 per month	53,047	2,197	4.1416	462,367	20,463	4.4256
Next 6,000 m^3 per month	258,156	10,495	4.0653	650,995	27,834	**4.2756**
Next 13,000 m^3 per month	291,703	11,195	3.8379	294,626	12,008	**4.0756**
All Over 20,000 m^3 per month	372,665	13,286	3.5650	372,665	14,049	3.7698
Total Rate M2 Delivery	975,571	42,874		1,780,653	97,786	
Total General Service Delivery	3,915,114	410,382		3,915,114	410,382	

Delivery-Related Bill Impacts Union South

	2013 Approved - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		Average Unit Price	
Annual Volume (m^3/year)	Rate M1 ($)	Rate M2 ($)	Rate M1 ($)	Rate M2 ($)	($)	(%)	Approved	Proposed
1,800	317.46		304.65		(12.81)	-4.0%	17.64	16.93
2,200	330.66		314.76		(15.90)	-4.8%	15.03	14.31
2,600	343.77		324.75		(19.03)	-5.5%	13.22	12.49
3,000	356.77		334.62		(22.16)	-6.2%	11.89	11.15
4,999	420.69		382.79		(37.90)	-9.0%	8.42	7.66
5,000	420.72		382.81		(37.91)	-9.0%	8.41	7.66
5,001	420.75			605.32	184.57	43.9%	8.41	12.10
6,000	452.08			649.36	197.28	43.6%	7.53	10.82
7,000	483.38			693.07	209.69	43.4%	6.91	9.90
10,000	577.10			823.12	246.03	42.6%	5.77	8.23
20,000	886.04			1,253.82	367.78	41.5%	4.43	6.27
30,000	1,194.49			1,682.73	488.23	40.9%	3.98	5.61
49,999	1,811.37			2,531.91	720.54	39.8%	3.62	5.06
50,000	1,811.40			2,531.95	720.55	39.8%	3.62	5.06
50,001		2,873.03		2,531.99	(341.04)	-11.9%	5.75	5.06
60,000		3,266.21		2,947.88	(318.33)	-9.7%	5.44	4.91
70,000		3,658.44		3,362.86	(295.58)	-8.1%	5.23	4.80
80,000		4,049.67		3,776.96	(272.71)	-6.7%	5.06	4.72
100,000		4,827.62		4,601.20	(226.43)	-4.7%	4.83	4.60
200,000		8,568.31		8,561.13	(7.17)	-0.1%	4.28	4.28
300,000		12,218.03		12,421.99	203.96	1.7%	4.07	4.14
500,000		19,424.78		20,045.86	621.08	3.2%	3.88	4.01

Annual Volume Breakpoint of 5,000 m³ Based on 2013 Cost Allocation Proxy

Number of Customers and Volumes

	Union North			Union South		
Particulars	Rate 01	Rate 10	Total	Rate M1	Rate M2	Total
	(a)	(b)	(c)=(a+b)	(d)	(e)	(f)=(d+e)
2013 Approved at 50,000 m^3 breakpoint						
Customers	319,978	**2,052**	322,030	1,058,900	**6,788**	1,065,688
Annual Volume	884,421	322,887	1,207,308	2,939,543	975,571	3,915,114
2014 Proposed at 5,000 m^3 breakpoint						
Customers	300,669	**21,361**	322,030	1,004,661	**61,027**	1,065,688
Annual Volume	643,947	563,361	1,207,308	2,134,461	1,780,653	3,915,114
Transition to 5,000 m^3						
Customers	(19,309)	**19,309**		(54,239)	**54,239**	
Annual Volume	(240,474)	240,474		(805,082)	805,082	

Revenues and Costs
Union North

		2013 Approved at 50,000 m^3 breakpoint			2014 Proposed at 5,000 m^3 breakpoint		
		Approved Revenue	Allocated Cost	Revenue-to-Cost Ratio	Proposed Revenue	PROXY Allocated Cost	Revenue-to-Cost Ratio
Rate 01	Customer-related	80,634	114,119	70.7%	75,769	108,641	69.7%
	Delivery-related	80,615	46,524		66,008	32,769	
	Total	161,249	160,643	100.4%	141,777	141,410	
Rate 10	Customer-related	1,724	4,830	35.7%	7,690	10,309	74.6%
	Delivery-related	18,255	14,913		31,761	28,668	
	Total	19,979	19,743	101.2%	39,451	38,977	
Total GS: Union North		**181,228**	**180,386**		**181,228**	**180,386**	

Revenues and Costs
Union South

		2013 Approved at 50,000 m^3 breakpoint			2014 Proposed at 5,000 m^3 breakpoint		
		Approved Revenue	Allocated Cost	Revenue-to-Cost Ratio	Proposed Revenue	PROXY Allocated Cost	Revenue-to-Cost Ratio
Rate M1	Customer-related	266,843	269,096	99.2%	253,174	256,790	98.6%
	Delivery-related	100,665	97,669		76,374	72,410	
	Total	367,508	366,765		329,548	329,200	
Rate M2	Customer-related	5,702	8,664	65.8%	21,970	20,970	104.8%
	Delivery-related	37,173	35,148		58,864	60,407	
	Total	42,874	43,812		80,834	81,377	
Total GS: Union South		**410,382**	**410,577**		**410,382**	**410,577**	

Customer-Related Costs

	2013 Approved			2014 Proposed		
Rate Class	Customer-related Costs ($000's)	Monthly Customer Charge Revenue ($000's)	Percent Recovery	Customer-related Costs - PROXY ($000's)	Monthly Customer Charge Revenue ($000's)	Percent Recovery
	(a)	(b)	(c) = (b / a)	(d)	(e)	(f) = (e / d)
Rate 01	114,119	80,634	70.7%	108,641	75,769	69.7%
Rate 10	4,830	1,724	35.7%	10,309	7,690	74.6%
Rate M1	269,096	266,843	99.2%	256,790	253,174	98.6%
Rate M2	8,664	5,702	65.8%	20,970	21,970	104.8%
Total	396,710	354,903	89.5%	396,710	358,603	90.4%

Customer-Related Costs Proxy based on Weighted Number of Customers

Particulars	2013 Forecast Number of Customers at 5,000 m^3 breakpoint	Weighting	2013 Weighted Number of Customers	Percentage	Customer-Related Costs ($000's)
Union North					
Rate 01					
Residential	286,457	1.0	286,457		
Commercial	14,206	1.5	21,309		
Industrial	7	2.0	14		
Total	300,670		307,780	91.3%	108,642
Rate 10					
Residential	5,825	1.0	5,825		
Commercial	15,381	1.5	23,072		
Industrial	154	2.0	308		
Total	21,360		29,205	8.7%	10,309
Total - Union North	322,030		336,985	100.0%	118,949
Union South					
Rate M1					
Residential	958,762	1.0	958,762		
Commercial	44,405	1.5	66,608		
Industrial	1,493	2.0	2,986		
Total	1,004,660		1,028,356	92.5%	256,789
Rate M2					
Residential	18,951	1.0	18,951		
Commercial	38,249	1.5	57,374		
Industrial	3,827	2.0	7,654		
Total	61,027		83,979	7.5%	20,970
Total - Union South	1,065,687		1,112,334	100.0%	277,760

Delivery-Related Costs Proxy based on Annual Delivery Volume

Particulars	Annual Volume (10^3m^3) at 50,000 m^3 breakpoint (a)	Annual Volume (10^3m^3) at 5,000 m^3 breakpoint (b)	Percentage (c) based on (b)	Other Delivery Costs ($000's) (d)
Union North				
Rate 01	884,421	643,947	53.3%	32,769
Rate 10	322,887	563,361	46.7%	28,668
Total - Union North	1,207,308	1,207,308	100.0%	61,437
Union South				
Rate M1	2,939,543	2,134,461	54.5%	72,410
Rate M2	975,571	1,780,653	45.5%	60,407
Total - Union South	3,915,114	3,915,114	100.0%	132,817

Comparison of Cost Allocation Study and Cost Proxy Method

			50,000 m^3 breakpoint		**5,000 m^3 annual volume breakpoint**		
			2013 Approved	Difference	Cost Study	Difference	Proxy Costs
			(a)	(b) = (c) - (a)	(c)	(d)= (e) - (c)	(e)
Union South							
Rate M1	Customer-related		269,096	(28,980)	240,116	**16,674**	256,790
	Delivery-related		97,669	(25,539)	72,130	279	72,410
	Total		366,765	(54,519)	312,246	16,954	329,200
Rate M2	Customer-related		8,664	28,980	37,645	**(16,674)**	20,970
	Delivery-related		35,148	25,538	60,686	(279)	60,407
	Total		43,812	54,519	98,331	(16,954)	81,377
Total	Customer-related		277,760	-	277,760	-	277,760
	Delivery-related		132,817	-	132,817	-	132,817
	Total		**410,577**	-	**410,577**	-	**410,577**
Union North							
Rate 01	Customer-related		114,119	(7,718)	106,401	**2,240**	108,641
	Delivery-related		46,524	(13,142)	33,382	(613)	32,769
	Total		160,643	(20,860)	139,783	1,626	141,410
Rate 10	Customer-related		4,830	7,718	12,548	**(2,240)**	10,309
	Delivery-related		14,913	13,142	28,055	613	28,668
	Total		19,743	20,860	40,603	(1,626)	38,977
Total	Customer-related		118,949	-	118,949	-	118,949
	Delivery-related		61,437	-	61,437	-	61,437
	Total		**180,386**	-	**180,386**	-	**180,386**

Rates
Union North

2013 Approved			
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)
Approved 2013 Rate 01 Delivery			
Monthly Charge	3,839,732	80,634	$21.00
Monthly Delivery Charge			
First 100 m^3 per month	260,791	25,387	9.7347
Next 200 m^3 per month	296,122	27,273	9.2102
Next 200 m^3 per month	129,180	11,416	8.8375
Next 500 m^3 per month	88,231	7,496	8.4955
Over 1,000 m^3 per month	110,097	9,042	8.2130
Total 2013 Rate 01 Delivery	884,421	161,249	
Approved 2013 Rate 10 Delivery			
Monthly Charge	24,629	1,724	$70.00
Monthly Delivery Charge			
First 1,000 m^3 per month	23,682	1,825	7.7070
Next 9,000 m^3 per month	127,854	8,046	6.2934
Next 20,000 m^3 per month	81,326	4,462	5.4872
Next 70,000 m^3 per month	61,664	3,065	4.9711
Over 100,000 m^3 per month	28,362	855	3.0159
Total 2013 Rate 10 Delivery	322,887	19,979	
Total 2013 General Service Delivery	1,207,308	181,228	

2014 Proposed			
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(d)	(e)	(f)
Proposed 2014 Rate 01 Delivery			
Monthly Charge	3,608,030	75,769	$21.00
Monthly Delivery Charge			
First 100 m^3 per month	238,995	25,262	10.5702
Next 150 m^3 per month	273,645	28,050	**10.2505**
All Over 250 m^3 per month	131,307	12,695	9.6685
Total 2014 Rate 01 Delivery	643,947	141,777	
Proposed 2014 Rate 10 Delivery			
Monthly Charge	256,331	7,690	$30.00
Monthly Delivery Charge			
First 1,000 m^3 per month	188,639	13,038	6.9117
Next 6,000 m^3 per month	186,596	10,707	**5.7378**
Next 13,000 m^3 per month	77,769	4,151	**5.3378**
All Over 20,000 m^3 per month	110,357	3,865	3.5026
Total 2014 Rate 10 Delivery	563,361	39,451	
Total 2014 General Service Delivery	1,207,308	181,228	

Delivery-Related Bill Impacts
Union North

Annual Volume (m^3/year)	2013 Approved - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		Average Unit Price	
	Rate 01 ($)	Rate 10 ($)	Rate 01 ($)	Rate 10 ($)	($)	(%)	Approved	Proposed
1,800	422.65		438.70		16.05	3.8%	23.48	24.37
2,200	459.15		478.47		19.32	4.2%	20.87	21.75
2,600	495.30		518.06		22.76	4.6%	19.05	19.93
3,000	531.25		557.49		26.24	4.9%	17.71	18.58
4,999	706.41		753.27		46.86	6.6%	14.13	15.07
5,000	706.50		753.36		46.87	6.6%	14.13	15.07
5,001	706.58			705.65	(0.93)	-0.1%	14.13	14.11
6,000	792.76			774.70	(18.05)	-2.3%	13.21	12.91
7,000	877.89			843.47	(34.42)	-3.9%	12.54	12.05
10,000	1,130.30			1,033.55	(96.75)	-8.6%	11.30	10.34
20,000	1,961.33			1,635.10	(326.23)	-16.6%	9.81	8.18
30,000	2,786.54			2,219.04	(567.50)	-20.4%	9.29	7.40
49,999	4,432.28			3,368.06	(1,064.22)	-24.0%	8.86	6.74
50,000	4,432.36			3,368.11	(1,064.25)	-24.0%	8.86	6.74
50,001		4,156.37		3,368.17	(788.20)	-19.0%	8.31	6.74
60,000		4,785.64		3,924.60	(861.04)	-18.0%	7.98	6.54
70,000		5,412.57		4,475.32	(937.25)	-17.3%	7.73	6.39
80,000		6,014.80		5,023.10	(991.70)	-16.5%	7.52	6.28
100,000		7,181.99		6,115.18	(1,066.81)	-14.9%	7.18	6.12
200,000		12,859.81		10,953.13	(1,906.68)	-14.8%	6.43	5.48
300,000		18,184.35		15,022.33	(3,162.02)	-17.4%	6.06	5.01
500,000		28,435.60		22,569.23	(5,866.37)	-20.6%	5.69	4.51

Rates
Union South

	2013 Approved			2014 Proposed		
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)	(d)	(e)	(f)
Approved 2013 Rate M1 Delivery				**Proposed 2014 Rate M1 Delivery**		
Monthly Charge	12,706,802	266,843	$21.00	12,055,926	253,174	$21.00
Monthly Delivery Charge						
First 100 m^3 per month	885,353	33,462	3.7795	824,336	31,805	3.8582
Next 150 m^3 per month	786,168	28,090	3.5730	722,101	25,838	**3.5782**
All Over 250 m^3 per month	1,268,023	39,113	3.0845	588,024	18,732	3.1856
Total Rate M1 Delivery	2,939,543	367,508		2,134,461	329,549	
Approved Rate M2 Delivery				**Proposed 2014 Rate M2 Delivery**		
Monthly Charge	81,451	5,702	$70.00	732,327	21,970	$30.00
Monthly Delivery Charge						
First 1,000 m^3 per month	53,047	2,197	4.1416	462,367	16,209	3.5057
Next 6,000 m^3 per month	258,156	10,495	4.0653	650,995	21,846	**3.3557**
Next 13,000 m^3 per month	291,703	11,195	3.8379	294,626	9,445	**3.2057**
All Over 20,000 m^3 per month	372,665	13,286	3.5650	372,665	11,364	3.0493
Total Rate M2 Delivery	975,571	42,874		1,780,653	80,834	
Total General Service Delivery	3,915,114	410,382		3,915,114	410,382	

Delivery-Related Bill Impacts
Union South

Annual Volume (m^3/year)	2013 Approved - Annual Volume Breakpoint of 50,000 m^3 Rate M1 ($)	Rate M2 ($)	2014 Proposed - Annual Volume Breakpoint of 5,000 m^3 Rate M1 ($)	Rate M2 ($)	Annual Bill Impacts ($)	(%)	Average Unit Price Approved	Proposed
1,800	317.46		318.41		0.95	0.3%	17.64	17.69
2,200	330.66		331.91		1.25	0.4%	15.03	15.09
2,600	343.77		345.32		1.55	0.4%	13.22	13.28
3,000	356.77		358.64		1.86	0.5%	11.89	11.95
4,999	420.69		424.27		3.57	0.8%	8.42	8.49
5,000	420.72		424.30		3.58	0.8%	8.41	8.49
5,001	420.75			535.32	114.57	27.2%	8.41	10.70
6,000	452.08			570.17	118.09	26.1%	7.53	9.50
7,000	483.38			604.68	121.30	25.1%	6.91	8.64
10,000	577.10			707.14	130.04	22.5%	5.77	7.07
20,000	886.04			1,045.85	159.81	18.0%	4.43	5.23
30,000	1,194.49			1,382.77	188.28	15.8%	3.98	4.61
49,999	1,811.37			2,049.91	238.54	13.2%	3.62	4.10
50,000	1,811.40			2,049.95	238.54	13.2%	3.62	4.10
50,001		2,873.03		2,049.98	(823.05)	-28.6%	5.75	4.10
60,000		3,266.21		2,376.83	(889.37)	-27.2%	5.44	3.96
70,000		3,658.44		2,702.97	(955.46)	-26.1%	5.23	3.86
80,000		4,049.67		3,028.45	(1,021.21)	-25.2%	5.06	3.79
100,000		4,827.62		3,676.44	(1,151.18)	-23.8%	4.83	3.68
200,000		8,568.31		6,828.84	(1,739.47)	-20.3%	4.28	3.41
300,000		12,218.03		9,928.07	(2,289.96)	-18.7%	4.07	3.31
500,000		19,424.78		16,071.25	(3,353.53)	-17.3%	3.88	3.21

Next Steps

Union Next Steps

- Investigate the cost allocation of Union South customer-related meters, regulators, stations and services in Union South:
  - Review the current cost allocation methodology based on type of customer (residential, commercial and industrial)
  - Determine if customer size (i.e. volume) should be considered in allocation of customer-related costs

Intervenor Feedback

Filed: 2013-10-31
EB-2013-0365
Exhibit A
Tab 5
Appendix C

Rate M1/Rate M2 and Rate 01/Rate 10 Volume Breakpoint Working Group

September 4, 2013

The Purpose of the Working Group

- Respond to the Board’s directive from EB-2011-0210
- Provide recommendation(s) based on the results obtained from Union’s analysis
- File evidence for Board approval if a consensus is reached on an annual volume breakpoint other than the current approved level of 50,000 m^3/year

Today's Objectives

- Review the volumetric rates associated with the 2013 Board approved demand and commodity-related costs in Rate M1/M2 delivery rates
- Review the 2014 Cost Allocation Study with an annual volume breakpoint of 5,000 m^3 and discuss cost allocation methodologies for:
  - DSM Program Costs
  - Bad Debt
  - Distribution Station Replacement Costs
  - Distribution Demand and Design Day Demands
- Review 2014 rates and bill impacts
- Discuss next steps

Review the Volumetric Rates associated with the 2013 Board Approved Demand and Commodity-Related costs

2013 Board Approved Costs in Delivery Rates

	2013 Approved Costs				
		Delivery-Related			Total
Rate Class	Customer-related ($000's)	Demand-Related ($000's)	Volume-related ($000's)	Total Delivery ($000's)	Allocated Costs ($000's)
	(a)	(b)	(c)	(d)=(b+c)	(e)=(a+d)
Rate 01	114,119	45,805	719	46,524	160,643
Rate 10	4,830	14,682	231	14,913	19,743
Rate M1	269,096	97,402	267	97,669	366,765
Rate M2	8,664	33,256	1,892	35,148	43,812
Total	396,710	191,144	3,110	194,254	590,964

Allocators	**# of customers**	**10^3m^3**	**10^3m^3**	**10^3m^3**
Rate 01	319,978	884,421	884,421	884,421
Rate 10	2,052	322,887	322,887	322,887
Rate M1	1,058,900	2,939,543	2,939,543	2,939,543
Rate M2	6,788	975,571	975,571	975,571

				SEC Unit Delivery Cost Calculation	**Load Factor**
Unit Cost	**$/month**	**cents/m^3**	**cents/m^3**	**cents/m^3**	
Rate 01	29.72	5.1791	0.0813	5.2604	27.2%
Rate 10	196.15	4.5471	0.0716	4.6187	34.2%
Rate M1	21.18	3.3135	0.0091	3.3226	28.0%
Rate M2	106.37	3.4089	0.1939	3.6028	27.7%
Rate M2 @ Rate 10 LF		2.7579	0.1569	2.9148	34.2%

2007 Board Approved Costs in Delivery Rates

	2007 Approved Costs				
		Delivery-Related			
Rate Class	Customer-related ($000's)	Demand-Related ($000's)	Volume-related ($000's)	Total Delivery ($000's)	Total Allocated Costs ($000's)
	(a)	(b)	(c)	(d)=(b+c)	(e)=(a+d)
Rate 01	99,129	35,883	1,184	37,066	136,196
Rate 10	5,301	14,459	915	15,374	20,675
Rate M1	245,566	91,262	3,380	94,641	341,112
Rate M2	6,983	30,441	1,310	31,750	44,580
Total	356,979	172,044	6,788	178,832	542,562
Allocators	**# of customers**	**10^3m^3**	**10^3m^3**	**10^3m^3**	
Rate 01	295,672	905,311	905,311	905,311	
Rate 10	2,962	381,369	381,369	381,369	
Rate M1	980,085	2,862,265	2,862,265	2,862,265	
Rate M2	6,978	1,100,502	1,100,502	1,100,502	
				SEC Unit Delivery Cost Calculation	**Load Factor**
Unit Cost	**$/month**	**cents/m^3**	**cents/m^3**	**cents/m^3**	
Rate 01	27.94	3.9636	0.1308	4.0943	29.7%
Rate 10	149.15	3.7914	0.2399	4.0313	35.7%
Rate M1	20.88	3.1884	0.1181	3.3065	27.9%
Rate M2	83.39	2.7661	0.1190	2.8851	32.8%

Conclusions

- Union has not found any issues related to the allocation of demand-related costs in either the 2013 or 2007 Board Approved Cost Allocation Studies
- The higher demand-related unit rate in M2 (3.4 cents/m^3) as compared to M1 (3.3 cents/m^3) is driven by the decline in the M2 load factor from 2007 to 2013
- The M2 annual demands have declined while M2 peak day demands have increased resulting in a lower M2 load factor in 2013
- The load factor for M2 decreased from 32.8% in 2007 to 27.7% in 2013
- The load factors for M1/M2 in 2013 are approximately equal at 28% whereas in 2007 the M1 load factor was 27.9% and M2 load factor was 32.8%

Review 2014 Cost Allocation Analysis
Takeaways from the June 25, 2013 Meeting

2014 Cost Allocation Analysis

- Based on the outcomes of the last meeting, Union reviewed the cost allocation methodologies for:
  - DSM Program Costs
  - Bad Debt
  - Distribution Station Replacement Costs
  - Distribution Demand and Design Day Demands

DSM Program Costs

- The Board approved cost allocation methodology for DSM program costs is based on:
  - The DSM program budget by rate class
  - The low income program costs allocated in proportion to distribution revenue
- In the 5,000 m^3 cost allocation study, Union split the general service costs based on general service delivery volumes
- In the updated cost allocation study, Union obtained a DSM budget from the DSM group based on the number and types of customers moving into Rate M2 and Rate 10

DSM Program Costs

- Based on the revised DSM program costs, there is no material change for Rate 01 and Rate 10 and the costs allocated to Rate M1 at the 5,000 m^3 volume breakpoint would decrease by $99,000.

Rate Class ($000's)	Allocated on Delivery Volumes June 25, 2013 (a)	Updated DSM Program Allocation August 29, 2013 (b)	Variance (c) = (b –a)
Rate 01	2,623	2,624	1
Rate 10	2,295	2,294	(1)
Rate M1	7,821	7,722	(99)
Rate M2	6,525	6,624	99

Bad Debt Costs

- The allocation of bad debt costs is based on the forecast of uncollectable accounts by customer type
- The distribution-related uncollectable accounts are allocated to the respective rate classes based on the number of customers by customer type (i.e. system sales, direct purchase general service and large industrial customers)
- In the 5,000 m^3 cost allocation study, Union updated the cost allocation of bad debt to Rate M1/Rate M2 and Rate 01/Rate 10 based on the updated customer forecast
- Union has not proposed a change to this cost allocation methodology

Distribution Station Replacement Costs

- The Board approved methodology for meters, regulators, and stations in Union South is based on station replacement costs
- The general service allocation uses the type of customer (residential, commercial and industrial) to estimate the replacement cost
- The calculation at the 5,000 m^3 breakpoint is:

	Replacement	Number of Meters (Banner)		Station Replacement Costs ($000's)	
Customer	Cost ($)	M1	M2	M1	M2
Type	(a)	(b)	(c)	(d) = (a x b/1000)	(e) = (a x c/1000)
Residential	505	975,278	19,277	492,784	9,740
Commercial	1,993	45,170	38,908	90,036	77,554
Industrial	16,048	1,519	3,763	24,376	60,391
Total		1,021,967	61,948	607,196	147,685

Distribution Station Replacement Costs

- Union investigated an alternate approach to calculate the station replacement costs that uses:
  - the number of installed meters by type at the volume breakpoints (less than or greater than 5,000 m^3 annual volume) applied to
  - the estimated station replacement costs
- The results of this approach would:
  - decrease Rate M1 by $5.4 million
  - increase Rate M2 by $2.7 million, and
  - increase other Contract rate classes by $2.7 million

Distribution Station Replacement Costs

Meter Detail	Replacement Cost ($) (a)	Number of Meters < 5,000 m^3 (b)	 > 5,000 m^3 (c)	Station Replacement Costs ($000's) M1 (d) =(a x b)	 M2 (e) = (a x c)
200	231	957,194	16,126	221,590	3,733
400	623	13,735	10,598	8,559	6,605
800	1,172	1,145	4,428	1,342	5,191
1000	1,255	1,525	9,492	1,913	11,909
3M - ID	10,634	0	1	0	11
3M - TC	4,055	493	6,614	1,999	26,823
5M - TC	5,724	99	2,412	567	13,807
7M - TC	6,526	22	1,011	144	6,598
11M - ID	21,043	22	638	463	13,425
11M - TC	9,418	5	576	47	5,425
16M - ID	11,081	0	64	0	709
Total		974,240	51,960	236,625	94,235

Distribution Station Replacement Costs

Rate Class ($000's)	Distribution Customer June 25, 2013 (a)	Updated Distribution Customer August 29, 2013 (b)	Variance (c) = (b –a)
Rate M1	252,164	246,736	(5,428)
Rate M2	38,376	41,110	2,733
Rate M4	2,255	2,666	410
Rate M5	2,514	2,971	457
Rate M7	867	1,070	203
Rate M9	77	108	31
Rate M10	48	52	5
Rate T1	1,377	1,649	272
Rate T2	6,746	7,940	1,194
Rate T3	244	366	122
Total	304,668	304,668	-

Distribution Station Replacement Costs

- If Union used the new methodology to allocate costs to the general service rate classes at the new volume breakpoints (and made no changes to contract rate classes), Rate M2 would increase by $3.3 million and Rate M1 would decrease by $3.3 million

Rate Class ($000's)	Distribution Customer June 25, 2013 (a)	Updated Distribution Customer August 29, 2013 (b)	Variance (c) = (b –a)
Rate M1	252,164	248,829	(3,335)
Rate M2	38,376	41,711	3,335

Distribution Demand and Design Day Demand

- The Union South allocation of distribution demand-related costs is in proportion to the distribution design day demands
- The Union South general service design day demands are split between Rate M1 and Rate M2 based on winter volumes
- The Union North allocation of distribution demand-related costs is based on various factors based on the classification of grid, joint and sole-use customers
- The allocation to Union North rate classes is primarily based on annual volumes and peak day demands

Distribution Demand and Design Day Demand

- As an alternate approach, Union used the general service peak hour demands used for load modelling the Union North and Union South distribution systems
- The alternate approach resulted in an increase of $0.1 million to Rate M1 at 5,000 m^3 volume breakpoint and $3.8 million decrease to Rate 01

Rate Class ($000's)	Demand-Related Costs June 25, 2013 (a)	Demand-Related Costs Peak Hour Update August 29, 2013 (b)	Variance (c) = (b –a)
Rate 01	100,569	96,809	(3,759)
Rate 10	82,955	86,715	3,759
Rate M1	89,087	89,178	91
Rate M2	70,043	69,951	(91)

Cost Allocation Summary

- The overall impact of the alternate cost allocation methodologies shifts an additional $3.3 million to Rate M2 and $3.8 million to Rate 10 compared to the previous cost allocation analysis provided on June 25, 2013 for the general service 5,000 m^3 volume breakpoint proposal

Particulars ($000's)	Rate M1 (a)	Rate M2 (b)	Rate 01 (c)	Rate 10 (d)
DSM	(99)	99	1	(1)
Bad Debt	0	0	0	0
Station Replacement Costs	(3,335)	3,335	0	0
Design Day Demands	91	(91)	(3,759)	3,759
Total	(3,343)	3,343	(3,758)	3,758

2014 Rates and Bill Impacts Based on the Alternate Cost Allocation Methodologies

Number of Customers and Volumes

Particulars	Union North Rate 01 (a)	 Rate 10 (b)	 Total (c)=(a+b)	Union South Rate M1 (d)	 Rate M2 (e)	 Total (f)=(d+e)
2013 Approved at 50,000 m^3 breakpoint						
Customers	319,978	**2,052**	322,030	1,058,900	**6,788**	1,065,688
Annual Volume	884,421	322,887	1,207,308	2,939,543	975,571	3,915,114
2014 Proposed at 5,000 m^3 breakpoint						
Customers	300,669	**21,361**	322,030	1,004,661	**61,027**	1,065,688
Annual Volume	643,947	563,361	1,207,308	2,134,461	1,780,653	3,915,114
Transition to 5,000 m^3						
Customers	(19,309)	**19,309**		(54,239)	**54,239**	
Annual Volume	(240,474)	240,474		(805,082)	805,082	

Revenues and Costs
Union North

		2013 Approved at 50,000 m^3 breakpoint			2014 Proposed at 5,000 m^3 breakpoint		
		Approved Revenue	Allocated Cost	Revenue-to-Cost Ratio	Proposed Revenue	Allocated Cost	Revenue-to-Cost Ratio
Rate 01	Customer-related	80,634	114,119	70.7%	75,769	106,401	71.2%
	Demand-related		45,805			31,528	
	Delivery-related	80,615	719		63,105	577	
	Total	161,249	160,643		138,874	138,506	
Rate 10	Customer-related	1,724	4,830	35.7%	8,203	12,548	65.4%
	Demand-related		14,682			28,959	
	Delivery-related	18,255	231		34,152	373	
	Total	19,979	19,743		42,355	41,880	
Total GS: Union North		**181,228**	**180,386**		**181,228**	**180,386**	

Revenues and Costs Union South

		2013 Approved at 50,000 m^3 breakpoint			2014 Proposed at 5,000 m^3 breakpoint		
		Approved Revenue	Allocated Cost	Revenue-to-Cost Ratio	Proposed Revenue	Allocated Cost	Revenue-to-Cost Ratio
Rate M1	Customer-related	266,843	269,096	99.2%	253,174	236,781	106.9%
	Demand-related		97,402			72,683	
	Delivery-related	100,665	267		56,025	(613)	
	Total	367,508	366,765		309,200	308,850	
Rate M2	Customer-related	5,702	8,664	65.8%	23,434	40,979	57.2%
	Demand-related		33,256			57,975	
	Delivery-related	37,173	1,892		77,747	2,773	
	Total	42,874	43,812		101,182	101,727	
Total GS: Union South		**410,382**	**410,577**		**410,382**	**410,577**	

Customer-Related Costs

	2013 Approved			2014 Proposed		
Rate Class	Customer-related Costs ($000's) (a)	Monthly Customer Charge Revenue ($000's) (b)	Percent Recovery (c) = (b / a)	Customer-related Costs ($000's) (d)	Monthly Customer Charge Revenue ($000's) (e)	Percent Recovery (f) = (e / d)
Rate 01	114,119	80,634	70.7%	106,401	75,769	71.2%
Rate 10	4,830	1,724	35.7%	12,548	8,203	65.4%
Rate M1	269,096	266,843	99.2%	236,781	253,174	106.9%
Rate M2	8,664	5,702	65.8%	40,979	23,434	57.2%
Total	396,710	354,903	89.5%	396,710	360,580	90.9%

2014 Costs in Delivery Rates

	2014 Proposed Costs				
		Delivery-Related			
Rate Class	Customer-related ($000's)	Demand-Related ($000's)	Volume-related ($000's)	Total Delivery ($000's)	Total Allocated Costs ($000's)
	(a)	(b)	(c)	(d)=(b+c)	(e)=(a+d)
Rate 01	106,401	31,528	577	32,105	138,506
Rate 10	12,548	28,959	373	29,332	41,880
Rate M1	236,781	72,683	(613)	72,069	308,850
Rate M2	40,979	57,975	2,773	60,747	101,727
Total	396,710	191,144	3,109	194,253	590,963

Allocators	**# of customers**	**10^3m^3**	**10^3m^3**	**10^3m^3**
Rate 01	300,669	643,947	643,947	643,947
Rate 10	21,361	563,361	563,361	563,361
Rate M1	1,004,661	2,134,461	2,134,461	2,134,461
Rate M2	61,027	1,780,653	1,780,653	1,780,653

				SEC Unit Delivery Cost Calculation	**Load Factor**
Unit Cost	**$/month**	**cents/m^3**	**cents/m^3**	**cents/m^3**	
Rate 01	29.49	4.8960	0.0897	4.9857	27.5%
Rate 10	48.95	5.1404	0.0661	5.2066	30.4%
Rate M1	19.64	3.4052	(0.0287)	3.3765	27.3%
Rate M2	55.96	3.2558	0.1557	3.4115	28.8%

Rates
Union North

2013 Approved			
Particulars	Annual Billing Units (10^{3}m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)
Approved 2013 Rate 01 Delivery			
Monthly Charge	3,839,732	80,634	$21.00
Monthly Delivery Charge			
First 100 m^3 per month	260,791	25,387	9.7347
Next 200 m^3 per month	296,122	27,273	9.2102
Next 200 m^3 per month	129,180	11,416	8.8375
Next 500 m^3 per month	88,231	7,496	8.4955
Over 1,000 m^3 per month	110,097	9,042	8.2130
Total 2013 Rate 01 Delivery	884,421	161,249	
Approved 2013 Rate 10 Delivery			
Monthly Charge	24,629	1,724	$70.00
Monthly Delivery Charge			
First 1,000 m^3 per month	23,682	1,825	7.7070
Next 9,000 m^3 per month	127,854	8,046	6.2934
Next 20,000 m^3 per month	81,326	4,462	5.4872
Next 70,000 m^3 per month	61,664	3,065	4.9711
Over 100,000 m^3 per month	28,362	855	3.0159
Total 2013 Rate 10 Delivery	322,887	19,979	
Total 2013 General Service Delivery	1,207,308	181,228	

2014 Proposed			
Particulars	Annual Billing Units (10^{3}m^3)	Revenue ($000's)	Rates (cents/m^3)
	(d)	(e)	(f)
Proposed 2014 Rate 01 Delivery			
Monthly Charge	3,608,030	75,769	$21.00
Monthly Delivery Charge			
First 100 m^3 per month	238,995	23,748	9.9364
Next 150 m^3 per month	273,645	26,816	**9.7996**
All Over 250 m^3 per month	131,307	12,541	9.5506
Total 2014 Rate 01 Delivery	643,947	138,874	
Proposed 2014 Rate 10 Delivery			
Monthly Charge	256,331	8,203	$32.00
Monthly Delivery Charge			
First 1,000 m^3 per month	188,639	12,523	6.6384
Next 6,000 m^3 per month	186,596	11,629	**6.2322**
Next 13,000 m^3 per month	77,769	4,520	**5.8122**
All Over 20,000 m^3 per month	110,357	5,480	4.9660
Total 2014 Rate 10 Delivery	563,361	42,355	
Total 2014 General Service Delivery	1,207,308	181,228	

Delivery-Related Bill Impacts
Union North

Annual Volume	2013 Approved - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		Average Unit Price	
(m^3/year)	Rate 01 ($)	Rate 10 ($)	Rate 01 ($)	Rate 10 ($)	($)	(%)	Approved	Proposed
1,800	422.65		429.33		6.68	1.6%	23.48	23.85
2,200	459.15		468.00		8.85	1.9%	20.87	21.27
2,600	495.30		506.60		11.30	2.3%	19.05	19.48
3,000	531.25		545.12		13.87	2.6%	17.71	18.17
4,999	706.41		737.11		30.70	4.3%	14.13	14.75
5,000	706.50		737.20		30.71	4.3%	14.13	14.74
5,001	706.58			715.99	9.41	1.3%	14.13	14.32
6,000	792.76			782.30	(10.45)	-1.3%	13.21	13.04
7,000	877.89			848.57	(29.32)	-3.3%	12.54	12.12
10,000	1,130.30			1,041.74	(88.56)	-7.8%	11.30	10.42
20,000	1,961.33			1,674.57	(286.76)	-14.6%	9.81	8.37
30,000	2,786.54			2,301.30	(485.24)	-17.4%	9.29	7.67
49,999	4,432.28			3,547.03	(885.25)	-20.0%	8.86	7.09
50,000	4,432.36			3,547.09	(885.27)	-20.0%	8.86	7.09
50,001		4,156.37		3,547.15	(609.22)	-14.7%	8.31	7.09
60,000		4,785.64		4,152.15	(633.50)	-13.2%	7.98	6.92
70,000		5,412.57		4,751.15	(661.42)	-12.2%	7.73	6.79
80,000		6,014.80		5,347.07	(667.74)	-11.1%	7.52	6.68
100,000		7,181.99		6,535.24	(646.75)	-9.0%	7.18	6.54
200,000		12,859.81		12,146.93	(712.87)	-5.5%	6.43	6.07
300,000		18,184.35		17,379.17	(805.19)	-4.4%	6.06	5.79
500,000		28,435.60		27,560.81	(874.78)	-3.1%	5.69	5.51

Rates
Union South

	2013 Approved			2014 Proposed		
Particulars	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)	Annual Billing Units (10^3m^3)	Revenue ($000's)	Rates (cents/m^3)
	(a)	(b)	(c)	(d)	(e)	(f)
Approved 2013 Rate M1 Delivery				**Proposed 2014 Rate M1 Delivery**		
Monthly Charge	12,706,802	266,843	$21.00	12,055,926	253,174	$21.00
Monthly Delivery Charge						
First 100 m^3 per month	885,353	33,462	3.7795	824,336	24,564	2.9798
Next 150 m^3 per month	786,168	28,090	3.5730	722,101	18,954	**2.6248**
All Over 250 m^3 per month	1,268,023	39,113	3.0845	588,024	12,508	2.1271
Total Rate M1 Delivery	2,939,543	367,508		2,134,461	309,200	
Approved 2013 Rate M2 Delivery				**Proposed 2014 Rate M2 Delivery**		
Monthly Charge	81,451	5,702	$70.00	732,327	23,434	$32.00
Monthly Delivery Charge						
First 1,000 m^3 per month	53,047	2,197	4.1416	462,367	21,344	4.6163
Next 6,000 m^3 per month	258,156	10,495	4.0653	650,995	29,075	**4.4663**
Next 13,000 m^3 per month	291,703	11,195	3.8379	294,626	12,570	**4.2663**
All Over 20,000 m^3 per month	372,665	13,286	3.5650	372,665	14,759	3.9605
Total Rate M2 Delivery	975,571	42,874		1,780,653	101,182	
Total General Service Delivery	3,915,114	410,382		3,915,114	410,382	

Delivery-Related Bill Impacts
Union South

Annual Volume (m^3/year)	2013 Approved - Annual Volume Breakpoint of 50,000 m^3		2014 Proposed - Annual Volume Breakpoint of 5,000 m^3		Annual Bill Impacts		Average Unit Price	
	Rate M1 ($)	Rate M2 ($)	Rate M1 ($)	Rate M2 ($)	($)	(%)	Approved	Proposed
1,800	317.46		301.79		(15.67)	-4.9%	17.64	16.77
2,200	330.66		311.26		(19.40)	-5.9%	15.03	14.15
2,600	343.77		320.61		(23.16)	-6.7%	13.22	12.33
3,000	356.77		329.85		(26.93)	-7.5%	11.89	10.99
4,999	420.69		374.84		(45.85)	-10.9%	8.42	7.50
5,000	420.72		374.86		(45.86)	-10.9%	8.41	7.50
5,001	420.75			614.86	194.11	46.1%	8.41	12.29
6,000	452.08			660.80	208.72	46.2%	7.53	11.01
7,000	483.38			706.42	223.04	46.1%	6.91	10.09
10,000	577.10			842.19	265.10	45.9%	5.77	8.42
20,000	886.04			1,291.96	405.92	45.8%	4.43	6.46
30,000	1,194.49			1,739.94	545.44	45.7%	3.98	5.80
49,999	1,811.37			2,627.25	815.88	45.0%	3.62	5.25
50,000	1,811.40			2,627.30	815.89	45.0%	3.62	5.25
50,001		2,873.03		2,627.34	(245.69)	-8.6%	5.75	5.25
60,000		3,266.21		3,062.29	(203.91)	-6.2%	5.44	5.10
70,000		3,658.44		3,496.34	(162.09)	-4.4%	5.23	4.99
80,000		4,049.67		3,929.51	(120.15)	-3.0%	5.06	4.91
100,000		4,827.62		4,791.89	(35.73)	-0.7%	4.83	4.79
200,000		8,568.31		8,942.52	374.22	4.4%	4.28	4.47
300,000		12,218.03		12,994.07	776.04	6.4%	4.07	4.33
500,000		19,424.78		20,999.34	1,574.56	8.1%	3.88	4.20

Next Steps

- Union will file evidence to respond to the Board’s directive to review the 5,000 m^3 annual volume breakpoint cost allocation analysis in its 2014 rates application
- Based on Union’s 2014 cost allocation analysis and the resulting delivery rates, Union is not proposing to implement the 5,000 m^3 annual volume breakpoint as part of the 2014-2018 IR term
- In particular, with the M1 monthly customer charge fixed at $21, Union cannot improve the M1/M2 rate continuity in 2014
- Union’s current approved monthly customer charges recover an appropriate level of customer-related costs
- In the absence of a symmetrical Board approved weather methodology, Union is not prepared to lower the M1 monthly customer charge
- If Union proposes an annual volume breakpoint change at its next rebasing, Union will consider any cost allocation methodology and rate design changes at that time