INDUSTRIAL GAS USERS ASSOCIATION

Response to Board Staff Interrogatory 1

Please explain the position of Lanxess Inc. and Suncor Energy Inc. with respect to Union's proposal on the Parkway Delivery Obligation.

Response:

While Lanxess and Suncor appreciate Union's objective of addressing what these companies view as an inequity in the current delivery obligations for Union's customers by moving towards allowing all Union customers to deliver gas at Dawn, concern remains as to the length of time for, and relative uncertainty regarding, completion the proposed transition. Lanxess and Suncor are working with IGUA to develop a definitive position on Union's proposal. IGUA will advise parties of its position, which will be informed by the views of Lanxess and Suncor and other affected IGUA members, prior to the scheduled settlement conference, and will inform the Board of its position in advance of the hearing of the issue should the matter not settle.

INDUSTRIAL GAS USERS ASSOCIATION

Response to Board Staff Interrogatory 2

The evidence indicates that the annual cost to deliver at Parkway to fulfil the DCQ obligation is $531,000 for Lanxess Inc. and $628,000 for Suncor Energy Inc. What are the stated costs noted above as a percentage of:

a) the overall gas expenditure for both the companies; and

b) the total gas transportation costs for both companies?

Response:

a) The aggregate incremental costs to deliver gas to Parkway, rather than Dawn, of Lanxess and Suncor comprise approximately 1% of the aggregate annual gas expenditure for both companies.

b) As described in IGUA's evidence, Suncor buys some of its Parkway obligated deliveries at Parkway on a delivered basis, and contracts for M12 capacity from Dawn to Parkway for the rest of its Parkway obligated deliveries. Lanxess acquires all of its Parkway obligated deliveries on a delivered basis at Parkway.

It is not possible for Lanxess and Suncor to determine what portion of their delivered gas supply costs (whether delivered to Dawn or to Parkway) arise from transmission of gas as distinct from the cost of the gas commodity. Delivered gas prices reflect market dynamics and incorporate commodity, transportation, transaction and supplier margin costs into one landed gas supply price. The gas delivered can be sourced from any one or more of a number of supply basins in North America at any given time.

On a mathematical basis, therefore, the incremental $1.159 million aggregate incremental cost of the Parkway deliveries of these two customers represent in excess of 100% of the separately contracted gas transportation costs incurred by these customers to serve the customer locations identified in the evidence.