

May 6<sup>th</sup>, 2014

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

Dear Ms. Walli:

**Re: Union Gas Limited – NEXUS Greenfield Pipeline**

This purpose of this letter is to notify the Board and interested parties about a precedent agreement signed by Union Gas Limited for firm transportation capacity on the proposed NEXUS greenfield pipeline, and to outline our initial thoughts on the next steps and timing for seeking OEB regulatory approval.

The NEXUS pipeline is a new greenfield project that is being jointly developed by companies including DTE Pipeline Company and Spectra Energy Transmission LLC. This new pipeline would provide firm transportation service from the Appalachian production areas in the United States, including the Utica and Marcellus Shale production areas, to Michigan and Ontario, including the Dawn Hub.

Union's precedent agreement reflects firm transportation service for 150,000 Dth/d (approx. 158,000 GJ/d), plus fuel. If satisfied, the agreement would provide for a 15-year primary term, and a commencement date of November 1, 2017 or later. The estimated rate for service to Dawn is approximately CDN\$0.70 - \$0.90 per GJ/d plus fuel of 2% - 3%. This new capacity would facilitate supply diversity and would replace some long-haul transportation capacity currently contracted with TransCanada Pipelines and Alliance/Vector.

There are a number of conditions yet to be satisfied for the agreement, including OEB approval of the cost consequences of the contract, and all government and regulatory authorizations.

It is Union's intention to hold a stakeholder meeting this summer to review a number of items, including the details of this precedent agreement and updates to its large capital expansion projects. Full information on the precedent agreement will be provided at that time. It is also Union's intention to apply for OEB approval of the cost consequences of this agreement prior to the end of this year.

Please provide a copy of this letter to the Board members who formed the hearing panel for Union's 2012 earnings sharing and deferral account disposition proceeding (including Union's response to certain Board directives on gas supply planning). Those Board members are Mr. Ken Quesnelle, Ms. Marika Hare, and Ms. Ellen Fry. A copy has been provided to all intervenors in that proceeding.

Yours truly,

*[original signed by Angela Hale on behalf of]*

Mark Kitchen  
Director, Regulatory Affairs

Cc: Crawford Smith, Torys  
EB-2013-0109 Intervenors