

July 15, 2015

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

Dear Ms. Walli:

Re: EB-2015-0181 – Union Gas Limited – Dawn Reference Price and North T-Service Application and Evidence

Please find attached an application from Union Gas Limited ("Union") seeking changes to rates for Union's sales service and bundled direct purchase customers to better reflect the changes in Union's gas supply transportation portfolio going forward. The changes in Union's transportation portfolio and the impacts on the reference price, rates, deferrals and services are described in Union's evidence.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2014-0271 Intervenors
Crawford Smith, Torys

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by
Union Gas Limited, pursuant to section 36(1) of the
Ontario Energy Board Act, 1998, for an order or
orders approving or fixing just and reasonable rates
and other charges for the sale, distribution,
transmission and storage of gas as of January 1,
2016.

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation incorporated under the laws of the province of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts both an integrated natural gas utility business that combines the operations of distributing, transmitting and storing natural gas, and a non-utility storage business.
3. Union is proposing changes to rates for Union’s sales service and bundled direct purchase customers to better reflect the changes in Union’s gas supply transportation portfolio going forward.
4. Union applies to the Board for:
 - a. changes to the reference price used to set rates as determined in Union’s quarterly rate filing to better reflect where Union will be purchasing gas supply in the future, effective the QRAM coinciding with or immediately following TransCanada facilities in-service date;
 - b. changes to Union North transportation, storage and commodity rates to reflect the

gas supply portfolio changes and modifications to the applicable rate schedules, effective January 1, 2016;

- c. modifications to the existing Rate 01, Rate 10, Rate 20, Rate 25 and Rate 100 rate schedules to include a new transportation service option for Union North East T-Service customers;
- d. changes to the recovery of upstream transportation compressor fuel costs in rates for Union North sales service and bundled DP customers, effective January 1, 2016;
- e. cost allocation methodology and rate design changes for cost-based Union North gas storage and transportation rates based on the 2016-2018 gas supply plan; and,
- f. to establish the following deferral accounts:
 - i. Transportation Tolls and Fuel – Union North West Operations Area
 - ii. Transportation Tolls and Fuel – Union North East Operations Area
 - iii. Union North West Purchase Gas Variance Account
 - iv. Union North East Purchase Gas Variance Account
 - v. Base Service North T-Service TransCanada Capacity Deferral Account;and,
- g. to close the following deferral accounts:
 - i. Transportation Tolls and Fuel – Northern and Eastern Operations Area Deferral Account (Account No. 179-100)
 - ii. North Purchase Gas Variance Account (Account No. 179-105)

5. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
6. This application is supported by written evidence which may be amended from time to time as circumstances may require.
7. The persons affected by this application are the customers resident or located in the municipalities, police villages and First Nations reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.
8. The address of service for Union is:

Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention:	Chris Ripley Manager, Regulatory Applications
Telephone:	(519) 436-5476
Fax:	(519) 436-4641

- and -

Torys

Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

Attention:	Crawford Smith
Telephone:	(416) 865-8209
Fax:	(416) 865-7380

DATED July 15, 2015.

UNION GAS LIMITED

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

PREFILED EVIDENCE

The purpose of this evidence is to propose changes to rates for Union's sales service and bundled direct purchase ("DP") customers to better reflect the changes in Union's gas supply transportation portfolio going forward. Union will be converting long-haul transportation contracts on TransCanada Pipelines Limited ("TransCanada") to short-haul transportation contracts on TransCanada. Union will reduce reliance on supply from the Western Canadian Sedimentary Basin ("WCSB") and increase reliance on supply sourced at Dawn or upstream of Dawn.

In addition, Union is proposing to change the reference price used in the Quarterly Rate Adjustment Mechanism ("QRAM") process to set rates for Union South and the majority of Union North customers to be based on the Dawn price of gas rather than the current Empress price of gas. The proposed changes to the reference price used to set rates will better reflect the cost of the gas supply purchased to serve Union South and Union North customers and will minimize variances that would otherwise accumulate in gas cost deferral accounts.

Union is also proposing a new optional Union North T-Service Transportation from Dawn service to provide customers with access to Dawn-based supply.

The changes in Union's transportation portfolio and the impacts on the reference price, rates, deferrals and services are described in more detail below. Union is seeking approval for:

- 1) changes to the reference price used to set rates as determined in Union's quarterly rate filing to better reflect where Union will be purchasing gas supply in the future, effective the QRAM coinciding with or immediately following TransCanada facilities in-service date (currently contemplated as of April 1, 2016¹);
- 2) changes to Union North transportation, storage and commodity rates to reflect the gas supply portfolio changes and modifications to the applicable rate schedules, effective January 1, 2016;
- 3) modifications to the existing Rate 01, Rate 10, Rate 20, Rate 25 and Rate 100 rate schedules to include a new transportation service option for Union North East T-Service customers;
- 4) changes to the recovery of upstream transportation compressor fuel costs in rates for Union North sales service and bundled DP customers, effective January 1, 2016; and,
- 5) changes to deferral accounts as required.

The evidence is organized as follows:

Tab 1: Gas Supply Portfolio and Proposed Reference Price Changes

Tab 2: Union North Cost Allocation and Rate Design

Tab 3: North T-Service Transportation from Dawn Service

¹ 2014 Natural Gas Market Review Stakeholder Conference (EB-2014-0289), Transcript, p. 39.

GAS SUPPLY PORTFOLIO AND PROPOSED REFERENCE PRICE CHANGES

1. Introduction and Overview

North American natural gas markets have, and are expected to continue to, experience dramatic change. Production from conventional, mature North American natural gas basins is in decline while production from shale gas formations continues to exceed expectations. While natural gas reserves still exist in mature natural gas basins, the economics of natural gas production favour shale gas and tight gas formations. The Appalachian region of the U.S. Northeast, as shown in Figure 1, is home to the Utica and Marcellus shale formations in Ohio, Pennsylvania, and West Virginia which have emerged as the single largest and fastest growing producing region of natural gas in North America. This region is expected to continue to grow and produce almost 40 PJ/d by 2035. The Utica and Marcellus shale formations represent an additional economic supply source in close proximity to Union Gas Limited (“Union”).

Figure 1
The Appalachian Shale Region



1 Natural gas utilities frequently look to diversify their natural gas supply portfolio and seek
2 secure, reliable and reasonably priced natural gas. The shift in portfolios by eastern Local
3 Distribution Companies (“LDCs”) reflects the changes in the North American natural gas supply
4 and transportation markets. Market participants (including the Eastern LDC’s) are re-balancing
5 with new supply sources and replacing long-haul transportation contracts from Empress with
6 short-haul transportation contracts from Dawn.

7
8 Today, 100% of Union North supply is sourced from Empress and approximately 40% of supply
9 for Union South is sourced from Empress. The TransCanada Settlement Agreement (between
10 Enbridge Gas Distribution Inc. (“Enbridge”), Gaz Métro Limited Partnership (“Gaz Métro”),
11 Union and TransCanada) resulted in access to Dawn for all shippers downstream of Union’s
12 Dawn Hub. Union, Enbridge and TransCanada have filed expansion projects with their
13 respective regulators that will facilitate access to Dawn, including 2015 and 2016 Dawn to
14 Parkway Expansions filed by Union in EB-2012-0433/EB-2013-0074 and EB-2014-0261,
15 respectively, the Enbridge GTA project, and TransCanada’s Kings North project.

16
17 As a result of these projects, and as early as November 1, 2015, Union will be converting long-
18 haul transportation contracts on TransCanada to short-haul transportation contracts on
19 TransCanada thereby creating access to Dawn for Union North Delivery Area (“NDA”), Union
20 North Central Delivery Area (“NCDA”) and Union East Delivery Area (“EDA”) customers. As

1 of November 1, 2016, approximately 85% of the transportation portfolio for these three delivery
2 areas will be sourced from Dawn.

3
4 Overall, costs for customers in Union North will decrease due to the conversion of long-haul
5 transportation capacity supplied from Empress to short-haul transportation capacity from Dawn.

6 As described at Exhibit A, Tab 1, Section 3, when the reduced transportation costs of \$42.0
7 million (due to the shift from long-haul to short-haul) and the gas commodity cost increase of
8 \$27.6 million (due to the purchase of gas at Dawn versus Empress) are taken into account, the
9 expected net savings due to the conversion to short-haul for Union North will be approximately
10 \$14.4 million in 2018. These savings are offset by an increase in Union North storage costs of
11 \$13.6 million, reflecting additional short-haul firm transportation (“FT”) capacity required to
12 provide redelivery from storage to the Union NDA to replace diversions of Union South Empress
13 to Union Central Delivery Area (“CDA”) capacity. As a result of these changes, the net savings
14 for Union North customers are \$0.8 million in 2018. The changes to the gas supply portfolio are
15 described at Exhibit A, Tab 1, Section 3.

16
17 To recognize this fundamental change in the gas supply plan, Union is proposing to introduce
18 Union North West and Union North East Zones to set gas commodity, storage and transportation
19 rates. The Union North West Zone will be comprised of the delivery areas that will continue to
20 be served from Empress (or alternate routes not from Dawn), and includes the Centrat Manitoba
21 Delivery Area (“MDA”) (i.e. the Fort Frances Zone), Union Western Delivery Area (“WDA”)

1 and Union Sault Ste. Marie Delivery Area (“SSMDA”). The Union North East Zone will be
2 comprised of the delivery areas that will be served predominately from Dawn, and includes the
3 Union NDA, Union NCDA and Union EDA. Union’s proposal to introduce two Union North
4 Zones is described at Exhibit A, Tab 1, Section 2.4.

5
6 Currently, Union North bundled DP customers deliver their supply to Union at Empress and
7 Union uses TransCanada services to transport the supply to the respective delivery area.
8 Union North customers have requested access to Dawn and as Union converts long-haul
9 transportation contracts from Empress on TransCanada to short-haul transportation contracts
10 from Parkway on TransCanada, Union North bundled DP customers in the Union North East
11 Zone will also gain access to Dawn. Exhibit A, Tab 1, Section 2.5 describes the changes for
12 Union North bundled DP customers as a result of changes in Union’s transportation portfolio.

13
14 By 2017, 85% of Union North customers and 97% of Union South customers will be served
15 predominately from supply sourced from Dawn or upstream of Dawn. As Union reduces
16 reliance on supply from the WCSB and increases reliance on supply sourced at Dawn or
17 upstream of Dawn, the Dawn Reference Price is a more appropriate market price indicator of the
18 cost of gas supply for those customers. Union is proposing to change the reference price used in
19 the QRAM process to set rates for Union South and the majority of Union North customers to be
20 based on the Dawn price of gas rather than the current Empress price of gas. The proposed
21 changes to the reference price used to set rates will better reflect the cost of the gas supply

1 purchased to serve Union South and Union North customers and will minimize variances that
2 would otherwise accumulate in gas cost deferral accounts. Union's proposal is discussed in
3 more detail in Exhibit A, Tab 1, Section 2 of this evidence.

4
5 Based on current-approved cost allocation and rate design methodologies, Union North
6 transportation rates would decrease and storage rates would increase for all Zones as a result of
7 the cost changes associated with the gas supply plan. Union's current-approved rate design for
8 setting Union North storage and transportation rates is based on a zonal differential
9 methodology, which assumes west to east flow on TransCanada from Empress.

10
11 To recognize that the 2016-2018 gas supply plan includes both westerly and easterly
12 transportation on TransCanada to serve Union North in-franchise demands, Union is proposing
13 to set storage and transportation rates for the Union North West and Union North East Zones
14 based on a detailed cost allocation methodology by Zone. Within each of the two proposed
15 Union North Zones, Union is proposing to set storage and transportation rates on a postage stamp
16 basis. The proposed cost allocation and rate design changes reflect the costs to serve the Union
17 North West and Union North East Zone and are described at Exhibit A, Tab 2, Section 2.

18
19 The total annual bill impact, including the 2018 gas supply plan and the proposed cost allocation
20 and rate design changes, for an average residential customer with an annual volume of 2,200 m³

1 ranges from a decrease of \$51 per year in the Union SSMDA to an increase of \$26 per year in
2 Union NDA, as compared to approved rates, per April 2015 QRAM (EB-2015-0035).

3
4 The net decrease of \$51 per year for an average residential customer in the Union SSMDA
5 includes a \$6 increase in transportation rates, which is offset by a \$49 decrease in storage rates
6 and an \$8 decrease in the Union North West gas commodity rate. Of the \$6 increase in
7 transportation rates, there is a \$65 decrease associated with the transportation cost reductions in
8 the 2018 gas supply plan based on current-approved rate design. This decrease is offset by an
9 increase of \$71 associated with Union's proposed cost allocation and rate design changes. Of the
10 \$49 decrease in storage rates, there is a \$22 increase associated with the storage cost increase in
11 the 2018 gas supply plan based on current-approved rate design. This increase is offset by a
12 decrease of \$71 associated with Union's proposed cost allocation and rate design changes.

13
14 The net increase of \$26 per year for an average residential customer in the Union NDA includes
15 an \$80 decrease in transportation rates, which is offset by a \$48 increase in storage rates and a
16 \$59 increase in the Union North East gas commodity rate. Of the \$80 decrease in transportation
17 rates, there is a \$65 decrease associated with the transportation cost reductions in the 2018 gas
18 supply plan using current-approved rate design and an additional \$15 decrease associated with
19 Union's proposed cost allocation and rate design changes. Of the \$48 increase in storage rates,
20 there is a \$22 increase associated with the storage cost increase in the 2018 gas supply plan using

current-approved rate design and an additional \$25 increase associated with Union's proposed cost allocation and rate design changes.

The bill impacts of the gas supply plan and Union's proposed cost allocation and rate design are provided at Exhibit A, Tab 2, Section 2.6.

2. QRAM Process and Proposed Reference Price Changes

2.1. Current Reference Price Methodology

Gas consumers who do not choose to buy their natural gas supply from a gas marketer are supplied by Union. Sales service customers pay a price for gas set by the Board through the QRAM process. Union applies for a QRAM adjustment quarterly, and the proposed gas supply price is based on the forward market price for natural gas. The existing QRAM process was established in the Board's proceeding on Methodologies for Commodity Pricing, Load Balancing and Cost Allocation for Natural Gas Distributors (EB-2008-0106).

In the NGF Report², the Board concluded that the appropriate pricing structure for the regulated gas supply should reflect the following:

- The QRAM price should be a transparent benchmark that reflects market prices;
- The market needs an accurate and consistent price signal;
- The method for determining the reference price should be formulaic and consistent; and,

² Natural Gas Regulation in Ontario: A Renewed Policy Framework, Report on the Ontario Energy Board Natural Gas Forum. March 30, 2005, pp. 68-69.

- The methods for determining the purchased gas variance account (“PGVA”) and for disposing of PGVA balances should also be formulaic and consistent.

The Board reiterated these key points in the QRAM Review in EB-2014-0199, indicating:

“the QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect the actual natural gas market price, and protecting the interests of system supply customers by reducing, to some extent, volatility in the price of natural gas.”³

Union’s customers continue to have the option to either purchase their supply from Union or arrange supply through a DP arrangement.

- Union acquires supply and transportation capacity for Union South sales service customers. The Alberta Border Reference Price and Ontario Landed Reference Price are used to set gas commodity and transportation rates for Union South sales services customers.
- Union South bundled DP customers manage their own gas supply and transportation requirements.
- Union acquires supply for Union North sales service customers. The Alberta Border Reference Price is used to set gas commodity rates for Union North sales services customers.

³ EB-2014-0199, Decision and Order, August 14, 2014, p.4.

- Union contracts and manages upstream transportation to provide capacity to all Union North bundled customers, both sales service and bundled DP customers. Currently Union purchases supply at Empress for sales services customers and uses contracts on TransCanada to deliver the supply to market. Similarly, Union North bundled DP customers deliver their supply to Union at Empress and Union uses contracts on TransCanada to deliver the supply to market. Union recovers the approved TransCanada tolls for each delivery area in Union North from sales services and bundled DP customers as part of the gas supply transportation charge. The actual transportation costs, therefore, reflect services for both sales service and bundled DP customers and the rates are determined using approved cost allocation and rate design principles. Storage and transportation rates for Union North customers are described in more detail at Exhibit A, Tab 2.

Currently, Union's gas supply reference price represents an average cost for gas at Empress (the Alberta Border Reference Price) for the next 12 months. Union determines this price by applying a forward Empress basis differential to the future 12-month NYMEX market prices, applying a foreign exchange rate and weighting these monthly prices by the volume Union plans to buy in each of the 12 months. The result is an average cost per gigajoule ("GJ") in Canadian dollars that represents the 12-month forward market price at Empress.

The Alberta Border Reference Price is used to set commodity rates for Union North sales service

1 customers. The Ontario Landed Reference Price is based on the Alberta Border Reference Price
2 (Empress supply) plus transportation tolls and fuel required to ship the supply on TransCanada
3 from Empress to Union CDA. The Alberta Border Reference Price is used for Union South sales
4 service customers to set gas commodity rates, while the Ontario Landed Reference Price is used
5 to set transportation rates, value gas in inventory and to value delivery-related cost of gas
6 components. The Alberta Border Reference Price and Ontario Landed Reference Price are both a
7 rolling 12-month price that is updated quarterly. This 12-month average price is intended to
8 smooth seasonal prices or cost anomalies that may be present in any of the individual months, so
9 that customers see a more stable rate on their bills. Quarterly updates to these reference prices
10 are intended to ensure that each reference price adequately reflects any changing market
11 dynamics.

12
13 To set the commodity rate for Union North sales service customers, Union adds compressor fuel
14 and the gas supply administration charge to the Alberta Border Reference Price specific to each
15 delivery area (as shown at Exhibit A, Tab 2, Table 2). With less gas being sourced from Alberta
16 for certain Union North delivery areas in the future, the Alberta Border Reference Price will no
17 longer be an accurate price signal of the costs of gas supply commodity for all Union North
18 customers. The Dawn Reference Price will be a more appropriate market price indicator of the
19 cost of gas supply commodity for certain Union North customers.

20
21 For Union South sales service customers, the Alberta Border Reference Price is used to set gas

1 commodity rates. The transportation rate for Union South sales service customers is determined
2 by comparing the average forecasted landed cost of the Union South portfolio to what the cost
3 would have been had all the Union South supplies been purchased at Empress and transported on
4 TransCanada (i.e. the Ontario Landed Reference Price). This cost differential, referred to as the
5 Union South Portfolio Cost Differential (“SPCD”), is added to or subtracted from the
6 TransCanada Empress to Union CDA transportation toll to derive the Union South transportation
7 rate. Today the SPCD is a credit of approximately \$1.00/GJ or a 25% reduction from the Ontario
8 Landed Reference Price. The result is sales service customers in Union South are charged a rate
9 for regulated gas supply service equivalent to the expected landed cost at Dawn over the forward
10 12-month period. The existing QRAM process essentially adjusts the Ontario Landed Reference
11 Price, which is based on the Alberta Border Reference Price, to a price that is similar to Union’s
12 proposed Dawn Reference Price. The proposed Dawn Reference Price will be more reflective of
13 the forecast landed cost of the Union South portfolio.

14
15 Consistent with intervenor positions in the Natural Gas Market Review (EB-2014-0289), as a
16 larger portion of Union’s supply portfolio is sourced from Dawn and less from Alberta in the
17 future, the Dawn Reference Price will be a more appropriate market price indicator of the cost of
18 gas supply.

19
20 Union’s proposed changes to the reference price for gas commodity rates for Union North sales
21 service customers and gas commodity and transportation rates for Union South sales service

1 customers are described below.

2
3 2.2. Proposed Reference Price Methodology – Union North

4 Union will convert TransCanada long-haul transportation contracts to short-haul transportation
5 contracts, and thereby create access to Dawn for Union North (Union EDA and Union NDA in
6 2015 and 2016). In addition, Union bid into the 2017 TransCanada open season for 2,000 GJ/day
7 short-haul FT capacity on TransCanada from Union Parkway Belt to the Union NCDA to meet
8 anticipated increases in the design day requirements of the Union NCDA. With these anticipated
9 changes to how Union serves these three Union North delivery areas, supply will predominantly
10 be sourced from Dawn. Union proposes using a Dawn Reference Price to set commodity rates
11 for customers in the new Union North East Zone (Union NDA, Union NCDA and Union EDA)
12 (where approximately 242,000 or 72% of Union North sales service and bundled DP customers
13 will reside). Figure 2 on p.19 illustrates the Union North West Zone served from Empress and
14 the Union North East Zone served predominately from Dawn. The Dawn Reference Price will be
15 a more accurate market price indication of the forecast cost of supply for the Union North East
16 Zone. Forecast variances between the forecast cost of the Union North East Zone gas supply
17 requirements and the Dawn Reference Price, if any, will be managed as a prospective rate
18 adjustment.

19
20 Union proposes to use the same methodology to set the Dawn Reference Price as is used today to
21 set the Alberta Border Reference Price. Union will determine the Dawn Reference Price by

1 applying a forward Dawn basis differential to the future 12-month NYMEX market prices,
2 applying a foreign exchange rate and weighting these monthly prices by the volume Union plans
3 to buy in each of the 12 months. The result will be an average cost per GJ in Canadian dollars
4 that represents the forward market price at Dawn. The reference price will be a rolling 12-month
5 price that is updated quarterly, similar to the process used today to set the Alberta Border
6 Reference Price.

7
8 Customers in the new Union North West Zone (Fort Frances, Union WDA and Union SSMDA)
9 (where approximately 92,000 or 28% of Union North sales service and bundled DP customers
10 will reside) will continue to be served using Empress-sourced supply. Using the Alberta Border
11 Reference Price to set commodity rates for sales service customers continues to be an accurate
12 reflection of the anticipated cost of gas for Union North West. Union proposes to continue to use
13 the Alberta Border Reference Price to set gas commodity rates for the Union North West Zone.
14 The Alberta Border Reference Price will be set using the existing methodology as is currently
15 used in the QRAM process. The calculation of the Alberta Border Reference Price and the
16 Dawn Reference Price is provided at Exhibit A, Tab 1, Appendix A, Schedule 1 and Schedule 2,
17 respectively.

18
19 2.3. Proposed Reference Price Methodology – Union South

20 As noted above, currently, gas commodity and transportation rates for Union South sales service
21 customers are set based on the Alberta Border Reference Price and the Ontario Landed

1 Reference Price. The projected cost of the Union South portfolio, relative to the cost of serving
2 Union South sales service customers based on the Ontario Landed Reference Price, currently
3 results in a significant credit in the Union South PGVA. Today, Union manages this variance by
4 reducing the transportation rate by the SPCD. This calculation ensures that Union South sales
5 service transportation rates are appropriately set at a level equal to the projected average cost of
6 the Union South portfolio for the 12-month forecast period.

7
8 With less gas being sourced from Alberta for Union South in the future (i.e. the portion of
9 WCSB supply in the Union South portfolio will decrease from 40% today, to approximately 3%
10 by November 1, 2016), the difference between the Ontario Landed Reference Price and the costs
11 of the Union South portfolio will continue to increase. Because more supply is sourced from
12 Dawn or upstream of Dawn, a Dawn Reference Price is a more appropriate market price
13 indicator for Union South customers. The use of a Dawn Reference Price will minimize or
14 eliminate the difference between the cost of the Union South portfolio and the cost of serving
15 Union South sales service customers using an Ontario Landed Reference Price, thereby
16 eliminating the need for the SPCD. Forecast variances between the cost of the Union South
17 portfolio and the Dawn Reference Price, if any, will be managed as a prospective rate
18 adjustment.

19
20 Since the Dawn Reference Price reflects a landed commodity cost at Dawn, the Dawn Reference
21 Price would be used to set the Union South gas commodity rate. The transportation rate for

Union South would, therefore, be zero. Union is proposing to keep the transportation rate of zero rather than eliminate it to preserve flexibility in the event of future portfolio changes that may create a need for a Union South transportation rate.

2.4. Union North Rate Zone Proposed Changes

In Union North, Union contracts and manages upstream transportation to provide capacity to sales service and bundled DP customers. Currently, Union's rates and associated rate schedules include four rates zones; one rate zone for each of:

- Fort Frances;
- the Western Delivery Area (Union WDA);
- the Northern Delivery Areas (Union NDA and Union SSMDA); and,
- the Eastern Delivery areas (Union EDA and Union NCDA).

Historically, Union's four rate zones aligned to zones reflected in TransCanada tolls. In RH-003-2011, TransCanada revised its tolls to be delivery area specific. The changes in TransCanada tolls, as well as the conversion of transportation capacity from long-haul to short-haul for certain delivery areas, necessitates a change to how Union manages rates for the various delivery areas. As Union's portfolio changes, the four zones that are reflected in Union's current rate schedules are no longer relevant or applicable.

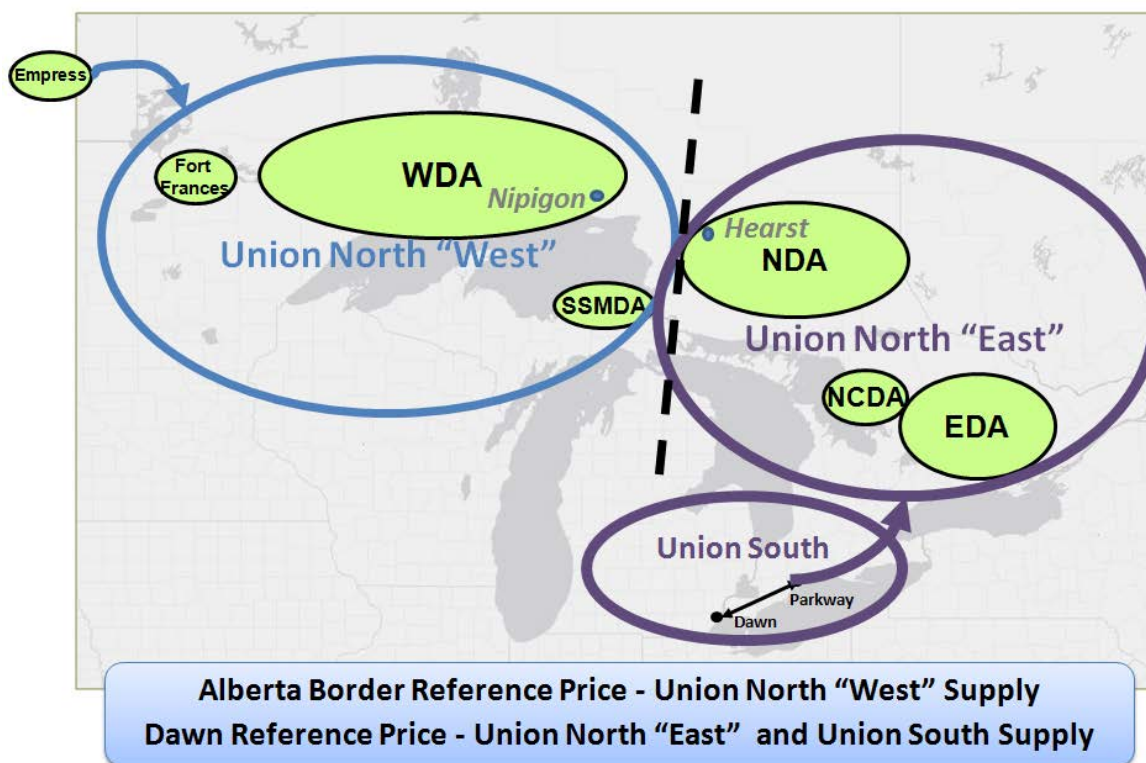
In the proposed Union North East Zone (Union NDA, Union NCDA and Union EDA), Union is

1 converting long-haul transportation contracts on TransCanada from Empress to short-haul
2 transportation contracts on TransCanada from Parkway. As early as November 1, 2015, but
3 likely by April 1, 2016, approximately 40% of the transportation portfolio for these three
4 delivery areas will be sourced from Dawn. As of November 1, 2016, approximately 85% of the
5 transportation portfolio for these three delivery areas will be sourced from Dawn. As these three
6 delivery areas will be largely served from Dawn, Union is proposing to treat these three delivery
7 areas (Union NDA, Union NCDA and Union EDA) as the Union North East Zone for purposes
8 of setting gas supply commodity, storage and transportation rates.

9
10 The three delivery areas in the Union North West will continue to be served 100% from Empress
11 for the foreseeable future. Consequently, Union is proposing to treat these three delivery areas
12 (Fort Frances, Union WDA and Union SSMDA) as the Union North West Zone for purpose of
13 setting gas supply commodity, storage and transportation rates.

14
15 Figure 2 illustrates the Union North West Zone, the Union North East Zone and the Union South
16 Zone. Of the 1.3 million Union South sales service customers and Union North sales service and
17 bundled DP customers, approximately 93% of the customers will be served predominately from
18 Dawn in the future.

Figure 2
Proposed Rate Zones



2.5. Union North Bundled DP Obligated Daily Contract Quantity (“DCQ”)

As indicated above, Union contracts and manages upstream transportation to provide capacity to all Union North bundled customers, both sales service and bundled DP customers.

Currently, Union North bundled DP customers deliver their supply to Union at Empress and

Union uses TransCanada services to deliver the supply to the respective delivery area. As

Union converts long-haul transportation contracts from Empress on TransCanada to short-

haul transportation contracts from Parkway on TransCanada, Union North bundled DP

customers in the Union North East Zone will also gain access to Dawn.

1 Union will change the obligated DCQ allocation methodology for Union North bundled DP
2 customers to reflect Union's transportation portfolio for each respective zone. As indicated in
3 Exhibit A, Tab 1, Section 2.4, the three delivery areas in the Union North East Zone will be
4 served from both Empress and Dawn. Consequently, Union North bundled DP customers in
5 Union North East Zone will have a portion of their obligated DCQ at the Western receipt
6 point (Empress) and a portion of their obligated DCQ at Dawn. The percentage of the
7 obligated DCQ to be delivered at each receipt point will reflect the percentage of Union's
8 underpinning firm transportation portfolio at Empress and Dawn used to serve the Union
9 North East Zone as of each November 1. The three delivery areas in the Union North West
10 Zone will continue to be served 100% from Empress for the foreseeable future.
11 Consequently, Union North bundled DP customers in the Union North West Zone will have
12 their obligated DCQ remain at the Western receipt point (Empress).

13
14 Union plans to update Union North bundled DP obligated DCQ receipt point quantities
15 annually at November 1 to reflect the percentage of Union's transportation portfolio at Dawn
16 or Empress to serve Union North delivery zones. The percentages to set the obligated DCQ at
17 Empress and/or Dawn will remain in effect for the gas year (November 1 to October 31). The
18 DCQ allocation as of April 1, 2016 is expected to be 100% at Empress for the Union North
19 West Zone and 60% at Dawn and 40% at Empress for the Union North East Zone as shown
20 below in Table 1. The DCQ allocation as of November 1, 2016 continues to be 100% at

Empress for Union North West Zone and is expected to be 85% at Dawn and 15% at Empress for Union North East Zone as show below in Table 1.

Table 1
DCQ Allocation

Zone	Union's Transportation Capacity Originating at Empress		Union's Transportation Capacity Originating at Dawn		Union's Total Transportation Capacity	
	GJ/d	%	GJ/d	%	GJ/d	%
	(a)	(b) *	(c)	(d) *	(e)	(f)
As at April 1, 2016						
North East	50,103	40%	67,831	60%	117,934	100%
North West	61,815	100	0	0	61,815	100%
As at November 1, 2016						
North East	17,783	15%	100,831	85%	118,614	100%
North West	65,115	100	0	0	65,115	100%
As at November 1, 2017						
North East	17,783	15%	102,831	85%	120,614	100%
North West	65,115	100	0	0	65,115	100%

* The percentage allocation is rounded to the nearest 5%

Due to delays in TransCanada's Kings North Project, the November 1, 2015 in service of TransCanada's short-haul contracts from Parkway will be delayed until at least April 1, 2016. Union will implement the changes in the obligated DCQ April 1, 2016 subject to the following:

- i) All facility expansions that enable Union's transportation portfolio changes and conversion from long-haul to short-haul are in service. This includes TransCanada's Kings North 2015, Enbridge's Albion 2015 and Union's Dawn to Parkway 2015 facility expansion; and,
- ii) Union has communicated the in-service date to Union North bundled DP customers.

1 If these conditions are not met by April 1, 2016, Union will implement the changes at the next
2 QRAM filing subsequent to the conditions being met. Union recognizes that the in-service
3 date remains uncertain given the delays of the TransCanada facilities. Union will continue to
4 monitor and provide regular updates on service implementation to Union North bundled DP
5 customers that are affected.

6
7 2.6. Upstream Transportation Compressor Fuel Costs

8 As part of the QRAM process, Union sets rates to recover costs for upstream transportation
9 compressor fuel required to transport gas to the delivery area where the gas is consumed. The
10 forecast cost of upstream transportation compressor fuel is included in the commodity rate for
11 Union North and Union South sales service customers. The rate attributable to upstream
12 transportation compressor fuel costs is updated quarterly to reflect the average of TransCanada
13 compressor fuel ratios from Empress to the respective delivery area for the prior 12 month
14 actuals valued at the current Alberta Border Reference Price. Variances from the forecast cost in
15 rates and the actual costs incurred, are captured in the South Purchase Gas Variance Account
16 (“SPGVA”) and disposed of to Union South sales service customers, or in the Transportation
17 Tolls and Fuel Deferral Account and disposed of to Union North sales service customers.

18
19 Union contracts for transportation capacity on behalf of Union North bundled DP customers.
20 Union North bundled DP customers provide incremental gas over and above their DCQ at
21 Empress for compressor fuel requirements on TransCanada to move gas from Empress to the

1 delivery area. The compressor fuel provided by bundled DP customers is based on actual
2 TransCanada fuel ratios in a given month. Union then uses the fuel provided by the bundled DP
3 customers to transport the bundled DP obligated DCQ from Empress to the respective delivery
4 areas. Given the Union North bundled DP customers provide the actual compressor fuel required
5 by TransCanada, there is no variance or need for a deferral account or true up mechanism.

6
7 Union South bundled DP customers manage their own transportation and associated compressor
8 fuel costs. Union does not recover transportation fuel from these customers; Union South
9 bundled DP customers provide fuel to the pipelines they ship on directly.

10
11 Union is proposing changes to how compressor fuel costs are forecast and recovered from Union
12 South sales service customers and Union North sales service and bundled DP customers as a
13 result of the changes in Union's gas supply portfolio.

14
15 Union South Sales Service Customers

16 As indicated above, Union sets rates for Union South sales service customers to recover costs for
17 upstream transportation compressor fuel required to transport gas from Empress to Ontario
18 where the gas is consumed. Today, the forecast cost of upstream transportation compressor fuel
19 is included in the commodity rate. The commodity and transportation rate is based on the Alberta
20 Border Reference Price and Ontario Landed Reference Price, net of the SPCD as previously

described, which adjusts the Ontario Landed Reference Price to more closely approximate the landed costs of all Union South supplies to Dawn (including fuel in the landed costs).

Union is proposing to use the Dawn Reference Price to set gas commodity rates for Union South sales service customers. The Dawn Reference Price reflects the landed cost of gas at Dawn. Therefore, Union no longer requires an incremental amount to be included in the commodity rate for upstream transportation compressor fuel. The actual cost of supply purchased at Dawn or arriving at Dawn, including gas supply, fuel and transportation will be compared to the Dawn Reference Price. Any variances will be captured in the SPGVA and disposed of to Union South sales service customers.

Union North Sales Service and Bundled DP Customers

For Union North sales service customers, Union sets rates quarterly to recover costs for upstream transportation compressor fuel required to transport gas from Empress to the respective delivery area where the gas is consumed. The forecast cost of upstream transportation compressor fuel is based on historical TransCanada fuel ratios from Empress to the delivery area and is included in the commodity rate and updated on a quarterly basis. Variances for actual upstream transportation compressor fuel costs to move gas to the delivery area, relative to forecast costs, are captured in the Transportation Tolls and Fuel Deferral Account.

1 Union North bundled DP customers provide compressor fuel in kind to Union at Empress based
2 on the actual monthly TransCanada fuel ratios in a given month multiplied by the obligated DCQ
3 at Empress. Union then uses that fuel provided by the bundled DP customers to transport the
4 bundled DP obligated DCQ from Empress to the respective delivery areas. Today, all gas
5 delivered to Union at Empress for Union North bundled DP customers must be delivered to the
6 respective delivery areas so all fuel provided by Union North bundled DP customers is always
7 fully utilized and there are no variances.

8
9 If Union North sales service and bundled DP gas is not required in the delivery area to meet
10 demand requirements, Union transports the gas from the delivery area to storage at Dawn using
11 services on TransCanada. On days when the obligated DCQ is not adequate to meet demand in
12 the delivery area, Union withdraws gas from storage and delivers it to the delivery area using
13 services on TransCanada. The cost of fuel to transport the gas to and from storage on a forecast
14 basis is included in the storage rate that is charged to Union North sales service and bundled DP
15 customers.

16
17 Today, variances for actual costs relative to forecast costs for upstream transportation
18 compressor fuel to move gas to or from storage are captured in the Transportation Tolls and Fuel
19 Deferral Account.

20
21
22

1 Storage-related Upstream Transportation Compressor Fuel - As part of this proceeding, Union
2 is proposing to update the forecast cost of upstream transportation compressor fuel required to
3 move gas to and from storage to reflect the changes in the gas supply transportation portfolio. In
4 addition, Union is proposing to update the costs quarterly to reflect the current reference price.

5
6 If gas delivered from Empress to the delivery areas for Union North sales service and bundled
7 DP gas is not required in the delivery area to meet demand requirements (on low demand days),
8 Union will transport the gas from the delivery area to storage at Dawn using services on
9 TransCanada. In this situation, transportation compressor fuel will be required to move gas from
10 the delivery area to Dawn storage. Compressor fuel for movement of gas from the Union North
11 delivery areas to Dawn will be priced at the Alberta Border Reference Price.

12
13 On days when the obligated DCQ is not adequate to meet demand in the delivery area, Union
14 will withdraw gas from storage at Dawn and deliver the gas to the delivery area using the
15 Storage Transportation Service (“STS”) or short-haul redelivery transportation on TransCanada.
16 Upstream transportation compressor fuel required to move gas from Dawn storage to the
17 delivery area will be priced at the Dawn Reference Price. Union is proposing to update the costs
18 of upstream compressor fuel used to transport supply to and from storage quarterly to reflect the
19 current reference price. Variances between actual costs and the forecast costs recovered in rates
20 will continue to be captured in the Transportation Tolls and Fuel Deferral Account and disposed
21 of to Union North sales service and bundled DP customers quarterly as part of the QRAM

1 process.

2
3 Transportation-related Upstream Transportation Compressor Fuel - In the future, Union will
4 purchase Union North supply requirements from Dawn and Empress to deliver to the respective
5 delivery areas for Union North sales service customers. As discussed at Exhibit A, Tab 1,
6 Section 2.5, Union North bundled DP customers in the Union North East Zone will also deliver a
7 portion of their obligated DCQ at Dawn and Empress.

8
9 Currently, all gas delivered at Empress (by bundled DP customers or purchased at Empress by
10 Union for sales service customers) must be delivered to the respective delivery areas. However,
11 in the future, gas delivered at Dawn may not move to the respective delivery area on any given
12 day. If the gas is not required in the delivery area to meet demand requirements, the gas
13 delivered at Dawn will be injected into storage at Dawn. This is the case primarily in the
14 summer months when demand is expected to be lower than the obligated DCQ. In those
15 instances, the upstream transportation compressor fuel to move gas from Parkway to the delivery
16 area will not be required.

17
18 If Union continued to set the compressor fuel rate for Union North sales service customers based
19 on the historical TransCanada fuel ratios from Parkway to the respective delivery areas, Union
20 would over recover fuel costs. Union's actual costs will be significantly lower than forecast
21 costs included in rates as the total historical forecast compressor fuel volumes would not be

1 required. Similarly, if Union North bundled DP customers continued to supply compressor fuel
2 volumes in kind at Dawn based on the monthly TransCanada fuel ratios from Parkway to the
3 respective delivery area multiplied the obligated DCQ, bundled DP customers would constantly
4 deliver more upstream transportation compressor fuel than would be required.

5
6 While Union manages variances between actual and forecast fuel costs for Union North sales
7 service customers through the Transportation Tolls and Fuel Deferral Account, no such true-up
8 mechanism exists for Union North bundled DP customers.

9
10 Union is proposing to include the cost for upstream transportation compressor fuel to move gas
11 from Empress or Parkway to the respective delivery area in transportation rates for both Union
12 North sales service and bundled DP customers. Union North bundled DP customers will,
13 therefore, no longer be required to provide fuel in kind at Empress or Dawn.

14
15 Union will forecast the upstream transportation compressor fuel requirements in the gas supply
16 plan for both Union North sales service and bundled DP customers. The gas supply plan will
17 include monthly upstream transportation compressor fuel requirements from Empress to the
18 respective delivery areas and from Parkway to the respective delivery areas based on forecast
19 demand each month. The cost of the upstream transportation compressor fuel requirements will
20 be updated each quarter for changes in the reference price as determined through the QRAM
21 process and compressor fuel costs. Variances between the cost of compressor fuel in rates and

1 actual compressor fuel costs incurred each month will be recorded in the Transportation Tolls
2 and Fuel Deferral Account and disposed of to Union North sales service and bundled DP
3 customers through the QRAM process.

4 5 **3. Summary of Gas Supply Portfolio Changes**

6 As a result of the changing market dynamics, Union will reduce reliance on supply from the
7 WCSB and increase supply sourced at Dawn or upstream of Dawn. Union's transportation
8 portfolio will change as early as November 1, 2015, or when the TransCanada Kings North
9 Project is in service, with further changes anticipated November 1, 2016. The changes in the
10 transportation portfolio anticipated at November 1, 2015 and further at November 1, 2016, were
11 discussed in detail in the 2015 and 2016 Dawn to Parkway Expansion evidence⁴. Union also
12 provided information at the 2015 Annual Stakeholder Meeting⁵ on April 8, 2015 and in the
13 2014-2015 Gas Supply Memorandum⁶. A brief overview of the key changes in the transportation
14 portfolio is provided below.

15 16 **3.1. Transportation Portfolio Changes as of November 1, 2015**

17 In May, 2012, Union bid into a TransCanada new capacity open season for short-haul firm
18 transportation contracts from Union Parkway Belt to the Union NDA and from Union Parkway
19 Belt to the Union EDA. Union acquired 10,000 GJ/day of TransCanada short-haul FT capacity

⁴ EB-2013-0074 and EB-2014-0261 respectively.

⁵ EB-2015-0010 Exhibit A, Tab 6.

⁶ EB-2015-0010 Exhibit A, Tab 5.

1 from Parkway to Union NDA. In addition, Union acquired 75,000 GJ/day of TransCanada short-
2 haul FT capacity from Parkway to Union EDA and 25,000 GJ/day of TransCanada Enhanced
3 Market Balancing (“EMB”) capacity from Parkway to the Union EDA.

4
5 Union will use the Parkway to Union NDA contract and 57,831 GJ/day of the Parkway to Union
6 EDA contract to replace a portion of long-haul transportation from Empress to the delivery areas
7 with short-haul transportation capacity from Parkway. This capacity, when combined with
8 incremental Union Dawn to Parkway transportation capacity will allow Dawn sourced gas to be
9 delivered to the benefit of Union North sales service and bundled DP customers.

10
11 In addition, Union will replace a portion of its existing TransCanada STS withdrawals to Union
12 EDA with short-haul transportation capacity from Parkway. The TransCanada STS service
13 allows for excess gas landing in a delivery area on a given day to move to Dawn or Parkway and
14 be injected into storage at Dawn (using STS injection rights). STS withdrawal rights allow for
15 gas to be withdrawn from storage later and moved from Dawn or Parkway to the Union North
16 delivery areas as required. Union has opted to replace a portion of the Union EDA STS
17 withdrawal capacity with 17,169 GJ/day of short-haul FT capacity from Parkway and 25,000
18 GJ/day of the TransCanada EMB service. The new EMB service on TCPL offers a short-haul
19 service with the added flexibility to manage market fluctuations by including four additional
20 nomination windows on a firm basis in the winter. Unlike the STS that is directly linked to the
21 TransCanada long-haul service from Empress, the EMB service is not linked to TransCanada

1 long-haul transportation. A summary of Union's North Transportation Portfolio in 2014, 2015,
2 and 2016 is provided in Exhibit A, Tab 1, Section 3.2, Table 2.

3
4 The contract changes that will allow conversion of Empress to Union NDA and Empress to
5 Union EDA long-haul to short-haul transportation capacity and conversion of STS to short-haul
6 transportation capacity are contingent on TransCanada's Kings North project implementation
7 which is currently assumed to be April 1, 2016.

8
9 As shown at Exhibit A, Tab 2, Appendix A, Schedule 1, p. 1, column (f), line 40, the annual total
10 transportation savings relative to Board-approved (column c) for Union North for 2016 is \$22.5
11 million, assuming a conversion of long-haul transportation capacity to short-haul transportation
12 capacity as of April 1, 2016. This is partially offset by increased commodity costs at Dawn of
13 \$16.3 million⁷ for a net savings in 2016 of \$6.2 million. Union North storage costs for the same
14 time period are increasing by \$1.4 million as shown at Exhibit A, Tab 2, Appendix A, Schedule
15 1, p. 2, column (f), line 21 for a total net savings in 2016 of \$4.8 million.

16
17 3.2. Portfolio Changes as of November 1, 2016

18 Union bid into TransCanada's 2016 new capacity open season for 100,000 GJ/day of
19 transportation capacity from Parkway to Union NDA. Effective November 1, 2016, Union will
20 convert 33,000 GJ/day of long-haul capacity from Empress to the NDA to short-haul capacity

⁷ Increased gas costs at Dawn are based on the difference between the April 2015 QRAM (EB-2015-0035) Alberta Border Reference Price of \$2.951/GJ and the forecast Dawn price in April of \$3.742/GJ.

1 from Parkway to the Union NDA. This capacity, when combined with additional Union Dawn
2 to Parkway transportation capacity, will allow additional Dawn sourced gas to be delivered to the
3 benefit of Union North sales service and bundled DP customers.

4
5 In addition, Union acquired 67,000 GJ/day of short-haul FT capacity from Parkway to the Union
6 NDA to replace the reliance on the diversion of the Union South Empress to CDA contract to
7 serve Union North delivery areas. On winter days, Union would divert flows that were
8 contracted to go to the Union CDA, to Union North delivery areas (Union NDA, Union WDA
9 and Union Fort Frances). Historically, the use of upstream diversions on TransCanada, although
10 a discretionary service, had been extremely reliable. Since the firm capacity had been reserved
11 for the full path from Empress to Union CDA, gas flowing only a portion of this distance on the
12 same contracted path was highly reliable. Union planned for and utilized these diversions in its
13 Union South portfolio for many years without issue.

14
15 In 2013, TransCanada system operations changed such that upstream diversions were no longer
16 as reliable. Union experienced interruptions of these upstream diversions in December 2013.
17 Union was able to work with TransCanada for a temporary solution that allowed for a delivery
18 point shift to delivery areas in Union North. However, this solution is at the sole discretion of
19 TransCanada and is not guaranteed to be available on an annual basis. In order to ensure a
20 reliable, sustainable, and secure source of supply to Union North markets on design day, Union
21 purchased 67,000 GJ/d of firm, renewable TransCanada Parkway Belt to Union NDA capacity to

- 1 meet this requirement, effective November 1, 2016. A summary of Union's North Transportation
- 2 Portfolio in 2014, 2015, 2016 and 2017 is provided in Table 2.

Table 2
Union North Transportation Portfolio

GJ/day	2014	2015*	2016*	2017*
Long-haul Transportation Capacity				
Empress to Centrat MDA	4,522	5,565	5,565	5,565
Empress to Union WDA	36,580	48,107	51,407	51,407
Empress to Union SSMDA	8,143	8,143	8,143	8,143
Empress to Union NCDA	8,796	8,796	8,796	8,796
Empress to Union NDA	62,877	40,307	7,987	7,987
Empress to Union EDA	58,831	1,000	1,000	1,000
	179,749	111,918	82,898	82,898
Short-haul Transportation Capacity				
Parkway to NDA	-	10,000	43,000	43,000
Parkway to EDA	-	57,831	57,831	57,831
Parkway to NCDA	-	-	-	2,000
	-	67,831	100,831	102,831
Total Transportation Capacity	179,749	179,749	183,729	185,729
STS & Redelivery				
STS Injection EDA	47,571	1,000	1,000	1,000
STS Injection NDA	49,100	49,100	49,100	49,100
STS Injection WDA	3,150	3,150	3,150	3,150
STS Withdrawal NCDA (+ pooling)	13,704	13,704	13,704	13,704
STS Withdrawal EDA	68,520	26,973	26,973	26,973
STS Withdrawal NDA (+pooling)	48,375	48,375	48,375	48,375
STS Withdrawal SSMDA	35,022	35,022	35,022	35,022
STS Withdrawal WDA	31,420	31,420	31,420	31,420
Parkway - NDA Redelivery from Storage	-	-	67,000	67,000
Parkway - EDA Redelivery from Storage	35,000	52,169	52,169	52,169
Parkway - EDA EMB Capacity	-	25,000	25,000	25,000
	331,862	285,913	352,913	352,913

* Subject to implementation of all required facility expansions / projects

1 As shown at Exhibit A, Tab 2, Appendix A, Schedule 1, p. 1, column (l), line 40, the annual
2 total transportation savings for Union North in 2018, relative to Board-approved (column c), is
3 \$42.0 million. This decrease in transportation costs is partially offset by increased commodity
4 costs at Dawn of \$27.6 million⁸ for a net savings in 2018 of \$14.4 million. Union North storage
5 costs for the same time period are increasing by \$13.6 million as shown at Exhibit A, Tab 2,
6 Appendix A, Schedule 1, p. 2, column (l), line 21 reflecting the required increase in redelivery
7 from storage of 67,000 GJ/day to the Union NDA to replace the diversion of the Union South
8 Empress to Union CDA contract. The net savings for Union North customers are \$0.8 million in
9 2018.

10
11 In addition to the Union North portfolio changes noted above, Union has de-contracted 56,209
12 GJ/day of Union South Empress to Union CDA capacity, effective November 1, 2016. This was
13 the capacity that Union would divert during winter months to Union North delivery areas. Union
14 anticipates replacing this supply at Dawn, or upstream of Dawn. Union will continue to hold
15 11,000 GJ/day of Empress to Union CDA as of November 1, 2016 for Union South customers.

16
17 The contract changes that will allow conversion of Empress to Union NDA and Empress to
18 Union EDA long-haul to short-haul transportation capacity and the inclusion of incremental
19 short-haul transportation capacity replacing Union's reliance on upstream diversions are

⁸ Increased gas costs at Dawn are based on the difference between the April 2015 QRAM (EB-2015-0035) Alberta Border Reference Price of \$2.951/GJ and the forecast Dawn price in April of \$3.742/GJ.

contingent on new TransCanada's facilities being built and put into service by November 1, 2016.

4. Cost of Gas Deferral Accounts

Existing Gas Cost Deferral Accounts

Currently, Union uses separate Purchase Gas Variance Accounts ("PGVA") in Union North and Union South. The balances in these accounts are disposed by means of a rate adjustment over a rolling 12-month period as part of the QRAM process.

The Union South PGVA captures variances in both gas supply commodity and upstream transportation costs. Because Union South bundled DP customers are responsible for paying for their own gas supply commodity and upstream transportation costs, the balances in the Union South PGVA are allocated to sales service customers only.

The Union North PGVA only captures commodity price variances. Accordingly, the variances in the Union North PGVA are allocated to sales service customers only. In Union North, Union provides transportation services to all bundled customers, both sales service and bundled DP customers. The variances in transportation costs in Union North are captured in the Transportation Tolls and Fuel Deferral Account. The variances in transportation costs are allocated to both sales service and DP customers. Today, the variances in upstream transportation compressor fuel are allocated to sales services customers as bundled direct

1 purchase customers provide fuel in kind at Empress.

2
3 In addition to the Union North PGVA, the Transportation Tolls and Fuel Deferral Account and
4 the Union South PGVA, Union also disposes of the Spot Gas Variance account and the Inventory
5 Revaluation deferral account as part of the QRAM process. Union automatically clears the
6 balances in these accounts by means of rate adjustments over a rolling 12 month period.

7
8 As a result of the changes in Union's gas supply portfolio and the rates and rate structure as
9 discussed above, Union is proposing the following changes to the gas cost deferral accounts.

10
11 Proposed Changes to Gas Cost Deferral Accounts

12 The Transportation Tolls and Fuel – Northern and Eastern Operations Area Deferral Account
13 (“Account No. 179-100”) records the difference between the actual per unit transportation costs
14 and associated fuel costs and the forecast per unit transportation cost and associated fuel costs
15 included in the rates as approved by the Board. The North Purchase Gas Variance Account
16 (“Account No. 179-105”), in combination with Account No. 179-100, captures cost variances
17 related to commodity and upstream transportation for Union North customers.

18
19 Union is proposing to close the current accounts and related accounting orders for Account No.
20 179-100 and Account No. 179-105 and to establish the following new accounting orders:

21 Transportation Tolls and Fuel – Union North West Deferral Account; Transportation Tolls and

1 Fuel – Union North East Deferral Account; Union North West Purchase Gas Variance Account;
2 and, Union North East Purchase Gas Variance Account. The proposed accounting orders are
3 provided at Exhibit A, Tab 1, Appendix B.

4
5 In addition, as noted in Section 2.5 above, Union is proposing that all variances in upstream
6 compressor fuel costs captured in the tolls and fuel deferral accounts be disposed of to the Union
7 North sales service and bundled DP customers. This methodology recognizes that upstream
8 transportation fuel costs will be recovered from Union North sales service and bundled direct
9 purchase in transportation rates.

10
11 The changes, as proposed, will allow Union to capture variances in both gas supply commodity
12 and upstream transportation costs associated with serving Union North West and Union North
13 East Zones separately and dispose of balances associated with each delivery zone to the
14 appropriate customers.

UNION GAS LIMITED
Calculation of Alberta Border and Ontario Landed Reference Prices
For the 12 month period ending March 31, 2016

Line No.	Particulars		Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Total or Average
1	Days		30	31	30	31	31	30	31	30	31	31	29	31	366
2	NYMEX 21 Day Average (US\$/MMBtu)	(1)	2.765	2.800	2.842	2.895	2.907	2.897	2.927	3.027	3.199	3.326	3.315	3.273	3.015
3	Empress Basis (US\$/MMBtu)		(0.508)	(0.540)	(0.531)	(0.574)	(0.568)	(0.548)	(0.518)	(0.447)	(0.517)	(0.552)	(0.547)	(0.563)	(0.535)
4	Foreign Exchange		1.252	1.253	1.253	1.253	1.253	1.254	1.254	1.254	1.254	1.254	1.254	1.255	1.253
5	Alberta Border (Cdn\$/GJ)	(2)	2.679	2.683	2.745	2.757	2.778	2.791	2.862	3.066	3.189	3.296	3.289	3.222	2.946
<u>North Supply Cost Calculation</u>															
6	Total Volume (PJ's)		4.22	4.15	4.02	4.15	4.15	4.02	3.76	4.22	4.36	4.36	4.08	4.36	49.85
7	Cost at Market Price (\$000's)		\$ 11,297	\$ 11,145	\$ 11,030	\$ 11,449	\$ 11,530	\$ 11,212	\$ 10,771	\$ 12,936	\$ 13,900	\$ 14,371	\$ 13,415	\$ 14,057	\$ 147,114
8	Weighted Average Price (Cdn\$/GJ)													\$	2.951
9											Alberta Border Reference Price (Cdn\$/GJ)			\$	2.951
10											Add : Fuel (Cdn\$/GJ)			\$	0.119
11											Add : Tolls (Cdn\$/GJ)			\$	1.966
12											Ontario Landed Reference Price (Cdn\$/GJ)			<u>\$</u>	<u>5.036</u>

Notes:

(1) 21 Day Strip dates used: January 29 - February 27, 2015.

(2) Alberta Border Price = ((NYMEX 21-day Average + Empress Basis) * (Foreign Exchange Rate))/MMBtu to GJ Conversion Rate.
MMBtu to GJ Conversion Rate: 1.055056 GJ /MMBtu.

DAWN REFERENCE PRICE CALCULATION
UNION GAS LIMITED
Calculation of **Dawn Reference** Price
For the 12 month period ending March 31, 2016

Line No.	Particulars		Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Total or Average
1	Days		30	31	30	31	31	30	31	30	31	31	29	31	366
2	NYMEX 21 Day Average (US\$/MMBtu)	(1)	2.765	2.800	2.842	2.895	2.907	2.897	2.927	3.027	3.199	3.326	3.315	3.273	3.015
3	Dawn Basis (US\$/MMBtu)		0.199	0.128	0.060	0.034	0.030	0.029	0.050	0.194	0.200	0.206	0.206	0.212	0.129
4	Foreign Exchange		1.252	1.253	1.253	1.253	1.253	1.254	1.254	1.254	1.254	1.254	1.254	1.255	1.253
5	Dawn Reference Price (Cdn\$/GJ)	(2)	3.518	3.476	3.446	3.479	3.489	3.478	3.537	3.828	4.039	4.197	4.184	4.144	3.735
<u>North Supply Cost Calculation</u>															
6	Total Volume (PJ's)		4.22	4.15	4.02	4.15	4.15	4.02	3.76	4.22	4.36	4.36	4.08	4.36	49.85
7	Cost at Market Price (\$000's)		\$ 14,835	\$ 14,441	\$ 13,847	\$ 14,449	\$ 14,477	\$ 13,969	\$ 13,312	\$ 16,154	\$ 17,610	\$ 18,299	\$ 17,064	\$ 18,079	186,534
8	Weighted Average Price (Cdn\$/GJ)													\$	3.742
9											Dawn Reference Price			\$	3.742
10											Add : Fuel (Cdn\$/GJ)			\$	-
11											Add : Tolls (Cdn\$/GJ)			\$	-
12											Dawn Reference Price			<u>\$</u>	<u>3.742</u>

Notes:
(1) 21 Day Strip dates used: January 29 - February 27, 2015.
(2) Dawn Reference Price = ((NYMEX 21-day Average + Dawn Basis) * (Foreign Exchange Rate))/MMBtu to GJ Conversion Rate.
MMBtu to GJ Conversion Rate: 1.055056 GJ /MMBtu.

UNION GAS LIMITED

**Accounting Entries for
Transportation Tolls and Fuel – Union North West Operations Area
Deferral Account No. 179-XXX**

This account is applicable to the North West 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-XXX Other Deferred Charges – Transportation Tolls and Fuel – Union North West Operations Area
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference in the costs between the actual cost of the transportation portfolio to serve Union North West delivery areas including associated fuel costs and the forecast cost of the transportation portfolio to serve these areas including associated forecast fuel costs as approved by the Board.

Debit	-	Account No. 179-XXX Other Deferred Charges - Transportation Tolls and Fuel – Union North West Operations Area
Credit	-	Account No. 623 Cost of Gas

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

Debit	-	Account No. 500 Sales Revenue
Credit	-	Account No. 179-XXX Other Deferred Charges - Transportation Tolls and Fuel – Union North West Operations Area

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

Debit	-	Account No. 179-XXX Other Deferred Charges - Transportation Tolls and Fuel – Union North West Operations Area
Credit	-	Account No. 323 Other Interest Expense

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

UNION GAS LIMITED**Accounting Entries for
Transportation Tolls and Fuel – Union North East Operations Area
Deferral Account No. 179-XXX**

This account is applicable to the North East 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-XXX Other Deferred Charges – Transportation Tolls and Fuel – Union North East Operations Area
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference in the costs between the actual cost of the transportation portfolio to serve Union North East delivery areas including associated fuel costs and the forecast cost of the transportation portfolio to serve these areas including associated forecast fuel costs as approved by the Board.

Debit	-	Account No. 179-XXX Other Deferred Charges - Transportation Tolls and Fuel – Union North East Operations Area
Credit	-	Account No. 623 Cost of Gas

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

Debit	-	Account No. 500 Sales Revenue
Credit	-	Account No. 179-XXX Other Deferred Charges - Transportation Tolls and Fuel – Union North East Operations Area

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

Debit	-	Account No. 179-XXX Other Deferred Charges - Transportation Tolls and Fuel – Union North East Operations Area
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX interest expense on the balance in Deferral Account No. 179-XXX. 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
Union North West Purchase Gas Variance Account
Deferral Account No. 179-XXX**

This account is applicable to the North West delivery areas 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-XXX Other Deferred Charges – Union North West Purchase Gas Variance Account
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference between the unit cost of gas purchased each month for the Union North West delivery areas 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-XXX Other Deferred Charges - Union North West Purchase Gas Variance Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest expense on the balance in Deferral Account No. 179-XXX. 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
 Union North East Purchase Gas Variance Account
Deferral Account No. 179-XXX**

This account is applicable to the North East delivery areas 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-XXX Other Deferred Charges – Union North East Purchase Gas Variance Account
Credit	-	Account No. 623 Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference between the unit cost of gas purchased each month for the Union North East delivery areas 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-XXX Other Deferred Charges - Union North East Purchase Gas Variance Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest expense on the balance in Deferral Account No. 179-XXX. 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 NORTH COST ALLOCATION AND RATE DESIGN

The purpose of this evidence is to support Union's request for approval of changes to Union's gas commodity, storage and transportation rates. Specifically, Union is requesting approval for (i) a Dawn-based Reference Price in setting Union South and Union North East gas commodity rates, (ii) the recovery of Union North upstream transportation fuel costs in gas transportation rates, including bundled direct purchase ("DP") upstream transportation fuel costs, (iii) cost allocation methodology and rate design changes for cost-based Union North gas storage and transportation rates based on the 2016-2018 gas supply plan, and (iv) modifications to the applicable Union North and Union South rate schedules and Schedules "A", effective January 1, 2016.

As described at Exhibit A, Tab 1, Sections 2.2 and 2.3, Union is proposing to change the reference price used to set gas commodity rates to account for the changing gas supply portfolio. Specifically, Union is proposing that the Union South and Union North East gas commodity rate be set based on a Dawn Reference Price. The Union North West gas commodity rate will continue to be set based on the Alberta Border Reference Price.

Union is also proposing to remove upstream transportation fuel costs recovered from sales service customers from Union North gas commodity rates. As described at Exhibit A, Tab 1, Section 2.6, Union is proposing to eliminate the requirement for Union North bundled DP customers to provide their own upstream transportation fuel in-kind. In lieu of providing their own fuel in-kind, Union will purchase gas on behalf of bundled DP customers to meet their

1 upstream transportation fuel requirements. To accommodate this change, Union is proposing to
2 remove the upstream transportation fuel costs from the gas commodity rate and recover upstream
3 transportation fuel costs for both sales service and bundled DP customers in Union North West
4 and Union North East transportation rates.

5
6 Further, Union is proposing to change the Union North storage and transportation cost allocation
7 and rate design to recognize the fundamental changes to the manner in which Union North
8 customers are served. Specifically, Union's Board-approved rate design for setting Union North
9 storage and transportation rates is based on a zonal differential methodology, which assumes
10 west to east flow on TransCanada from Empress. To recognize that the 2016-2018 gas supply
11 plan includes both westerly and easterly transportation on TransCanada to serve Union North in-
12 franchise demands, Union is proposing to set storage and transportation rates for the Union
13 North West and Union North East Zones based on a detailed cost allocation methodology by
14 Zone. Within each of the two proposed Union North Zones, Union is proposing to set storage
15 and transportation rates on a postage stamp basis.

16
17 The fundamental changes to the Union North gas supply portfolio are occurring from November
18 2015 to November 2017. Accordingly, Union is seeking approval to update Union North and
19 Union South gas commodity rates and Union North storage and transportation rates based on the
20 gas supply plan for each calendar year from 2016 to 2018, effective January 1 of each year.
21 Union is also seeking approval of the modifications to the applicable Union North and Union
22 South rate schedules and Schedule "A", effective January 1, 2016.

This evidence is organized as follows:

1. Union North and Union South Gas Commodity Rates

1.1 Board-Approved Gas Commodity Rate Design

1.2 Proposed Gas Commodity Rate Design

2. Union North Storage and Transportation Rates

2.1 Changes to the Gas Supply Plan and Revenue Requirement

2.2 Board-Approved Cost Allocation Methodology

2.3 Board-Approved Rate Design

2.4 Proposed Cost Allocation Methodology

2.5 Proposed Rate Design

2.6 Bill Impacts

3. Implementation

1. **Union North and Union South Gas Commodity Rates**

Union is proposing to change the reference price used to set Union South and Union North gas commodity rates to recognize the changes in the 2016-2018 gas supply plan. Union is also proposing to change the recovery of Union North upstream transportation compressor fuel from Union North gas commodity rates to Union North transportation rates.

1 1.1 Board-Approved Union North and Union South Gas Commodity Rate Design

2 The current Board-approved Union North gas commodity rate for sales service customers is
3 based on the Alberta Border Reference Price and includes upstream transportation fuel costs to
4 the respective delivery areas as discussed at Exhibit A, Tab 1.

6 1.2 Proposed Union North and Union South Gas Commodity Rate Design

7 As described at Exhibit A, Tab 1, Section 2, Union is proposing to change the reference price
8 used to set Union South and Union North gas commodity rates to account for the changing gas
9 supply portfolio. The Union South and Union North East Zone (Union NDA, Union NCDA and
10 Union EDA) gas commodity rates will be based on a Dawn Reference Price. The Union North
11 West Zone (Centrat MDA, Union WDA and Union SSMDA) gas commodity rate will continue
12 to be based on the Alberta Border Reference Price.

14 As the Dawn Reference Price represents a landed cost of gas at Dawn, no additional upstream
15 transportation tolls or transportation fuel is required to serve Union South sales service
16 customers. Accordingly, the transportation rate and the fuel included in the gas commodity rate
17 are no longer required for Union South sales service customers.

19 Union is also proposing to remove upstream transportation fuel costs recovered from sales
20 service customers from Union North gas commodity rates. As described at Exhibit A, Tab 1,
21 Section 2.6, Union is proposing to discontinue the requirement for Union North bundled DP
22 customers to provide their own upstream transportation fuel in-kind. In lieu of providing their

1 own fuel in-kind, Union will purchase gas on behalf of DP customers to meet their upstream
2 transportation fuel requirements. To accommodate this change, Union is proposing to remove the
3 upstream transportation fuel costs from the gas commodity rate and recover upstream
4 transportation fuel costs for both sales service and bundled DP customers in Union North West
5 and Union North East transportation rates.

6
7 Union is not proposing to change the gas supply administration charge included in gas
8 commodity rates.

9
10 As described at Exhibit A, Tab 1, Section 2.3, the use of a Dawn Reference Price will minimize
11 or eliminate the difference between the cost of the Union South portfolio and the cost of serving
12 Union South sales service customers using a Dawn Reference Price, thereby eliminating the need
13 for the South Portfolio Cost Differential (“SPCD”). The variances between the cost of the Union
14 South portfolio and the Dawn Reference Price, if any, will be managed as a prospective rate
15 adjustment. Accordingly, the Union South transportation rate is not required for sales service
16 customers and will be set to zero.

17
18 Please see Table 1 below for a comparison of the current approved Union South gas commodity
19 and transportation rate (per EB-2015-0035) to the proposed Union South gas commodity rate.

Table 1
Board-Approved vs. Proposed Union South Gas Commodity and Transportation Rates

Line No.	Particulars (cents/m ³)	Board-Approved EB-2015-0035 April 2015 QRAM (a)	Proposed (b)	Rate Change (c) = (b - a)
1	Reference Price	11.3761	14.4254	3.0493
2	Transportation Fuel Charge	0.4587	-	(0.4587)
3	Gas Supply Administration Charge	0.1917	0.1917	-
4	Gas Commodity Rate	<u>12.0265</u>	<u>14.6171</u>	<u>2.5906</u>
5	Transportation Rate	<u>3.5196</u>	<u>-</u>	<u>(3.5196)</u>
6	Total Transportation and Gas Commodity Rate	<u>15.5461</u>	<u>14.6171</u>	<u>(0.9290)</u>
7	Annual Residential Gas Commodity and Transportation Bill Impact (\$)	342.01	321.58	(20.44)

1

2 The change to the Union South gas commodity and transportation rates results in an annual

3 decrease of \$20 for the average Union South residential customer with an annual volume of

4 2,200 m³, as compared to approved rates, as per April 2015 QRAM (EB-2015-0035). The

5 annual Union South residential bill impact is provided at Table 1, line 7.

6

7 Please see Table 2 below for a comparison of the approved Union North gas commodity rate (per

8 EB-2015-0035) to the proposed Union North gas commodity rates.

9

10

11

12

Table 2
Board-Approved vs. Proposed Union North Gas Commodity Rates

Line No.	Particulars (cents/m ³)	Board-Approved EB-2015-0035 (1) April 2015 QRAM	Union North West		Union North East	
		(a)	Proposed (b)	Rate Change (c) = (b - a)	Proposed (d)	Rate Change (e) = (d - a)
1	Reference Price	11.3761	11.3761	-	14.4254	3.0493
2	Transportation Fuel Charge	0.4686	-	(0.4686)	-	(0.4686)
3	Gas Supply Administration Charge	0.1917	0.1917	-	0.1917	-
4	Total Gas Commodity Rate	12.0364	11.5678	(0.4686)	14.6171	2.5807

Notes:

(1) Rate 01, Eastern Zone Gas Commodity Rate, EB-2015-0035, Tab 2, Schedule 1, p. 5.

1

2 Union will continue to update the gas supply reference prices quarterly through the QRAM

3 process, as described at Exhibit A, Tab 1, Section 2.

4

5 **2. Union North Transportation and Storage Rates**

6 As described at Exhibit A, Tab 1, Section 1, Union's 2016-2018 gas supply plan includes firm

7 transportation contracts that flow easterly from Dawn to the Union NDA, Union NCDA and

8 Union EDA. Transportation contracts to these delivery areas have historically flowed easterly

9 from Empress on TransCanada to meet in-franchise demands. To recognize this fundamental

10 change in the manner in which Union North customers are served, Union is proposing to change

11 the Union North storage and transportation cost allocation and rate design. Specifically, Union's

12 Board-approved rate design for setting Union North storage and transportation rates is based on a

13 zonal differential methodology, which is underpinned by a west to east flow. To recognize that

14 the 2016-2018 gas supply plan includes both westerly and easterly transportation on

TransCanada to serve Union North in-franchise demands, Union is proposing to set storage and transportation rates for the Union North West and Union North East Zones based on a detailed cost allocation methodology by Zone. Within each of the two proposed Zones, Union is proposing to set the storage and transportation rates on a postage stamp basis.

The fundamental changes to the Union North gas supply portfolio are occurring from November 2015 to November 2017. Accordingly, Union is seeking approval to update Union North storage and transportation rates based on the gas supply plan for each calendar year from 2016 to 2018, effective January 1. The cost allocation, rate design and bill impacts described below are based on the calendar year 2018 gas supply plan. The rates for each calendar year from 2016 to 2018 will be filed as part of Union's annual rate application.

2.1 Changes to the Gas Supply Plan and Revenue Requirement

Union is proposing to update the Union North storage and transportation cost allocation and rate design based on the 2016-2018 gas supply plan. The total Union North storage and transportation revenue requirements for 2016-2018, based on current approved TransCanada tolls implemented in Union North transportation rates effective April 2015, are summarized at Table 3 below. The change in the 2018 gas supply plan as compared to the 2013 Board-approved gas supply plan, updated for the current approved TransCanada tolls, is also provided at Table 3, column (e) below. The detailed changes to the gas supply plan are provided at Exhibit A, Tab 2, Appendix A, Schedule 1.

Table 3
Union North Storage and Transportation Revenue Requirement

Line No	Particulars (\$000's)	2013 Board- Approved (a)	2016 (b)	2017 (c)	2018 (d)	Variance (e) = (d - a)
	Transportation					
1	Cost of Gas - Transportation Demand	98,986	75,469	56,728	56,900	(42,085)
2	Cost of Gas - Transportation Fuel	1,463	2,449	1,534	1,549	87
3	Other Transportation	199	199	199	199	-
4	Total Transportation Costs	100,647	78,117	58,460	58,649	(41,998)
	Storage					
5	Cost of Gas - Storage Demand	28,212	29,094	41,395	41,395	13,184
6	Cost of Gas - Storage Fuel	271	754	662	664	393
7	Union Storage Costs	17,819	17,819	17,819	17,819	-
8	Total Storage	46,301	47,666	59,876	59,878	13,577
9	Total Transportation and Storage	146,948	125,783	118,336	118,527	(28,422)

1

2 Union North Transportation Revenue Requirement

3 Based on current approved TransCanada tolls included in Union North transportation rates

4 effective April 1, 2015, Union's 2016-2018 proposed gas supply plan includes \$56.9 million of

5 firm transportation ("FT") demand costs in 2018. The 2018 demand costs of \$56.9 million have

6 decreased by \$42.1 million, as compared to the 2013 Board-approved gas supply plan costs of

7 \$99.0 million. The \$42.1 million decrease in transportation demand costs is driven by Union's

8 conversion of long-haul transportation costs on TransCanada to short-haul transportation

9 contracts on TransCanada. The description of the changes to the gas supply plan is described at

10 Exhibit A, Tab 1, Section 3. The change in transportation demand costs in the 2016-2018 gas

11 supply plan is provided at Table 3, line 1.

12

1 As described above, Union North transportation rates will also include upstream transportation
2 fuel costs for sales service and bundled DP customers. The sales service upstream
3 transportation fuel costs are currently recovered in gas commodity rates and the bundled DP
4 customers currently provide fuel in-kind. Union is proposing to eliminate the requirement for
5 Union North bundled DP customers to provide their own fuel in-kind. In lieu of providing their
6 own fuel in-kind, Union will purchase gas on behalf of bundled DP customers to meet their
7 upstream transportation fuel requirements.

8
9 Accordingly, Union has forecasted an additional 0.155 PJ of fuel required for Union North
10 bundled DP customers in 2018 at an estimated cost of \$0.5 million, based on the April 2015
11 QRAM. The total transportation fuel costs, including the incremental \$0.5 million of bundled DP
12 fuel costs, are \$1.5 million in 2018. The incremental DP fuel costs of \$0.5 million are offset by a
13 reduction in the transportation sales service fuel requirements in the 2018 gas supply plan. The
14 total sales service 2018 transportation fuel costs have decreased as a result of the conversion
15 from long-haul to short-haul transportation contracts to serve the Union North East Zone. As a
16 result, the transportation fuel costs have not materially increased as compared to the 2013 Board-
17 approved gas supply plan transportation fuel costs of \$1.5 million. The change in transportation
18 fuel is provided at Table 3, line 2.

19
20 Union North transportation costs also include \$0.2 million in 2013 Board-approved costs
21 associated with gas purchase working capital and general plant (Table 3, line 3).

22

1 Accordingly, the total Union North transportation costs included in Union North transportation
2 rates decrease from Board-approved levels of \$100.6 million to \$58.6 million by calendar year
3 2018. The variance between the 2013 Board-approved gas supply plan and the 2018 gas supply
4 plan are summarized at Table 3, line 4.

5
6 Union North Storage Revenue Requirement

7 Based on current approved TransCanada tolls included in Union North storage rates effective
8 April 1, 2015, Union's 2018 gas supply plan includes \$41.4 million of storage demand and \$0.7
9 million of storage fuel costs. The storage costs in the gas supply plan include the TransCanada
10 Storage Transportation Service ("STS") and short-haul FT services that provide transportation to
11 and from Union's storage at Dawn. The 2018 storage demand costs of \$41.4 million have
12 increased by \$13.2 million as compared to the 2013 Board-approved gas supply plan costs of
13 \$28.2 million. The increase in storage demand costs of \$13.2 million is driven by additional
14 short-haul FT capacity that was acquired to replace Union's reliance on the diversion of the
15 Union South Empress to CDA contract to serve Union North delivery areas. The description of
16 the changes to the gas supply plan are described at Exhibit A, Tab 1, Section 3. The 2018
17 storage fuel costs of \$0.7 million have increased by \$0.4 million as compared to the updated
18 2013 Board-approved gas supply plan costs of \$0.3 million. The change in the storage demand
19 and fuel costs in the proposed gas supply plan is provided at Table 3, line 5 and line 6.
20 Union North storage-related costs also include \$17.8 million associated with Union North sales
21 service and bundled DP customers' use of Dawn storage and the Dawn-Parkway transmission

1 system (Table 3, line 7). Union North customers require Dawn storage and Dawn-Parkway
2 transmission to meet daily, seasonal and annual balancing requirements.

3
4 In total, storage costs included in Union North storage rates increased from 2013 Board-
5 approved levels of \$46.3 million to \$59.9 million by calendar year 2018 (Table 3, line 8).

6 Accordingly, the combined storage and transportation costs of \$118.5 million, based on the 2018
7 gas supply plan, have decreased by \$28.4 million as compared to the 2013 Board-approved costs
8 of \$146.9 million. The variance between the 2013 Board-approved gas supply plan and the 2018
9 gas supply plan are summarized at Table 3, line 9.

10 11 2.2 Board-Approved Cost Allocation Methodology

12 The Board-approved Union North storage and transportation cost allocation methodologies are
13 described below. The cost allocation of the \$118.5 million of storage and transportation costs,
14 updated to include the 2018 gas supply plan, based on Board-approved methodologies is
15 provided at Exhibit A, Tab 2, Appendix A, Schedule 2. The description of the Board-approved
16 Union North storage and transportation cost allocation methodology and rate design was
17 provided in EB-2012-0433 and EB-2013-0074 (Union's Parkway Project Leave to Construct
18 Application).

19 20 i. Firm Transportation Demand Costs

21 In Union's Board-approved 2013 cost allocation study, firm transportation demand costs are
22 allocated to Union North rate classes based on a combination of average day and peak day over

1 average day demands. This cost allocation methodology recognizes that firm transportation
2 meets both average annual daily demands and peak day demands that exceed the average annual
3 daily demands.

4
5 The average day demand costs are determined by calculating the proportion of average day
6 demand to the total contracted firm transportation demand. The average day demand costs are
7 allocated to rate classes in proportion to the Union North average day sales service and bundled
8 DP volumes.

9
10 The remaining firm transportation demand costs in excess of the costs required to serve sales
11 service and bundled DP demands on an average day are allocated to rate classes in proportion to
12 excess peak day over average day demand.

13
14 A portion of the gas supply firm transportation demand costs are also directly assigned to
15 interruptible Rate 25 based on winter sales volumes.

16
17 The 2013 Board-approved allocation of firm transportation demand costs, updated to include
18 \$56.9 million of proposed firm transportation demand costs, is provided at Exhibit A, Tab 2,
19 Appendix A, Schedule 2, line 1. The detailed calculation of the firm transportation demand
20 allocation is provided at Exhibit A, Tab 2, Appendix A, Schedule 3.

1 ii. Firm Transportation Commodity Costs

2 In Union's 2013 Board-approved cost allocation study, firm transportation commodity costs are
3 allocated to rate classes in proportion to Union North annual sales service and bundled DP
4 delivery volumes. A portion of the upstream transportation commodity costs are also directly
5 assigned to interruptible Rate 25 based on winter sales volumes. The proposed gas supply plan
6 has no FT commodity costs and therefore no cost allocation is required.

7
8 iii. Gas Purchase Working Capital and General Plant

9 In Union's 2013 Board-approved cost allocation study, gas purchase working capital is allocated
10 in proportion to annual sales service and bundled DP delivery volumes. General plant costs are
11 allocated in proportion to the allocation of other plant and O&M expenses. The 2013 Board-
12 approved allocation of the \$0.2 million is provided at Exhibit A, Tab 2, Appendix A, Schedule 2,
13 line 2.

14
15 iv. TransCanada STS and Short-Haul TransCanada FT Demand and Commodity Costs

16 In Union's 2013 Board-approved cost allocation study, TransCanada STS and short-haul
17 TransCanada FT demand costs are allocated to Union North rate classes in proportion to the
18 excess of peak day demands over average day demands.

19
20 The STS commodity and fuel-related costs are allocated to Union North rate classes in
21 proportion to winter delivery volumes, excluding Rate 25 and T-Service. The proposed gas
22 supply plan has no STS commodity costs and therefore an allocation is not required.

1 The allocation of the storage demand and storage commodity costs of \$41.4 million and \$0.7
2 million respectively, based on the 2018 gas supply plan, is provided at Exhibit A, Tab 2,
3 Appendix A, Schedule 2, line 6 and line 7.

4
5 v. Dawn Storage and Dawn-Parkway Transmission Demand and Commodity Costs

6 In Union's 2013 Board-approved cost allocation study, Dawn storage costs are allocated to
7 Union North based on design day demands and allocated to rate classes in proportion to the
8 excess of peak day demands over average day demands.

9
10 Dawn-Parkway transmission demand costs are allocated to Union North based on distance
11 weighted design day demands and allocated to Union North rate classes in proportion to the
12 excess of peak day demands over average day demands.

13
14 Commodity-related costs are allocated to Union North based on forecasted sales service and
15 bundled DP delivery volumes and allocated to rate classes in proportion to winter delivery
16 volumes, excluding Rate 25 and T-Service.

17
18 The 2013 Board-approved allocation of the \$17.8 million is provided at Exhibit A, Tab 2,
19 Appendix A, Schedule 2, line 15.

1 2.3 Board-Approved Rate Design

2 The Board-approved Union North transportation and storage rate design applicable to both sales
3 service and bundled DP customers is described below.

4
5 i. Board-Approved Transportation Rate Design

6 Union North transportation rates include the transportation costs associated with firm
7 transportation contracts to meet Union North in-franchise demands.

8
9 Union's Board-approved transportation rate design recognizes that a portion of upstream
10 transportation costs in transportation rates are different for each Zone, while the remaining
11 upstream transportation costs to serve customers are common to all four Zones. This two step
12 approach to setting gas transportation rates in Union North is described in more detail below.

13
14 The first step in setting Union North transportation rates is to determine the portion of the
15 upstream transportation costs related to the zonal differentials within each rate class. To
16 determine the portion of upstream transportation costs related to the zonal differentials within
17 each rate class, Union calculates the 100% load factor rate based on the upstream firm
18 transportation tolls. The zonal differentials are calculated as the differences between the most
19 westerly Zone and all other Zones.

20
21 The second step in setting Union North transportation rates is to set the portion of the rate to
22 recover the remaining transportation costs that are common to all sales service and bundled DP

1 customers within a rate class, regardless of Zone. Accordingly, these costs are recovered from
2 all customers in the rate class based on the Board-approved volume forecast.

3
4 To determine final transportation rates Union adds the zonal portion of gas supply transportation
5 rates for each Zone to the portion of the rate that is common for customers in all Zones.

6 Please see Exhibit A, Tab 2, Appendix A, Schedule 4 for the calculation of Rate 01
7 transportation rates using Board-approved methodology for each of Union's current four Zones,
8 updated for the proposed 2018 gas supply plan.

9
10 ii. Board-Approved Storage Rate Design

11 Union North storage rates include costs associated with TransCanada STS transportation, short-
12 haul TransCanada FT transportation, Dawn storage and the Dawn-Parkway transmission system.

13
14 Union's Board-approved rate design for setting Union North storage rates is consistent with the
15 rate design used to set transportation rates described above. A portion of Union North storage
16 rates are common to all customers in each Zone and a portion of storage rates are based on west
17 to east TransCanada zonal differentials (i.e. zonal or distance-based). Please see Exhibit A, Tab
18 2, Appendix A, Schedule 4 for the calculation of Rate 01 storage rates by Zone, updated for the
19 proposed gas supply plan.

1 2.4 Proposed Cost Allocation Methodology

2 Based on the proposed 2016-2018 gas supply plan, Union is proposing a cost allocation
3 methodology for each of the two proposed Union North Zones by rate class for i) Union North
4 transportation costs and ii) Union North storage costs. The proposed cost allocation
5 methodology reflects the storage and transportation costs incurred to serve the Union North West
6 and Union North East Zones.

7
8 A summary of the cost allocation to the Union North West and Union North East Zones based on
9 the 2018 gas supply plan is provided at Exhibit A, Tab 2, Appendix A, Schedule 5, p. 1 and the
10 detailed cost allocation to Zones is provided at Exhibit A, Tab 2, Appendix A, Schedule 5, pp. 2-
11 3. The cost allocation to rate classes for each Zone based on the 2018 gas supply plan is
12 provided at Exhibit A, Tab 2, Appendix A, Schedule 6, p. 1. The cost allocation for each Zone
13 for each of the 2016 to 2018 calendar years is provided at Exhibit A, Tab 2, Appendix A,
14 Schedule 7.

15
16 i) Union North Transportation Costs

17 The first step in the cost allocation analysis was to direct assign the transportation costs from the
18 2018 gas supply plan to the Union North West and Union North East Zones. The gas supply
19 plan identifies TransCanada firm transportation and fuel costs to serve each delivery area.
20 Accordingly, the costs associated with firm transportation to the Centrat MDA, Union WDA and
21 Union SSMDA were direct assigned to the Union North West Zone and the costs associated with
22 firm transportation to the Union NDA, Union NCDA and Union EDA were direct assigned to the

1 Union North East Zone. If a cost was deemed to serve both proposed Union North Zones, it was
2 considered to be a common cost. Examples of common costs include costs associated with the
3 Limited Balancing Agreement (“LBA”) and gas purchase working capital.

4
5 To recognize that a portion of the Dawn-Parkway system provides firm transportation from
6 Dawn to serve the Union North East Zone, Union also is proposing to reclassify a portion of the
7 Dawn-Parkway costs from storage to transportation based on the Union North Dawn-Parkway
8 design day demands. Specifically, the Dawn-Parkway system is required for the new short-haul
9 transportation contracts in the gas supply plan from Parkway to the Union NDA, Union NCDA
10 and Union EDA. For 2018, Union requires $2,724 \times 10^3 \text{ m}^3$ (or 28%) of the total Union North
11 Dawn-Parkway capacity of $9,860 \times 10^3 \text{ m}^3$ to transport gas to the Union North East Zone on design
12 day. Accordingly, Union has reflected \$2.4 million (or 28%) of the total \$8.5 million of Dawn-
13 Parkway demand and commodity costs (Exhibit A, Tab 2, Appendix A, Schedule 2, line 11 and
14 line 14) as transportation costs and direct assigned the costs to the Union North East Zone. The
15 transportation-related Union North Dawn-Parkway costs are provided at Exhibit A, Tab 2,
16 Appendix A, Schedule 5, p. 2, line 10.

17
18 Union added the additional \$2.4 million of Dawn-Parkway costs to the \$58.6 million in
19 transportation costs (Table 3, line 4) for a total Union North transportation cost of \$61.0 million.
20 Of the total \$61.0 million in transportation costs, Union allocated \$27.1 million to the Union
21 North West Zone and \$32.4 million to the Union North East Zone. The remaining \$1.5 million
22 are common costs incurred to serve both of the proposed Union North Zones.

1 The second step in the detailed cost allocation analysis was to allocate the firm transportation
2 costs, including Dawn-Parkway demand costs required to provide firm transportation, to rate
3 classes. Consistent with Board-approved methodology described at Exhibit A, Tab 2, Section
4 2.2 above, Union is proposing to allocate firm transportation demand costs to Union North rate
5 classes by Zone based on a combination of average day and the excess of peak day over average
6 day demands. This cost allocation methodology recognizes that firm transportation meets both
7 average annual daily demands and peak day demands that exceed the average annual daily
8 demands. The average day demand costs are determined by calculating the proportion of
9 average day demand to the total contracted firm transportation demand. Based on 2013 Board-
10 approved sales service and bundled DP volumes, 1,034 10^3m^3 (or 60%) of the total 1,736 10^3m^3
11 Union North West firm transportation is used to serve Union North West average day demands
12 and 2,611 10^3m^3 (or 81%) of the total 3,216 10^3m^3 Union North East firm transportation is used
13 to serve Union North East average day demands (Exhibit A, Tab 2, Appendix A, Schedule 6, p.
14 2, line 5 and line 11).

15
16 The average day demand costs are allocated to rate classes in proportion to the Union North
17 average day sales service and bundled DP delivery demands by rate class. The remaining firm
18 transportation demand costs in excess of the costs required to serve sales service and bundled DP
19 demands on an average day are allocated to rate classes in proportion to excess of peak day over
20 average day demands. A portion of the gas supply firm transportation demand costs are also
21 directly assigned to interruptible Rate 25 based on winter sales volumes. The calculation of the

FT demand allocation for each of the two proposed Union North Zones is provided at Exhibit A, Tab 2, Appendix A, Schedule 6, p. 2, column (c).

Union is also proposing to allocate the direct assigned upstream transportation fuel costs to rate classes in proportion to Union North annual sales service and bundled DP delivery volumes, excluding Rate 25. A portion of the upstream transportation fuel costs are also directly assigned to interruptible Rate 25 based on winter sales volumes.

Of the remaining \$1.5 million in common costs, Union is proposing to allocate \$1.3 million of common costs associated with the 2018 gas supply plan in proportion to the firm transportation demand allocation, described above. The \$1.3 million includes common gas supply costs as provided at Exhibit A, Tab 2, Appendix A, Schedule 1, p. 1, column (k), line 12 and line 13.

Union has not changed the allocation of the remaining common costs of \$0.2 million. The \$0.2 million is associated with gas working capital and general plant costs and is allocated to rate classes based on Board-approved methodology described at Exhibit A, Tab 2, Section 2.2.

ii) Union North Storage Costs

The next step in the cost allocation analysis was to direct assign storage costs from the 2018 gas supply plan to the Union North West Zone and Union North East Zone. Of the total \$42.1 million in storage demand and fuel costs, updated for the 2018 gas supply plan (as provided at Table 3), \$1.8 million was directly attributable to providing transportation between Dawn storage

1 and the Union North West Zone and the remaining \$40.2 million was directly attributable to
2 providing transportation between Dawn storage and the Union North East Zone.

3
4 Consistent with the Board-approved methodology described at Exhibit A, Tab 2, Section 2.2, the
5 2018 gas supply plan storage demand costs of \$41.4 million were allocated to rate classes in
6 proportion to the excess of peak day demands over average day demands. The 2018 gas supply
7 plan storage fuel costs of \$0.7 million were allocated to rate classes in proportion to the total
8 Union North delivery volumes, excluding Rate 25 and T-Service. The calculation of the storage
9 demand and storage fuel allocations is provided at Exhibit A, Tab 2, Appendix A, Schedule 6, p.
10 2, column (e) and column (f).

11
12 Lastly, Union allocated the remaining Union storage costs of \$15.4 million. Of the total \$17.8
13 million of Union storage costs (Table 3, line 7), \$2.4 million of Dawn-Parkway costs were
14 moved to transportation to account for the use of the Dawn-Parkway system to serve Union
15 North East transportation demands on design day (\$17.8 million less \$2.4 million = \$15.4
16 million). The remaining \$15.4 million includes \$13.2 million of demand costs and \$2.2 million
17 of commodity costs associated with Union North sales service and bundled DP customers' use of
18 Dawn storage and the Dawn-Parkway transmission system to access Dawn storage. The
19 allocation of the i) storage demand costs and ii) storage commodity and storage-related Dawn-
20 Parkway commodity costs are provided below.

1 i) Storage Demand Costs

2 The Dawn-Parkway demand and storage deliverability costs were allocated to the Union North
3 West and Union North East Zones in proportion to the Union North design day demands by
4 Zone, updated to reflect the proposed 2018 gas supply plan. The use of design day demands to
5 allocate Union North Dawn-Parkway and storage deliverability is consistent with Union's 2013
6 Board-approved cost allocation methodology.

7
8 The storage space was allocated to the Union North West and Union North East Zones in
9 proportion to the excess of winter volumes (November-March) compared to average annual use
10 for the same 151-day period (aggregate excess). The allocation methodology is consistent with
11 the calculation of the Union North storage space requirements for the 2018 gas supply plan.

12
13 Once the costs were allocated to the Union North West and Union North East Zones,
14 transmission and storage demand costs were then allocated to rate classes based on the excess of
15 peak day demands over average day demands. The calculation of the storage demand allocation
16 is provided at Exhibit A, Tab 2, Appendix A, Schedule 6, p. 2, column (e).

17
18 ii) Storage and Storage-Related Dawn-Parkway Commodity

19 The storage and storage-related commodity costs on Dawn-Parkway were allocated to the Union
20 North West and Union North East Zones in proportion to the storage commodity volumes for
21 each Zone based on the 2018 gas supply plan. The storage-related Dawn-Parkway commodity
22 costs exclude the Union SSMDA, as the Union SSMDA does not use the Dawn-Parkway system.

1 Once the costs were allocated to the Union North West and Union North East Zones,
2 transmission and storage commodity costs were then allocated to rate classes based on total
3 annual Union North delivery volumes, excluding Rate 25 and T-Service.
4

5 Of the total \$118.5 million of Union North storage and transportation costs, including the 2018
6 gas supply plan, Union allocated \$32.2 million to the Union North West Zone and \$84.9 million
7 to the Union North East Zone. The remaining \$1.5 million were deemed to be common costs.

8 The total cost allocation by rate class for each Zone is provided at Exhibit A, Tab 2, Appendix A,
9 Schedule 6, p. 1, column (h).
10

11 2.5 Proposed Rates

12 To determine cost-based Union North storage and transportation rates, Union used the 2018
13 allocated costs for the Union North West and Union North East Zones by rate class, as described
14 at Exhibit A, Tab 2, Section 2.4. Union also adjusted the Union North storage and transportation
15 costs to include approved cost changes of \$2.3 million to Union North storage and transportation
16 rates, as per Union's 2014 Rates (EB-2013-0365) and 2015 Rates (EB-2014-0271) proceedings.
17 The \$2.3 million cost adjustment and the \$1.5 million of Union's transportation common costs
18 were allocated to the Union North West and Union North East Zones in proportion to the annual
19 Union North West and Union North East billing units for each rate class.
20

21 To calculate the Union North storage and transportation rates, Union divided the total Union
22 North West and Union North East storage and transportation costs for each rate class by the total

1 annual Union North West and Union North East billing units for each rate class. This cost-based
2 rate design approach reflects Union's costs to serve the respective Union North Zones on a
3 postage stamp basis.

4
5 Union's rate design results in Rate 01 transportation rates that range from 6.8816 cents/m³ in the
6 Union North West Zone to 2.9681 cents/m³ in the Union North East Zone. Rate 01 storage rates
7 range from 1.6225 cents/m³ in the Union North West Zone to 6.0246 cents/m³ in the Union
8 North East Zone. Please see Table 4 below for a summary of proposed Rate 01 rates compared
9 to Union's approved rates.

10

Table 4
Summary of Proposed Rate 01 Changes
Based on the 2018 Gas Supply Plan

Line No.	Particulars (cents/m ³)	2015 EB-2015-0035 Approved April 1, 2015 (a)	2016 EB-2015-XXXX Proposed January 1, 2016 (b)	2017 EB-2015-XXXX Proposed January 1, 2017 (c)	2018 EB-2015-XXXX Proposed January 1, 2018 (d)	Rate Change (e) = (d - a)
<u>Gas Transportation Service</u>						
<u>Union North West</u>						
1	Fort Frances (Centrat MDA)	5.8930	6.4845	6.7859	6.8816	0.9886
2	Western (Union WDA)	5.0785	6.4845	6.7859	6.8816	1.8031
3	Northern (Union SSMDA)	6.6160	6.4845	6.7859	6.8816	0.2656
<u>Union North East</u>						
4	Northern (Union NDA)	6.6160	4.9249	2.8429	2.9681	(3.6479)
5	Eastern (Union NCDA)	7.8378	4.9249	2.8429	2.9681	(4.8697)
6	Eastern (Union EDA)	7.8378	4.9249	2.8429	2.9681	(4.8697)
<u>Storage Service</u>						
<u>Union North West</u>						
7	Fort Frances (Centrat MDA)	3.5677	1.6639	1.6319	1.6225	(1.9452)
8	Western (Union WDA)	3.2422	1.6639	1.6319	1.6225	(1.6197)
9	Northern (Union SSMDA)	3.8566	1.6639	1.6319	1.6225	(2.2341)
<u>Union North East</u>						
10	Northern (Union NDA)	3.8566	4.6421	6.0247	6.0246	2.1680
11	Eastern (Union NCDA)	4.3449	4.6421	6.0247	6.0246	1.6797
12	Eastern (Union EDA)	4.3449	4.6421	6.0247	6.0246	1.6797
<u>Commodity Cost of Gas</u>						
<u>Union North West</u>						
13	Fort Frances (Centrat MDA)	11.7358	11.5678	11.5678	11.5678	(0.1680)
14	Western (Union WDA)	11.8154	11.5678	11.5678	11.5678	(0.2476)
15	Northern (Union SSMDA)	11.9384	11.5678	11.5678	11.5678	(0.3706)
<u>Union North East</u>						
16	Northern (Union NDA)	11.9384	14.6171	14.6171	14.6171	2.6787
17	Eastern (Union NCDA)	12.0364	14.6171	14.6171	14.6171	2.5807
18	Eastern (Union EDA)	12.0364	14.6171	14.6171	14.6171	2.5807

1

2 The calculation of Rate 01, Rate 10, Rate 20 and Rate 25 transportation and storage rates based
3 on the 2016-2018 gas supply plan is provided at Exhibit A, Tab 2, Appendix A, Schedule 8. A

1 summary of the proposed 2016-2018 rates is also provided at Exhibit A, Tab 2, Appendix A,

2 Schedule 9.

3
4 2.6 Bill Impacts

5 The bill impacts for Rate 10 and Rate 20 based on the 2018 gas supply plan are provided at

6 Exhibit A, Tab 2, Appendix A, Schedule 10. The Rate 01 bill impacts for an average residential

7 customer with an annual volume of 2,200 m³ are summarized at Table 5 below.

Table 5
Rate 01 Residential Bill Impacts at 2,200 m³ of the 2018 Gas Supply Plan

Line No.	Particulars (\$)	Union North West			Union North East		
		MDA	WDA	SSMDA	NDA	NCDA	EDA
		(a)	(b)	(c)	(d)	(e)	(f)
<u>Approved (1)</u>							
1	Delivery	447.26	447.26	447.26	447.26	447.26	447.26
2	Transportation	129.65	111.74	145.57	145.57	172.44	172.44
3	Storage	78.49	71.31	84.84	84.84	95.60	95.60
4	Commodity (Alberta Border)	258.19	259.95	262.63	262.63	264.79	264.79
5	Total Bill	913.59	890.26	940.30	940.30	980.09	980.09
<u>Updated 2018 Gas Supply Plan (2)</u>							
6	Delivery	447.26	447.26	447.26	447.26	447.26	447.26
7	Transportation	81.02	63.10	80.68	80.68	97.48	97.48
8	Storage	107.28	100.13	107.15	107.15	113.85	113.85
9	Commodity (Alberta Border)	258.19	259.95	262.63	262.63	264.79	264.79
10	Total Bill	893.76	870.44	897.71	897.71	923.38	923.38
<u>Bill Impact - Gas Supply Plan</u>							
11	Delivery (line 6 - line 1)	-	-	-	-	-	-
12	Transportation (line 7 - line 2)	(48.63)	(48.64)	(64.89)	(64.89)	(74.96)	(74.96)
13	Storage (line 8 - line 3)	28.79	28.82	22.31	22.31	18.25	18.25
14	Commodity (line 9 - line 4)	-	-	-	-	-	-
15	Bill Impact (line 10 - line 5)	(19.83)	(19.82)	(42.59)	(42.59)	(56.71)	(56.71)
16	Bill Impact (%) (line 15 / line 5)	-2.2%	-2.2%	-4.5%	-4.5%	-5.8%	-5.8%
<u>Proposed Rate Design</u>							
17	Delivery	447.26	447.26	447.26	447.26	447.26	447.26
18	Transportation	151.40	151.40	151.40	65.30	65.30	65.30
19	Storage	35.70	35.70	35.70	132.54	132.54	132.54
20	Commodity (3)	254.49	254.49	254.49	321.58	321.58	321.58
21	Total Bill	888.84	888.84	888.84	966.68	966.68	966.68
<u>Bill Impact - Rate Design</u>							
22	Delivery (line 17 - line 6)	-	-	-	-	-	-
23	Transportation (line 18 - line 7)	70.37	88.29	70.72	(15.38)	(32.18)	(32.18)
24	Storage (line 19 - line 8)	(71.59)	(64.43)	(71.45)	25.40	18.69	18.69
25	Commodity (line 20 - line 9)	(3.70)	(5.46)	(8.14)	58.95	56.79	56.79
26	Total Bill Impact (line 21 - line 10)	(4.92)	18.40	(8.87)	68.96	43.29	43.29
27	Bill Impact (%) (line 26 / line 10)	-0.5%	2.1%	-1.0%	7.7%	4.7%	4.7%

Table 5 (continued)
Rate 01 Residential Bill Impacts at 2,200 m³ of the 2018 Gas Supply Plan

Line No.	Particulars (\$)	Union North West			Union North East		
		MDA	WDA	SSMDA	NDA	NCDA	EDA
		(a)	(b)	(c)	(d)	(e)	(f)
	<u>Bill Impact – Total</u>						
28	Delivery (line 11 + line 22)	-	-	-	-	-	-
29	Transportation (line 12 + line 23)	21.75	39.66	5.83	(80.27)	(107.14)	(107.14)
30	Storage (line 13 + line 24)	(42.80)	(35.62)	(49.15)	47.70	36.94	36.94
31	Commodity (line 14 + line 25)	(3.70)	(5.46)	(8.14)	58.95	56.79	56.79
32	Bill Impact (line 15 + line 26)	(24.75)	(1.42)	(51.46)	26.38	(13.41)	(13.41)
33	Bill Impact (%) (line 32 / line 5)	-2.7%	-0.2%	-5.5%	2.8%	-1.4%	-1.4%

Notes:

- (1) As per Union's April 2015 QRAM (EB-2015-0035)
- (2) Based on Rate 01 storage and transportation rates derived at Exhibit A, Tab 2, Appendix A, Schedule 4.
- (3) The Union North West Zone is based on the Alberta Border Reference Price of \$2.951/GJ and the Union North East Zone is based on the Dawn Reference Price of \$3.742/GJ, as per April 2015 QRAM (EB-2015-0035).

1 The two main drivers for the bill impacts are the i) changes to the gas supply plan and ii) the
2 proposed cost allocation and rate design changes described above.

3

4 i) Changes to the Gas Supply Plan

5 The 2018 gas supply plan includes a decrease of \$42.0 million in transportation costs (Exhibit A,
6 Tab 2, Table 3, line 4). Based on current-approved cost allocation and rate design
7 methodologies, transportation rates for all Zones would decrease. For an average residential
8 customer with an annual volume of 2,200 m³, the decrease in the transportation portion of the bill
9 ranges from a decrease of \$49 per year in the Centrat MDA and Union WDA to a decrease of
10 \$75 per year in the Union NCDA and Union EDA.

1 The 2018 gas supply plan includes an increase of \$13.6 million in storage costs (Exhibit A, Tab
2 2, Table 3, line 8). Based on current-approved cost allocation and rate design methodologies,
3 storage rates for all zones would increase. For an average residential customer with an annual
4 volume of 2,200 m³, the increase in the storage portion of the bill ranges from an increase of \$29
5 per year in the Centrat MDA and the Union WDA to an increase of \$18 per year in the Union
6 NCDA and Union EDA.

7
8 The decrease in transportation rates and increase in storage rates is the result of the Board-
9 approved rate design, which assumes a portion of the transportation and storage costs are
10 common to all Zones, and that the remaining transportation and storage costs are based on zonal
11 differentials, which assume west to east flow on TransCanada from Empress. Based on the
12 TransCanada tolls in effect April 1, 2015, the majority of these costs are considered common
13 costs and recovered from all Zones. The calculation of transportation and storage rates by Zone
14 using Board-approved methodologies is provided at Exhibit A, Tab 2, Appendix A, Schedule 4.

15
16 Based on the 2018 gas supply plan and current-approved cost allocation and rate design, the net
17 bill impact for an average residential customer with an annual volume of 2,200 m³ ranges from a
18 decrease of \$20 per year in the Centrat MDA and the Union WDA to a decrease of \$57 per year
19 in Union NCDA and Union EDA.

1 ii) Proposed Cost Allocation and Rate Design Changes

2 The annual bill impacts based on Union's proposed cost allocation and rate design for an average
3 residential customer with an annual volume of 2,200 m³ ranges from a decrease of \$9 per year in
4 the Union SSMDA to an increase of \$69 per year in the Union NDA. To determine the bill
5 impacts associated with Union's proposed cost allocation and rate design changes, Union
6 compared the cost allocation and rate design changes to the 2018 gas supply plan using current-
7 approved methodologies.

8
9 The net decrease of \$9 per year for an average residential customer in the Union SSMDA
10 includes a \$71 increase in transportation rates, which is offset by a \$71 decrease in storage rates
11 and an \$8 decrease in the Union North West gas commodity rate.

12
13 The net increase of \$69 per year for an average residential customer in the Union NDA includes
14 a \$15 decrease in transportation rates, which is offset by a \$25 increase in storage rates and a \$59
15 increase in the Union North East gas commodity rate.

16
17 These bill impacts are the result of the proposed cost allocation and rate design changes to
18 storage, transportation and gas commodity rates. Specifically, the storage and transportation
19 rates for the Union North West and Union North East Zones are based on a detailed cost
20 allocation methodology by Zone. Within each of the two Union North Zones, the storage and
21 transportation rates are set on a postage stamp basis. The gas commodity rate for the Union

1 North East Zone, previously based on the Alberta Border Reference Price, is now based on the
2 Dawn Reference Price.

3
4 iii) Total Annual Bill Impacts

5 The total annual bill impact, including the 2018 gas supply plan changes and the proposed cost
6 allocation and rate design changes, for an average residential customer with an annual volume of
7 2,200 m³ ranges from a decrease of \$51 per year in the Union SSMDA to an increase of \$26 per
8 year in Union NDA, as compared to approved rates, per April 2015 QRAM (EB-2015-0035).

9
10 The net decrease of \$51 per year for an average residential customer in the Union SSMDA
11 includes a \$6 increase in transportation rates, which is offset by a \$49 decrease in storage rates
12 and an \$8 decrease in the Union North West gas commodity rate.

13
14 The net increase of \$26 per year for an average residential customer in the Union NDA includes
15 an \$80 decrease in transportation rates, which is offset by a \$48 increase in storage rates and a
16 \$59 increase in the Union North East gas commodity rate.

17
18 A black-lined version of Union North and Union South rate schedules and Schedule “A” are
19 provided at Exhibit A, Tab 2, Appendix A, Schedule 11.

1 3. **Implementation**

2 The changes to the Union North gas supply portfolio are occurring from November 2015 to
3 November 2017. Accordingly, Union is seeking approval to update Union North and Union
4 South gas commodity rates and Union North storage and transportation rates based on the gas
5 supply plan for each calendar year from 2016 to 2018, effective January 1 of each year.

6
7 Upon approval of its proposal, Union will file updated Union South gas commodity and
8 transportation rates and Union North gas commodity, storage and transportation rates as part of
9 the first QRAM proceeding following a Board Decision.

UNION GAS LIMITED
Union North 2013 Board-Approved Gas Supply Plan versus Proposed 2016-2018 Gas Supply Plan

Line No.	Particulars	2013 Board-Approved (1)			2016 (2)			2017 (2)			2018 (2)		
		Rates (\$ / GJ)	Annual Volume TJ	Costs (\$000's)	Annual Volume TJ	Costs (\$000's)	Cost Variance (f) = (e - c)	Annual Volume TJ	Costs (\$000's)	Cost Variance (i) = (h - c)	Annual Volume TJ	Costs (\$000's)	Cost Variance (l) = (k - c)
		(a)	(b)	(c)	(d)	(e)	(f) = (e - c)	(g)	(h)	(i) = (h - c)	(j)	(k)	(l) = (k - c)
	Transportation Costs												
	<u>Demand Costs</u>												
1	TCPL NCDA	58.024	3,211	6,125	3,219	6,125	-	3,211	6,125	(0)	3,211	6,125	-
2	TCPL EDA	64.066	21,473	45,229	5,629	11,823	(33,406)	365	769	(44,460)	365	769	(44,460)
3	TCPL MDA	21.914	1,651	1,189	2,037	1,463	274	2,031	1,463	274	2,031	1,463	274
4	TCPL NDA	48.527	17,913	28,579	13,691	21,783	(6,796)	2,915	4,651	(23,928)	2,915	4,651	(23,928)
5	TCPL SSMDA	43.994	730	1,056	2,980	4,299	3,243	2,972	4,299	3,243	2,972	4,299	3,243
6	TCPL WDA	31.471	13,352	13,815	17,808	18,376	4,561	18,764	19,414	5,599	18,764	19,414	5,599
7	TCPL PKWY EDA	12.138	-	-	15,904	6,329	6,329	21,108	8,423	8,423	21,108	8,423	8,423
8	TCPL PKWY NDA	17.445	-	-	4,763	2,724	2,724	15,695	9,001	9,001	15,695	9,001	9,001
9	TCPL PKWY NCDA	8.642	-	-	-	-	-	122	35	35	730	207	207
10	Michcon/TCPL SSMDA	6.464	2,242	476	-	-	(476)	-	-	(476)	-	-	(476)
11	CTHI/CPMI	18.805	3,093	1,912	2,071	1,277	(635)	2,066	1,277	(635)	2,066	1,277	(635)
12	LBA	-	-	1,200	-	1,200	-	-	1,200	-	-	1,200	-
13	TCPL Minimum Flow Charge	-	-	54	-	71	17	-	71	17	-	71	17
14	Supply Transportation Demand	-	-	99,634	-	75,469	(24,165)	-	56,728	(42,907)	-	56,900	(42,734)
15	Company Used	59.785	(226)	(444)	(225)	-	444	(225)	-	444	(225)	-	444
16	Inventory Change	59.785	(293)	(576)	(57)	-	576	131	-	576	(57)	-	576
17	Adjustment	-	-	(139)	-	-	139	-	-	139	-	-	139
18	Demand Costs in Rates	-	-	98,475	-	75,469	(23,006)	-	56,728	(41,747)	-	56,900	(41,574)
19	Union North Diversion Costs	-	-	504	-	-	(504)	-	-	(504)	-	-	(504)
	<u>Commodity Costs</u>												
20	Michcon/TCPL SSMDA	0.008	1,275	11	-	-	(11)	-	-	(11)	-	-	(11)
21	Supply Transportation Commodity	-	-	11	-	-	(11)	-	-	(11)	-	-	(11)
22	Adjustment	-	-	(4)	-	-	4	-	-	4	-	-	4
23	Commodity Costs in Rates	-	-	7	-	-	(7)	-	-	(7)	-	-	(7)
24	Total Transportation Demand	-	-	98,986	-	75,469	(23,517)	-	56,728	(42,258)	-	56,900	(42,085)
	<u>Fuel Costs (3)</u>												
25	TCPL NCDA	2.092%	1,586	84	90	267	183	87	256	172	91	269	185
26	TCPL EDA	2.092%	13,888	734	140	413	(321)	11	33	(701)	11	33	(701)
27	TCPL MDA	0.603%	331	5	6	19	14	6	19	14	6	19	14
28	TCPL NDA	1.603%	10,150	411	318	937	526	70	205	(206)	70	205	(206)
29	TCPL SSMDA	1.603%	0	-	54	159	159	54	159	159	54	159	159
30	TCPL WDA	1.049%	5,206	138	153	451	313	155	457	319	156	460	322
31	TCPL PKWY EDA	0.000%	0	-	36	134	134	52	196	196	53	196	196
32	TCPL PKWY NDA	-	0	-	18	66	66	55	206	206	55	205	205
33	TCPL PKWY NCDA	-	0	-	-	-	-	-	-	-	0	1	1
34	Michcon/TCPL SSMDA	1.693%	1,275	115	-	-	(115)	-	-	(115)	-	-	(115)
35	CTHI/CPMI	0.153%	577	2	1	3	1	1	3	1	1	3	1
36	Supply Transportation Fuel	-	-	1,490	-	2,449	959	-	1,534	44	-	1,549	60
37	Company Used	-	-	(12)	-	-	12	-	-	12	-	-	12
38	Inventory Change	-	-	(16)	-	-	16	-	-	16	-	-	16
39	Fuel Costs in Rates	-	-	1,463	-	2,449	986	-	1,534	71	-	1,549	87
40	Total Transportation Costs	-	-	100,448	-	77,918	(22,530)	-	58,261	(42,187)	-	58,450	(41,998)

Notes:

- (1) 2013 Board-approved gas supply plan updated for April 2015 QRAM (EB-2015-0035).
- (2) Based on 2016-2018 calendar year gas supply plan updated for April 2015 QRAM (EB-2015-0035).
- (3) Based on Alberta Border Reference Price of \$2.951/GJ and Dawn Reference Price of \$3.742/GJ, as per April QRAM (EB-2015-0035).

UNION GAS LIMITED
Union North 2013 Board-Approved Gas Supply Plan versus Proposed 2016-2018 Gas Supply Plan

Line No.	Particulars	2013 Board-Approved (1)			2016 (2)			2017 (2)			2018 (2)		
		Rates (\$ / GJ)	Annual Volume TJ	Costs (\$000's)	Annual Volume TJ	Costs (\$000's)	Cost Variance (f) = (e - c)	Annual Volume TJ	Costs (\$000's)	Cost Variance (i) = (h - c)	Annual Volume TJ	Costs (\$000's)	Cost Variance (l) = (k - c)
		(a)	(b)	(c)	(d)	(e)	(f) = (e - c)	(g)	(h)	(i) = (h - c)	(j)	(k)	(l) = (k - c)
	<u>Storage Costs</u>												
	<u>Demand Costs</u>												
1	TCPL NDA STS Injection	17.445	17,922	10,279	17,971	10,278	(0)	17,921	10,278	(0)	17,921	10,278	(0)
2	TCPL WDA STS Injection	41.230	1,150	1,558	1,153	1,558	0	1,150	1,558	0	1,150	1,558	0
3	TCPL EDA STS Withdrawal	12.138	25,010	9,980	9,872	3,929	(6,051)	9,845	3,929	(6,051)	9,845	3,929	(6,051)
4	TCPL Pkwy to EDA	12.138	12,775	5,098	17,531	6,977	1,879	19,042	7,599	2,501	19,042	7,599	2,501
5	TCPL Pkwy to EDA EMB	13.352	-	-	6,875	3,010	3,010	9,125	4,005	4,005	9,125	4,005	4,005
6	TCPL Pkwy to NDA	17.445	-	-	4,087	2,338	2,338	24,455	14,026	14,026	24,455	14,026	14,026
7	TCPL Dawn to Pkwy (3)	0.341	3,801	1,297	3,176	1,004	(292)	-	-	(1,297)	-	-	(1,297)
8	Storage Demand Costs in Rates			28,212		29,094	882		41,395	13,184		41,395	13,184
	<u>Fuel Costs (4)</u>												
9	TCPL NDA STS Injection	0.584%	5,789	163	25	93	(70)	-	-	(163)	-	-	(163)
10	TCPL WDA STS Injection	1.240%	769	46	16	58	12	14	53	7	15	57	11
11	TCPL EDA STS Withdrawal	0.359%	3,559	62	3	12	(50)	-	-	(62)	-	-	(62)
12	TCPL NCDA STS Injection	-	-	-	2	6	6	2	-	-	2	-	-
13	TCPL NCDA STS Withdrawal	-	-	-	8	29	29	8	6	6	8	6	6
14	TCPL NDA STS Withdrawal	-	-	-	47	177	177	-	31	31	-	28	28
15	TCPL SSMDA STS Withdrawal	-	-	-	28	103	103	28	104	104	28	104	104
16	TCPL WDA STS Withdrawal	-	-	-	35	131	131	31	117	117	31	117	117
17	TCPL Pkwy to EDA	-	-	-	18	68	68	8	29	29	8	31	31
18	TCPL Pkwy to EDA EMB	-	-	-	4	14	14	17	64	64	16	61	61
19	TCPL Pkwy to NDA	-	-	-	17	62	62	69	258	258	69	259	259
20	Storage Fuel Costs in Rates			271		754	483		662	391		664	393
21	Total Storage Costs			28,482		29,848	1,365		42,057	13,575		42,059	13,577
22	Total Storage and Transportation Costs			128,930		107,766	(21,165)		100,318	(28,612)		100,509	(28,422)

Notes:

- (1) 2013 Board-approved gas supply plan updated for April 2015 QRAM (EB-2015-0035).
- (2) Based on 2016-2018 calendar year gas supply plan updated for April 2015 QRAM (EB-2015-0035).
- (3) The TCPL Dawn to Parkway costs are based on the TCPL Dawn to Parkway demand charge including fuel.
- (4) Based on Alberta Border Reference Price of \$2.951/GJ and Dawn Reference Price of \$3.742/GJ, as per April QRAM (EB-2015-0035).

UNION GAS LIMITED
Union North Storage and Transportation Cost Allocation
Based on Board-Approved Methodology and the 2018 Gas Supply Plan at April 2015 QRAM

Line No	Cost Allocation (\$000's)	Total (a)	Rate 01 (b)	Rate 10 (c)	Rate 20 (d)	Rate 100 (e)	Rate 25 (f)
<u>Transportation</u>							
1	Cost of Gas - Transportation Demand (1)	56,900	38,909	13,002	4,253	-	736
2	Union North Transportation-Related Costs (2)	199	101	15	47	14	22
3	Total Transportation excluding Transportation Fuel	57,099	39,010	13,017	4,300	14	758
4	Cost of Gas - Transportation Fuel (3)	1,549					
5	Total Transportation Costs	58,649					
<u>Storage</u>							
6	Cost of Gas - Storage Demand	41,395	31,896	8,350	1,149	-	-
7	Cost of Gas - Storage Fuel	664	511	134	18	-	-
8	Total Cost of Gas Storage Costs	42,059	32,407	8,484	1,167	-	-
<u>Union North Storage Costs</u>							
9	Storage Deliverability	4,190	3,135	821	219	15	-
10	Storage Space	5,644	4,222	1,105	295	21	-
11	Dawn-Parkway Demand	8,133	6,084	1,593	426	30	-
12	Reclassification to Delivery	(2,461)	(1,836)	(485)	(132)	(9)	-
13	Storage Commodity	1,925	1,346	424	151	5	-
14	Dawn-Parkway Commodity	388	271	85	30	1	-
15	Total Union North Storage Costs	17,819	13,223	3,543	990	63	-
16	Total Storage Costs	59,878	45,630	12,027	2,157	63	-
17	Total Cost of Gas (line 1 + line 4 + line 6 + line 7) (4)	100,509					
18	Total 2018 Storage and Transportation Costs excluding Transportation Fuel (line 3 + line 16)	116,977	84,641	25,045	6,457	77	758
19	Total Transportation and Storage Costs (line 4 + line 18)	118,527					

Notes:

- (1) As per Exhibit A, Tab 2, Appendix A, Schedule 3, line 13.
- (2) Other Union transportation-related costs of \$0.2 million include gas supply working capital and general plant.
- (3) The sales service transportation fuel costs are currently recovered in commodity rates based on 2013 Board-approved rate design. The bundled direct purchase transportation fuel costs are currently provided in kind by bundled direct purchase customers and not included in Union's rates.
- (4) As per Exhibit A, Tab 2, Appendix A, Schedule 1, p. 2, column (k), line 22.

UNION GAS LIMITED
Union North Firm Transportation Demand Cost Allocation
Based on Board-Approved Methodology and the 2018 Gas Supply Plan at April 2015 QRAM

Line No	Particulars (\$000's)	Total (a)	Rate 01 (b)	Rate 10 (c)	Rate 20 (d)	Rate 100 (e)	Rate 25 (f)
1	Firm Transportation Demand Costs to be Allocated to Firm Service (1)	56,165					
2	Firm Sales Volumes (excluding T-Service) (10 ³ m ³)	1,330,188	884,421	322,156	123,611	-	-
3	Average Day Volumes (10 ³ m ³) (line 2 / 365)	3,644	2,423	883	339	-	-
4	TCPL Contracted Demand Capacity (10 ³ m ³)	4,951					
5	Proportion of TransCanada Capacity Used in Base Load (line 3 / line 4)	73.6%					
6	TransCanada Capacity Costs Used in Base Load (line 1 x line 5)	41,338					
7	Base Transportation Cost Allocation (2)	41,338	27,485	10,012	3,841	-	-
	<u>Remaining Peak Volume Allocation to Firm Service</u>						
8	Remaining Capacity in Excess of Average Day Volumes (10 ³ m ³) (line 4 - line 3)	1,307					
9	Excess Peak over Annual Average Demand (XSPK&AVG) (10 ³ m ³)	8,433	6,498	1,701	234	-	-
10	Remaining Transportation Demand Costs (line 1 - line 6)	14,827					
11	Peak Cost Allocation (3)	14,827	11,424	2,991	412	-	-
12	Direct Assignment to Rate 25 (4)	736	-	-	-	-	736
13	Total Capacity Costs (TRANSALLO) (line 7 + line 11 + line 12)	56,900	38,909	13,002	4,253	-	736

Notes:

- (1) Union North Firm Transportation demand costs to be allocated to firm service are \$56.9 million, as per Exhibit A, Tab 2, Appendix A, Schedule 1, p. 1, column (k), line 14, less \$0.736 million in direct assigned costs to Rate 25.
- (2) The base transportation costs are allocated in proportion to the average day volumes for sales service and bundled direct purchase customers, as provided at line 3.
- (3) The remaining transportation demand costs are allocated in proportion to the excess of peak day demands over average annual day demands, as provided at line 9.
- (4) The direct assignment of Rate 25 costs are calculated based on Rate 25 winter volumes by zone applied to the respective weighted TransCanada demand toll.

UNION GAS LIMITED
Rate 01 Union North Storage and Transportation Rates by Zone
Based on Board-Approved Methodology and the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars	Total	Fort Frances Zone	Western Zone	Northern Zone	Eastern Zone
		(a)	(b)	(c)	(d)	(e)
1	Annual Volumes (10 ³ m ³)	926,963	12,888	179,519	403,458	331,099
2	TCPL Tolls (cents/m ³)		152.7355	118.0485	152.0627	184.5761
3	TCPL Tolls (cents/m ³ /d)		5.0210	3.8810	4.9990	6.0680
4	Transmission Zonal Differential (cents/m ³ /d)	71%	-	(0.8145)	(0.0157)	0.7481
5	Storage Zonal Differential (cents/m ³ /d)	29%	-	(0.3255)	(0.0063)	0.2989
6	Total Zonal Differential (cents/m ³ /d)	100%	-	(1.1400)	(0.0220)	1.0470
<u>Transportation</u>						
7	Transportation Zone Adjustment (\$000's)	951	-	(1,462)	(63)	2,477
8	Common Costs (\$000's)	38,059	529	7,371	16,565	13,594
9	Total Transportation Costs (\$000's) (1)	39,010	529	5,908	16,502	16,071
10	Transportation Rate (cents/m ³)		4.1058	3.2913	4.0901	4.8539
11	Gas Supply Optimization Rate (cents/m ³)		(0.4229)	(0.4229)	(0.4229)	(0.4229)
12	Total Transportation Rate (cents/m ³)		3.6829	2.8684	3.6672	4.4310
<u>Storage</u>						
13	Annual Volumes (10 ³ m ³)	927,922	12,901	179,704	403,875	331,441
14	Storage Zone Adjustment (\$000's)	380	-	(584)	(25)	990
15	Common Costs (\$000's)	45,250	629	8,763	19,695	16,163
16	Total Storage Costs (\$000's) (2)	45,630	629	8,179	19,670	17,153
17	Storage Rate (cents/m ³)		4.8765	4.5514	4.8702	5.1751
18	Total Transportation and Storage	84,641	8.5594	7.4197	8.5374	9.6061

Notes:

- (1) As per Exhibit A, Tab 2, Appendix A, Schedule 2, column (b), line 3.
(2) As per Exhibit A, Tab 2, Appendix A, Schedule 2, column (b), line 16.

UNION GAS LIMITED
Proposed Union North Storage and Transportation Cost Allocation to the Union North West Zone and Union North East Zone
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (\$000's)	Total (a)	Union North West (b)	Union North East (c)
	<u>Summary of Transportation and Storage Costs</u>			
1	Transportation Demand (1)	57,877	26,453	31,423
2	Transportation Commodity (2)	1,657	641	1,016
3	Storage Demand (3)	54,654	4,458	50,196
4	Storage Commodity (4)	2,870	651	2,219
5	Total Demand and Commodity Costs	<u>117,057</u>	<u>32,203</u>	<u>84,855</u>
6	Total Transportation Common Costs (5)	<u>1,470</u>		
7	Total Transportation and Storage Costs	<u><u>118,527</u></u>		

Notes

- (1) As per Exhibit A, Tab 2, Appendix A, Schedule 5, page 2, line 1 and line 8.
- (2) As per Exhibit A, Tab 2, Appendix A, Schedule 5, page 2, line 6 and line 9.
- (3) As per Exhibit A, Tab 2, Appendix A, Schedule 5, page 3, line 1 and lines 4 - 7.
- (4) As per Exhibit A, Tab 2, Appendix A, Schedule 5, page 3, line 2 and lines 8 - 9.
- (5) As per Exhibit A, Tab 2, Appendix A, Schedule 5, page 2, line 2 and line 4.

UNION GAS LIMITED
Proposed Union North Storage and Transportation Cost Allocation to the Union North West Zone and Union North East Zone
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars	Detailed Transportation Costs (\$000's)			Allocation Factors			
		Total	Union North West	Union North East	Factor Description	Total	Union North West	Union North East
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<u>Cost of Gas - Transportation Demand Costs</u>							
1	Cost of Gas - Transportation Demand	55,630	26,453	29,177	Direct Assignment (\$000's)	55,630	26,453	29,177
2	Cost of Gas - Transportation Common Costs	1,271	-	-		-	-	-
3	Total Cost of Gas - Transportation Demand Costs	<u>56,900</u>	<u>26,453</u>	<u>29,177</u>				
4	Other Common Union Transportation Costs	199	-	-		-	-	-
5	Total excluding Fuel and Dawn-Parkway Costs (1)	<u>57,099</u>						
6	Cost of Gas - Transportation Fuel	1,549	641	909	Direct Assignment (\$000's)	1,549	641	909
7	Total excluding Dawn-Parkway Costs	<u>58,649</u>						
	<u>Dawn-Parkway Costs (2)</u>							
8	Dawn-Parkway Demand Cost	2,247	-	2,247	Dawn-Parkway Design Day Demands (10 ³ m ³)	2,724	-	2,724
9	Dawn-Parkway Commodity Cost	107	-	107	Direct Assignment (\$000's)	107	-	107
10	Total Dawn-Parkway Costs	<u>2,354</u>	<u>-</u>	<u>2,354</u>				
11	Total Allocated Costs (line 1 + line 6 + line 10)	59,533	<u>27,094</u>	<u>32,440</u>				
12	Total Common Costs (line 2 + line 4)	<u>1,470</u>						
13	Total Transportation Costs (line 12 + line 13)	<u>61,003</u>						

Notes:

- (1) As per Exhibit A, Tab 2, Appendix A, Schedule 2, column (a), line 3.
- (2) Dawn-Parkway costs associated with the Union North East Zone's use of the Dawn-Parkway system on design day. Based on the 2018 Dawn-Parkway design day demands, 2,724 10³m³ (or 28%) of the total demands of 9,860 10³m³ (or approximately \$2.4 million of Union North Dawn-Parkway costs) are associated with firm transportation.

UNION GAS LIMITED
Proposed Union North Storage and Transportation Cost Allocation to the Union North West Zone and Union North East Zone
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars	Detailed Storage Costs (\$000's)			Allocation Factors (10 ³ m ³)			
		Total	Union North West	Union North East	Factor Description	Total	Union North West	Union North East
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<u>Cost of Gas - Storage Costs</u>							
1	Storage Demand (TCPL STS, FT)	41,395	1,558	39,837	Direct Assignment	41,395	1,558	39,837
2	Storage Fuel (TCPL STS, FT)	664	278	386	Direct Assignment	664	278	386
3	Total Cost of Gas - Storage Costs	<u>42,059</u>	<u>1,836</u>	<u>40,223</u>				
	<u>Storage Costs (Allocated)</u>							
4	Storage Deliverability	4,190	853	3,337	Storage Design Day Demands	7,932	1,615	6,317
5	Storage Space	5,644	1,533	4,111	Aggregate Excess (2)	438,925	119,234	319,691
6	Dawn-Parkway Demand	5,886	675	5,210	Dawn-Parkway Design Day Demands	7,136	819	6,317
7	Reclassification to Delivery	(2,461)	(162)	(2,299)	Indirect (3)			
8	Storage Commodity	1,925	348	1,577	Storage Volumes	886,296	160,121	726,175
9	Dawn-Parkway Commodity	281	25	256	Storage Volumes excl. Union SSMDA	796,392	71,705	724,687
10	Total Allocated Storage Costs (1)	<u>15,465</u>	<u>3,272</u>	<u>12,192</u>				
11	Total Storage Costs (line 3 + line 10)	<u>57,524</u>	<u>5,109</u>	<u>52,415</u>				

Notes:

- (1) Of the total \$17.8 million of total Union storage costs (Exhibit A, Tab 2, Appendix A, Schedule 2, column (a), line 15), \$2.4 million of Dawn-Parkway costs were moved to transportation to account for the use of the Dawn-Parkway system to serve the Union North East Zone's transportation demands (Exhibit A, Tab 3, Appendix A, Schedule 5, page 2, line 10). The total remaining storage costs are \$15.4 million (\$17.8 million - \$2.4 million = \$15.4 million).
- (2) 2016 Union North storage space forecast based on aggregate excess, the excess of winter volumes (November-March) compared to the average annual volumes for the same 151-day period.
- (3) Storage costs deemed to be system integrity-related and recovered in delivery rates, as per Board-approved methodology. Costs are allocated to zone in proportion to Dawn-Parkway and STS Demand costs, as per EB-2011-0210, Rate Order, Working Papers, Schedule 20.

UNION GAS LIMITED
Proposed Union North Transportation and Storage Cost Allocation to the Union North West Zone and Union North East Zone by Rate Class
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars	Transportation Costs (\$000's)				Storage Costs (\$000's)			Total
		Transportation Demand (1)	Transportation Commodity (2)	Transportation Common (3)	Total Transportation (d) = (a + b + c)	Storage Demand (4)	Storage Commodity (5)	Total Storage (g) = (e + f)	
		(a)	(b)	(c)	(d) = (a + b + c)	(e)	(f)	(g) = (e + f)	(h) = (d + g)
Union North West									
1	Rate 01	18,848	430		19,277	3,432	439	3,870	23,148
2	Rate 10	5,076	130		5,206	779	133	912	6,118
3	Rate 20	2,399	75		2,474	247	79	327	2,801
4	Rate 100	-	-		-	-	-	-	-
5	Rate 25	130	6		136	-	-	-	136
6	Total Union North West	26,453	641		27,094	4,458	651	5,109	32,203
Union North East									
7	Rate 01	20,974	652		21,626	37,128	1,407	38,535	60,161
8	Rate 10	7,662	254		7,916	10,244	548	10,792	18,708
9	Rate 20	2,181	82		2,263	2,567	249	2,816	5,079
10	Rate 100	-	-		-	257	15	272	272
11	Rate 25	606	28		634	-	-	-	634
12	Total Union North East	31,423	1,016		32,440	50,196	2,219	52,415	84,855
Total									
13	Rate 01	39,822	1,082	982	41,885	40,560	1,845	42,405	84,291
14	Rate 10	12,739	384	306	13,429	11,023	680	11,703	25,132
15	Rate 20	4,580	157	146	4,883	2,814	329	3,143	8,026
16	Rate 100	-	-	14	14	257	15	272	286
17	Rate 25	736	34	22	792	-	-	-	792
18	Total (6)	57,877	1,657	1,470	61,003	54,654	2,870	57,524	118,527

- Notes
- (1) Transportation demand costs allocated in proportion to the Transportation Demand Allocation Factor, including a direct assignment to Rate 25, as provided at Exhibit A, Tab 2, Appendix A, Schedule 6, page 2,
 - (2) Transportation commodity costs allocated in proportion to the annual volumes, including a direct assignment to Rate 25, as provided at Exhibit A, Tab 2, Appendix A, Schedule 6, page 2, column (d).
 - (3) Of the \$1.470 million of common costs, \$0.199 million are allocated based on Board-approved methodology and \$1.271 million are allocated in proportion to the FT Demand Allocation Factor (Exhibit A, Tab 2, Appendix A, Schedule 6, page 2, column (c)).
 - (4) Storage demand costs allocated in proportion to the excess of peak day demands over average day demands, as provided at Exhibit A, Tab 2, Appendix A, Schedule 6, page 2, column (e).
 - (5) Storage commodity costs allocated in proportion to annual volumes, as provided at Exhibit A, Tab 2, Appendix A, Schedule 6, page 2, column (f).
 - (6) Total storage and transportation costs as per Exhibit A, Tab 2, Appendix A, Schedule 5, page 1.

UNION GAS LIMITED
Proposed Union North Transportation and Storage Cost Allocation Factors
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (10 ³ m ³)	Transportation Demand			Transportation Commodity	Storage Demand	Storage Commodity
		Average Day Demands (1)	Remaining Demands (2)	Demand Allocation (c) = (a + b)	Annual Delivery Volumes (3)	Excess Peak Over Average (4)	Annual Delivery Volumes (5)
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f)
Union North West							
1	Rate 01	700	543	1,243	255,538	1,875	255,538
2	Rate 10	212	123	335	77,214	426	77,214
3	Rate 20	122	36	158	44,563	135	46,277
4	Rate 100	-	-	-	-	-	-
5	Total Union North West	1,034	702	1,736	377,314	2,435	379,029
6	% FT Allocation	60%	40%	100%			
Union North East							
7	Rate 01	1,723	465	2,188	628,883	4,623	628,883
8	Rate 10	671	128	799	244,942	1,275	244,942
9	Rate 20	217	11	228	79,048	320	111,430
10	Rate 100	-	-	-	-	32	5,332
11	Total Union North East	2,611	605	3,216	952,874	6,250	990,587
12	% FT Allocation	81%	19%	100%			
Total							
13	Rate 01	2,423	1,008	3,431	884,421	6,498	884,421
14	Rate 10	883	252	1,134	322,156	1,701	322,156
15	Rate 20	339	47	386	123,611	455	157,707
16	Rate 100	-	-	-	-	32	5,332
17	Total	3,644	1,307	4,951	1,330,188	8,685	1,369,616
Rate 25 - Direct Assignment (\$000's) (6)							
		Transportation					
		Demand	Commodity				
18		736	34				

Notes:

- (1) The base transportation demand costs are allocated in proportion to the average day volumes for sales service and bundled direct purchase customers, as provided at Exhibit A, Tab 2, Appendix A, Schedule 3, line 3.
- (2) The remaining transportation demand costs are allocated in proportion to the excess of peak day demands over average day demands, as provided Exhibit A, Tab 2, Appendix A, Schedule 3, line 9.
- (3) Transportation commodity costs are allocated in proportion to annual delivery volumes for firm sales service and bundled direct purchase customers.
- (4) Storage demand costs are allocated in proportion to the excess of peak day demands over average day demands. The storage allocation includes sales service, bundled direct purchase and bundled storage demands.
- (5) Storage commodity costs are allocated in proportion to sales service, bundled direct purchase and bundled storage annual volumes.
- (6) Consistent with Board-approved methodology, Rate 25 costs are calculated based on Rate 25 winter volumes by delivery area applied to the respective weighted TransCanada toll.

UNION GAS LIMITED

Proposed Union North Storage and Transportation Revenue Requirement by Zone by Rate Class

Line No.	Particulars (\$000's)	2016 (a)	Variance (b) = (c - a)	2017 (c)	Variance (d) = (e - c)	2018 (e)
	Union North West					
1	Rate 01	22,450	721	23,171	(23)	23,148
2	Rate 10	5,962	162	6,125	(7)	6,118
3	Rate 20	2,759	45	2,805	(4)	2,801
4	Rate 100	0	0	0	0	0
5	Rate 25	136	(0)	136	0	136
6	Total Union North West	<u>31,307</u>	<u>929</u>	<u>32,236</u>	<u>(34)</u>	<u>32,203</u>
	Union North East					
7	Rate 01	64,563	(4,601)	59,962	199	60,161
8	Rate 10	21,214	(2,551)	18,662	46	18,708
9	Rate 20	5,928	(846)	5,083	(3)	5,079
10	Rate 100	209	63	272	(0)	272
11	Rate 25	1,092	(442)	651	(17)	634
12	Total Union North East	<u>93,007</u>	<u>(8,377)</u>	<u>84,630</u>	<u>224</u>	<u>84,855</u>
	Common Costs					
13	Rate 01	979	2	981	1	982
14	Rate 10	307	(1)	306	(0)	306
15	Rate 20	147	(1)	147	(1)	146
16	Rate 100	14	0	14	0	14
17	Rate 25	22	0	22	0	22
18	Total Common Costs	<u>1,470</u>	<u>0</u>	<u>1,470</u>	<u>(0)</u>	<u>1,470</u>
	Total					
19	Rate 01	87,992	(3,880)	84,114	176	84,291
20	Rate 10	27,483	(2,389)	25,093	39	25,132
21	Rate 20	8,835	(800)	8,034	(7)	8,026
22	Rate 100	223	63	286	(0)	286
23	Rate 25	1,250	(442)	809	(17)	792
24	Total	<u>125,783</u>	<u>(7,447)</u>	<u>118,336</u>	<u>191</u>	<u>118,527</u>

UNION GAS LIMITED
Proposed Union North Storage and Transportation Rate Design by Zone
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Rate 01 - Proposed Rate Design	Total (a)	Union North West (b)	Union North East (c)
	<u>Transportation</u>			
1	Annual Volume (10 ³ m ³) (1)	926,963	267,830	659,134
2	Proposed Transportation Costs (\$000's) (2)	40,904	19,277	21,626
3	Proposed Common Transportation Costs (\$000's) (2)	982	284	698
4	2014-2015 Cost Adjustments (\$000's) (3)	30	2	27
5	Total Transportation Costs (\$000's)	41,915	19,564	22,351
6	Transportation Rate (cents/m ³)		7.3045	3.3910
7	Gas Supply Optimization Rate (cents/m ³) (4)		(0.4229)	(0.4229)
8	Total Transportation Rate (cents/m ³)		6.8816	2.9681
	<u>Storage</u>			
9	Annual Volume (10 ³ m ³) (1)	927,922	268,107	659,815
10	Proposed Storage Costs (\$000's) (2)	42,405	3,870	38,535
11	2014-2015 Cost Adjustments (\$000's) (3)	1,696	480	1,216
12	Total Storage Costs (\$000's)	44,101	4,350	39,751
13	Total Storage Rate (cents/m ³)		1.6225	6.0246
14	Total Transportation and Storage Costs (\$000's) (line 5 + line 12)	86,016		
15	Total Transportation and Storage Rates (cents/m ³) (line 8 + line 13)		8.5041	8.9927
	<u>Rate 10 - Proposed Rate Design</u>			
		Total (a)	Union North West (b)	Union North East (c)
	<u>Transportation</u>			
16	Annual Volume (10 ³ m ³) (1)	342,752	82,150	260,602
17	Proposed Transportation Costs (\$000's) (2)	13,123	5,206	7,916
18	Proposed Common Transportation Costs (\$000's) (2)	306	73	233
19	2014-2015 Cost Adjustments (\$000's) (3)	4	(1)	5
20	Total Transportation Costs (\$000's)	13,433	5,279	8,154
21	Transportation Rate (cents/m ³)		6.4258	3.1291
22	Gas Supply Optimization Rate (cents/m ³) (4)		(0.3915)	(0.3915)
23	Total Transportation Rate (cents/m ³)		6.0343	2.7376
	<u>Storage</u>			
24	Annual Volume (10 ³ m ³) (1)	345,960	82,919	263,041
25	Proposed Storage Costs (\$000's) (2)	11,703	912	10,792
26	2014-2015 Cost Adjustments (\$000's) (3)	447	105	342
27	Total Storage Costs (\$000's)	12,150	1,016	11,134
28	Total Storage Rate (cents/m ³)		1.2257	4.2327
29	Total Transportation and Storage Costs (\$000's) (line 20 + line 27)	25,583		
30	Total Transportation and Storage Rates (cents/m ³) (line 23 + line 28)		7.2600	6.9703

Notes:

- (1) Billing units as per EB-2014-0365, Working Papers, Schedule 4.
- (2) As per Exhibit A, Tab 2, Appendix A, Schedule 6, page 1.
- (3) Cost adjustments as per EB-2013-0365 (Union's 2014 Rates), Working Papers, Schedule 4, and EB-2014-0271 (Union's 2015 Rates),
- (4) EB-2015-0035, Working Papers, Schedule 4, pages 3-4, column (h).

UNION GAS LIMITED
Proposed Union North Storage and Transportation Rate Design by Zone
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Rate 20 - Proposed Rate Design	Total (a)	Union North West (b)	Union North East (c)
	<u>Gas Supply Demand</u>			
1	Annual Demand (10 ³ m ³ /d) (1)	6,873	2,962	3,911
2	Proposed Gas Supply Demand Costs (\$000's) (2)	4,815	1,718	3,097
3	2014-2015 Cost Adjustments (\$000's) (3)	56	27	29
4	Bundled Storage Cost Adjustment (\$000's)	(997)	(47)	(951)
5	Total Gas Supply Demand Cost (\$000's)	3,874	1,698	2,176
6	Gas Supply Demand Rate (cents/m ³ /d)		57.3407	55.6361
7	Gas Supply Optimization Rate (cents/m ³) (4)		(4.1642)	(4.1642)
8	Total Gas Supply Demand Rate (cents/m ³ /d)		53.1765	51.4719
	<u>Commodity Transportation</u>			
9	Annual Volume (10 ³ m ³) (1)	73,456	28,383	45,073
10	Proposed Commodity Transportation Costs (\$000's) (2)	3,210	1,143	2,068
11	2014-2015 Cost Adjustments (\$000's) (3)	37	16	21
12	Bundled Storage Cost Adjustment (\$000's)	(665)	(31)	(634)
13	Total Commodity Transportation Costs (\$000's)	2,583	1,128	1,455
14	Commodity Transportation Rate (cents/m ³)		3.9738	3.2280
15	Gas Supply Optimization Rate (cents/m ³) (4)		(0.2597)	(0.2597)
16	Total Commodity Transportation Rate (cents/m ³)		3.7140	2.9682
	<u>Bundled Storage</u>	<u>Rate 20</u>		<u>Rate 100</u>
17	Annual Demand (GJ/d)	99,288		15,600
18	Demand Costs (\$000's)	1,572		247
19	Demand Rate (\$/GJ/d)	15.837		15.837
20	Annual Commodity (GJ)	639,477		100,000
21	Commodity Costs (\$000's)	90		14
22	Commodity Rate (\$/GJ)	0.140		0.140
23	Total Transportation and Storage Costs (\$000's) (lines 5, 13, 18, 21)	8,119		261
	<u>Rate 25 - Proposed Transportation Costs</u>			
24	Annual Volume (10 ³ m ³) (1)	42,913		
25	Proposed Transportation Costs (\$000's) (2)	792		
26	2014-2015 Cost Adjustments (\$000's) (3)	(4)		
27	Total Transportation Costs (\$000's)	789		

Notes:

- (1) Billing units as per EB-2014-0365, Working Papers, Schedule 4.
- (2) As per Exhibit A, Tab 2, Appendix A, Schedule 6, page 1.
- (3) Cost adjustments as per EB-2013-0365 (Union's 2014 Rates), Working Papers, Schedule 4, and EB-2014-0271 (Union's 2015 Rates), Working Papers, Schedule 4.
- (4) EB-2015-0035, Working Papers, Schedule 4, pages 3-4, column (h).

UNION GAS LIMITED
Summary of Proposed Rate 01 Changes

Line No.	Particulars (cents/m ³)	2015 EB-2015-0035 Approved April 1, 2015 (a)	2016 EB-2015-XXXX Proposed January 1, 2016 (b)	2017 EB-2015-XXXX Proposed January 1, 2017 (c)	2018 EB-2015-XXXX Proposed January 1, 2018 (d)
	<u>Gas Transportation Service</u>				
	<u>Union North West</u>				
1	Fort Frances (Centrat MDA)	5.8930	6.4845	6.7859	6.8816
2	Western (Union WDA)	5.0785	6.4845	6.7859	6.8816
3	Northern (Union SSMDA)	6.6160	6.4845	6.7859	6.8816
	<u>Union North East</u>				
4	Northern (Union NDA)	6.6160	4.9249	2.8429	2.9681
5	Eastern (Union NCDA)	7.8378	4.9249	2.8429	2.9681
6	Eastern (Union EDA)	7.8378	4.9249	2.8429	2.9681
	<u>Storage Service</u>				
	<u>Union North West</u>				
7	Fort Frances (Centrat MDA)	3.5677	1.6639	1.6319	1.6225
8	Western (Union WDA)	3.2422	1.6639	1.6319	1.6225
9	Northern (Union SSMDA)	3.8566	1.6639	1.6319	1.6225
	<u>Union North East</u>				
10	Northern (Union NDA)	3.8566	4.6421	6.0247	6.0246
11	Eastern (Union NCDA)	4.3449	4.6421	6.0247	6.0246
12	Eastern (Union EDA)	4.3449	4.6421	6.0247	6.0246
	<u>Commodity Cost of Gas</u>				
	<u>Union North West</u>				
13	Fort Frances (Centrat MDA)	11.7358	11.5678	11.5678	11.5678
14	Western (Union WDA)	11.8154	11.5678	11.5678	11.5678
15	Northern (Union SSMDA)	11.9384	11.5678	11.5678	11.5678
	<u>Union North East</u>				
16	Northern (Union NDA)	11.9384	14.6171	14.6171	14.6171
17	Eastern (Union NCDA)	12.0364	14.6171	14.6171	14.6171
18	Eastern (Union EDA)	12.0364	14.6171	14.6171	14.6171

UNION GAS LIMITED
Summary of Proposed Rate 10 Changes

Line No.	Particulars (cents/m ³)	2015 EB-2015-0035 Approved April 1, 2015 (a)	2016 EB-2015-XXXX Proposed January 1, 2016 (b)	2017 EB-2015-XXXX Proposed January 1, 2017 (c)	2018 EB-2015-XXXX Proposed January 1, 2018 (d)
	<u>Gas Transportation Service</u>				
	<u>Union North West</u>				
1	Fort Frances (Centrat MDA)	5.2068	5.7254	5.9487	6.0343
2	Western (Union WDA)	4.3923	5.7254	5.9487	6.0343
3	Northern (Union SSMDA)	5.9298	5.7254	5.9487	6.0343
	<u>Union North East</u>				
4	Northern (Union NDA)	5.9298	4.5791	2.6359	2.7376
5	Eastern (Union NCDA)	7.1516	4.5791	2.6359	2.7376
6	Eastern (Union EDA)	7.1516	4.5791	2.6359	2.7376
	<u>Storage Service</u>				
	<u>Union North West</u>				
7	Fort Frances (Centrat MDA)	2.3465	1.2601	1.2347	1.2257
8	Western (Union WDA)	2.0210	1.2601	1.2347	1.2257
9	Northern (Union SSMDA)	2.6354	1.2601	1.2347	1.2257
	<u>Union North East</u>				
10	Northern (Union NDA)	2.6354	3.2766	4.2318	4.2327
11	Eastern (Union NCDA)	3.1237	3.2766	4.2318	4.2327
12	Eastern (Union EDA)	3.1237	3.2766	4.2318	4.2327
	<u>Commodity Cost of Gas</u>				
13	Fort Frances (Centrat MDA)	11.7358	11.5678	11.5678	11.5678
14	Western (Union WDA)	11.8154	11.5678	11.5678	11.5678
15	Northern (Union SSMDA)	11.9384	11.5678	11.5678	11.5678
	<u>Union North East</u>				
16	Northern (Union NDA)	11.9384	14.6171	14.6171	14.6171
17	Eastern (Union NCDA)	12.0364	14.6171	14.6171	14.6171
18	Eastern (Union EDA)	12.0364	14.6171	14.6171	14.6171

UNION GAS LIMITED
Summary of Proposed Rate 20 Changes

Line No.	Particulars (cents/m ³)	2015 EB-2015-0035 Approved April 1, 2015 (a)	2016 EB-2015-XXXX Proposed January 1, 2016 (b)	2017 EB-2015-XXXX Proposed January 1, 2017 (c)	2018 EB-2015-XXXX Proposed January 1, 2018 (d)
<u>Gas Supply Demand Service</u>					
<u>Union North West</u>					
1	Fort Frances (Centrat MDA)	55.2506	51.5169	52.4384	53.1765
2	Western (Union WDA)	34.4385	51.5169	52.4384	53.1765
3	Northern (Union SSMDA)	73.7112	51.5169	52.4384	53.1765
<u>Union North East</u>					
4	Northern (Union NDA)	73.7112	63.6774	50.7013	51.4719
5	Eastern (Union NCDA)	104.9124	63.6774	50.7013	51.4719
6	Eastern (Union EDA)	104.9124	63.6774	50.7013	51.4719
<u>Commodity Transportation Service</u>					
<u>Union North West</u>					
7	Fort Frances (Centrat MDA)	4.4627	3.6044	3.6686	3.7140
8	Western (Union WDA)	4.0067	3.6044	3.6686	3.7140
9	Northern (Union SSMDA)	4.8675	3.6044	3.6686	3.7140
<u>Union North East</u>					
10	Northern (Union NDA)	4.8675	3.6705	2.9200	2.9682
11	Eastern (Union NCDA)	5.5515	3.6705	2.9200	2.9682
12	Eastern (Union EDA)	5.5515	3.6705	2.9200	2.9682
<u>Commodity Cost of Gas</u>					
<u>Union North West</u>					
13	Fort Frances (Centrat MDA)	11.5381	11.5678	11.5678	11.5678
14	Western (Union WDA)	11.6164	11.5678	11.5678	11.5678
15	Northern (Union SSMDA)	11.7373	11.5678	11.5678	11.5678
<u>Union North East</u>					
16	Northern (Union NDA)	11.7373	14.6171	14.6171	14.6171
17	Eastern (Union NCDA)	11.8335	14.6171	14.6171	14.6171
18	Eastern (Union EDA)	11.8335	14.6171	14.6171	14.6171
<u>Bundled Storage Service (\$/GJ)</u>					
19	Monthly Demand Charge	12.215	15.837	15.837	15.837
20	Commodity Charge	0.158	0.140	0.140	0.140

UNION GAS LIMITED
Summary of Proposed Rate 100 Changes

Line No.	Particulars (cents/m ³)	2015 EB-2015-0035 Approved April 1, 2015 (a)	2016 EB-2015-XXXX Proposed January 1, 2016 (b)	2017 EB-2015-XXXX Proposed January 1, 2017 (c)	2018 EB-2015-XXXX Proposed January 1, 2018 (d)
	<u>Gas Supply Demand Service</u>				
	North West				
1	Fort Frances	105.2367	110.7487	110.7055	110.6609
2	Western Delivery Area	80.9559	110.7487	110.7055	110.6609
3	Sault Saint Marie Delivery Area	126.7740	110.7487	110.7055	110.6609
	North East				
4	Northern Delivery Area	126.7740	156.8927	157.1144	157.1375
5	North Central Delivery Area	163.1755	156.8927	157.1144	157.1375
6	Eastern Delivery Area	163.1755	156.8927	157.1144	157.1375
	<u>Commodity Transportation Service</u>				
	<u>Union North West</u>				
7	Fort Frances (Centrat MDA)	7.2320	6.0701	6.0678	6.0653
8	Western (Union WDA)	6.8900	6.0701	6.0678	6.0653
9	Northern (Union SSMDA)	7.5356	6.0701	6.0678	6.0653
	<u>Union North East</u>				
10	Northern (Union NDA)	7.5356	8.7668	8.7792	8.7805
11	Eastern (Union NCDA)	8.0486	8.7668	8.7792	8.7805
12	Eastern (Union EDA)	8.0486	8.7668	8.7792	8.7805
	<u>Commodity Cost of Gas</u>				
	<u>Union North West</u>				
13	Fort Frances (Centrat MDA)	11.5381	11.5678	11.5678	11.5678
14	Western (Union WDA)	11.6164	11.5678	11.5678	11.5678
15	Northern (Union SSMDA)	11.7373	11.5678	11.5678	11.5678
	<u>Union North East</u>				
16	Northern (Union NDA)	11.7373	14.6171	14.6171	14.6171
17	Eastern (Union NCDA)	11.8335	14.6171	14.6171	14.6171
18	Eastern (Union EDA)	11.8335	14.6171	14.6171	14.6171
	<u>Bundled Storage Service (\$/GJ)</u>				
19	Monthly Demand Charge	12.215	15.837	15.837	15.837
20	Commodity Charge	0.158	0.140	0.140	0.140

UNION GAS LIMITED
Proposed Union North Rate 10 Bill Impacts at 93,000 m³
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (\$)	Union North West			Union North East		
		Centrat MDA	Union WDA	Union SSMDA	Union NDA	Union NCDA	Union EDA
		(a)	(b)	(c)	(d)	(e)	(f)
<u>Current Approved (1)</u>							
1	Delivery	6,319.88	6,319.88	6,319.88	6,319.88	6,319.88	6,319.88
2	Transportation	4,842.32	4,084.82	5,514.76	5,514.76	6,650.99	6,650.99
3	Storage	2,182.24	1,879.53	2,450.92	2,450.92	2,905.05	2,905.05
4	Commodity (Alberta Border)	10,914.31	10,988.32	11,102.72	11,102.72	11,193.84	11,193.84
5	Total	24,258.75	23,272.55	25,388.28	25,388.28	27,069.76	27,069.76
<u>Updated 2018 Gas Supply Plan</u>							
6	Delivery	6,319.88	6,319.88	6,319.88	6,319.88	6,319.88	6,319.88
7	Transportation	2,941.27	2,183.77	2,926.65	2,926.65	3,636.97	3,636.97
8	Storage	3,154.97	2,855.07	3,149.18	3,149.18	3,430.40	3,430.40
9	Commodity (Alberta Border)	10,914.31	10,988.32	11,102.72	11,102.72	11,193.84	11,193.84
10	Total	23,330.43	22,347.04	23,498.43	23,498.43	24,581.09	24,581.09
<u>Bill Impact - Gas Supply Plan</u>							
11	Delivery (line 6 - line 1)	-	-	-	-	-	-
12	Transportation (line 7 - line 2)	(1,901.05)	(1,901.05)	(2,588.11)	(2,588.11)	(3,014.02)	(3,014.02)
13	Storage (line 8 - line 3)	972.73	975.54	698.26	698.26	525.35	525.35
14	Commodity (line 9 - line 4)	-	-	-	-	-	-
15	Bill Impact (line 10 - line 5)	(928.32)	(925.51)	(1,889.85)	(1,889.85)	(2,488.67)	(2,488.67)
16	Bill Impact (%) (line 15 / line 5)	-3.8%	-4.0%	-7.4%	-7.4%	-9.2%	-9.2%
<u>Proposed Rate Design</u>							
17	Delivery	6,319.88	6,319.88	6,319.88	6,319.88	6,319.88	6,319.88
18	Transportation	5,611.90	5,611.90	5,611.90	2,545.97	2,545.97	2,545.97
19	Storage	1,139.90	1,139.90	1,139.90	3,936.41	3,936.41	3,936.41
20	Commodity (2)	10,758.05	10,758.05	10,758.05	13,593.91	13,593.91	13,593.91
21	Total	23,829.73	23,829.73	23,829.73	26,396.17	26,396.17	26,396.17
<u>Bill Impact - Rate Design</u>							
22	Delivery (line 17 - line 6)	-	-	-	-	-	-
23	Transportation (line 18 - line 7)	2,670.63	3,428.12	2,685.25	(380.68)	(1,091.00)	(1,091.00)
24	Storage (line 19 - line 8)	(2,015.06)	(1,715.17)	(2,009.28)	787.23	506.01	506.01
25	Commodity (line 20 - line 9)	(156.26)	(230.27)	(344.67)	2,491.19	2,400.07	2,400.07
26	Total Bill Impact (line 21 - line 10)	499.31	1,482.69	331.30	2,897.74	1,815.08	1,815.08
27	Bill Impact (%) (line 26 / line 10)	2.1%	6.6%	1.4%	12.3%	7.4%	7.4%
<u>Bill Impact - Total</u>							
28	Delivery (line 11 + line 22)	-	-	-	-	-	-
29	Transportation (line 12 + line 23)	769.58	1,527.08	97.14	(2,968.79)	(4,105.02)	(4,105.02)
30	Storage (line 13 + line 24)	(1,042.34)	(739.63)	(1,311.02)	1,485.49	1,031.36	1,031.36
31	Commodity (line 14 + line 25)	(156.26)	(230.27)	(344.67)	2,491.19	2,400.07	2,400.07
32	Bill Impact (line 15 + line 26)	(429.02)	557.18	(1,558.55)	1,007.89	(673.59)	(673.59)
33	Bill Impact (%) (line 32 / line 5)	-1.8%	2.4%	-6.1%	4.0%	-2.5%	-2.5%

Notes:

- (1) As per Union's April 2015 QRAM (EB-2015-0035)
- (2) The Union North West Zone is based on the Empress Reference Price of \$2.951/GJ and the Union North East Zone is based on the Dawn Reference Price of \$3.742/GJ, as per April 2015 QRAM (EB-2015-0035).

UNION GAS LIMITED
Proposed Union North Rate 20 Bill Impacts for a Small Customer
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (\$)	Union North West			Union North East		
		Centrat MDA	Union WDA	Union SSMDA	Union NDA	Union NCDA	Union EDA
		(a)	(b)	(c)	(d)	(e)	(f)
<u>Small Rate 20 Customer:</u>							
Firm contract demand of 14,000 m ³ /day and annual volume of 3,000,000 m ³							
<u>Current Approved (1)</u>							
1	Delivery	74,621	74,621	74,621	74,621	74,621	74,621
2	Gas Supply Demand	92,821	57,857	123,835	123,835	176,253	176,253
3	Gas Supply Commodity Transportation	91,467	82,120	99,763	99,763	113,783	113,783
4	Commodity (Alberta Border)	346,143	348,492	352,119	352,119	355,005	355,005
5	Total	605,051	563,090	650,338	650,338	719,661	719,661
<u>Updated 2018 Gas Supply Plan</u>							
6	Delivery	74,621	74,621	74,621	74,621	74,621	74,621
7	Gas Supply Demand	91,811	56,847	91,133	91,133	123,907	123,907
8	Gas Supply Commodity Transportation	70,488	61,142	70,307	70,307	79,072	79,072
9	Commodity (Alberta Border)	346,143	348,492	352,119	352,119	355,005	355,005
10	Total	583,063	541,101	588,181	588,181	632,604	632,604
<u>Bill Impact - Gas Supply Plan</u>							
11	Delivery (line 6 - line 1)	-	-	-	-	-	-
12	Gas Supply Demand (line 7 - line 2)	(1,010)	(1,010)	(32,702)	(32,702)	(52,346)	(52,346)
13	Gas Supply Commodity Transportation (line 8 - line 3)	(20,979)	(20,979)	(29,456)	(29,456)	(34,711)	(34,711)
14	Commodity (line 9 - line 4)	-	-	-	-	-	-
15	Bill Impact (line 12 - line 5)	(21,988)	(21,989)	(62,158)	(62,158)	(87,057)	(87,057)
16	Bill Impact (%) (line 15 / line 5)	-3.6%	-3.9%	-9.6%	-9.6%	-12.1%	-12.1%
<u>Proposed Rate Design</u>							
17	Delivery	74,621	74,621	74,621	74,621	74,621	74,621
18	Gas Supply Demand	89,337	89,337	89,337	86,473	86,473	86,473
19	Gas Supply Commodity Transportation	76,122	76,122	76,122	60,836	60,836	60,836
20	Commodity (2)	347,034	347,034	347,034	438,513	438,513	438,513
21	Total	587,114	587,114	587,114	660,443	660,443	660,443
<u>Bill Impact - Rate Design</u>							
22	Delivery (line 17 - line 6)	-	-	-	-	-	-
23	Transportation (line 18 - line 7)	(2,475)	32,490	(1,797)	(4,660)	(37,434)	(37,434)
24	Storage (line 19 - line 8)	5,634	14,981	5,815	(9,471)	(18,235)	(18,235)
25	Commodity (line 20 - line 9)	891	(1,458)	(5,085)	86,394	83,508	83,508
26	Bill Impact (line 21 - line 10)	4,051	46,012	(1,067)	72,263	27,839	27,839
27	Bill Impact (%) (line 26 / line 10)	0.7%	8.5%	-0.2%	12.3%	4.4%	4.4%
<u>Bill Impact - Total</u>							
28	Delivery (line 11 + line 22)	-	-	-	-	-	-
29	Gas Supply Demand (line 12 + line 23)	(3,484)	31,480	(34,498)	(37,362)	(89,780)	(89,780)
30	Gas Supply Commodity Transportation (line 13 + line 24)	(15,344)	(5,998)	(23,641)	(38,927)	(52,946)	(52,946)
31	Commodity (line 14 + line 25)	891	(1,458)	(5,085)	86,394	83,508	83,508
32	Bill Impact (line 15 + line 26)	(17,938)	24,024	(63,224)	10,105	(59,218)	(59,218)
33	Bill Impact (%) (line 32 / line 5)	-3.0%	4.3%	-9.7%	1.6%	-8.2%	-8.2%

Notes:

- (1) As per Union's April 2015 QRAM (EB-2015-0035)
(2) The Union North West Zone is based on the Empress Reference Price of \$2.951/GJ and the Union North East Zone is based on the Dawn Reference Price of \$3.742/GJ, as per April 2015 QRAM (EB-2015-0035).

UNION GAS LIMITED
Proposed Union North Rate 20 Bill Impacts for a Large Customer
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (\$)	Union North West			Union North East		
		Centrat MDA (a)	Union WDA (b)	Union SSMDA (c)	Union NDA (d)	Union NCDA (e)	Union EDA (f)
<u>Large Rate 20 Customer:</u>							
Firm contract demand of 60,000m³/day and annual volume 15,000,000 m³							
<u>Current Approved (1)</u>							
1	Delivery	285,981	285,981	285,981	285,981	285,981	285,981
2	Gas Supply Demand	397,804	247,957	530,720	530,720	755,369	755,369
3	Gas Supply Commodity Transportation	392,000	351,944	427,557	427,557	487,640	487,640
4	Commodity (Alberta Border)	1,730,715	1,742,460	1,760,595	1,760,595	1,775,025	1,775,025
5	Total	2,806,500	2,628,342	3,004,854	3,004,854	3,304,015	3,304,015
<u>Updated 2018 Gas Supply Plan</u>							
6	Delivery	285,981	285,981	285,981	285,981	285,981	285,981
7	Gas Supply Demand	393,477	243,629	390,571	390,571	531,029	531,029
8	Gas Supply Commodity Transportation	302,091	262,036	301,318	301,318	338,878	338,878
9	Commodity (Alberta Border)	1,730,715	1,742,460	1,760,595	1,760,595	1,775,025	1,775,025
10	Total	2,712,264	2,534,106	2,738,464	2,738,464	2,930,913	2,930,913
<u>Bill Impact - Gas Supply Plan</u>							
11	Delivery (line 6 - line 1)	-	-	-	-	-	-
12	Gas Supply Demand (line 7 - line 2)	(4,327)	(4,328)	(140,150)	(140,150)	(224,340)	(224,340)
13	Gas Supply Commodity Transportation (line 8 - line 3)	(89,909)	(89,909)	(126,240)	(126,240)	(148,762)	(148,762)
14	Commodity (line 9 - line 4)	-	-	-	-	-	-
15	Bill Impact (line 10 - line 5)	(94,236)	(94,237)	(266,389)	(266,389)	(373,102)	(373,102)
16	Bill Impact (%) (line 15 / line 5)	-3.4%	-3.6%	-8.9%	-8.9%	-11.3%	-11.3%
<u>Proposed Rate Design</u>							
17	Delivery	285,981	285,981	285,981	285,981	285,981	285,981
18	Gas Supply Demand	382,871	382,871	382,871	370,598	370,598	370,598
19	Gas Supply Commodity Transportation	326,238	326,238	326,238	260,727	260,727	260,727
20	Commodity (2)	1,735,170	1,735,170	1,735,170	2,192,567	2,192,567	2,192,567
21	Total	2,730,260	2,730,260	2,730,260	3,109,872	3,109,872	3,109,872
<u>Bill Impact - Rate Design</u>							
22	Delivery (line 17 - line 6)	-	-	-	-	-	-
23	Transportation (line 18 - line 7)	(10,606)	139,241	(7,700)	(19,973)	(160,431)	(160,431)
24	Storage (line 19 - line 8)	24,147	64,202	24,920	(40,591)	(78,151)	(78,151)
25	Commodity (line 20 - line 9)	4,455	(7,290)	(25,425)	431,972	417,542	417,542
26	Bill Impact (line 21 - line 10)	17,996	196,154	(8,205)	371,408	178,959	178,959
27	Bill Impact (%) (line 26 / line 10)	0.7%	7.7%	-0.3%	13.6%	6.1%	6.1%
<u>Bill Impact - Total</u>							
28	Delivery (line 11 + line 22)	-	-	-	-	-	-
29	Gas Supply Demand (line 12 + line 23)	(14,933)	134,914	(147,850)	(160,123)	(384,771)	(384,771)
30	Gas Supply Commodity Transportation (line 13 + line 24)	(65,762)	(25,707)	(101,319)	(166,830)	(226,913)	(226,913)
31	Commodity (line 14 + line 25)	4,455	(7,290)	(25,425)	431,972	417,542	417,542
32	Bill Impact (line 15 + line 26)	(76,240)	101,917	(274,594)	105,018	(194,143)	(194,143)
33	Bill Impact (%) (line 32 / line 5)	-2.7%	3.9%	-9.1%	3.5%	-5.9%	-5.9%

Notes:

- (1) As per Union's April 2015 QRAM (EB-2015-0035)
(2) The Union North West Zone is based on the Empress Reference Price of \$2.951/GJ and the Union North East Zone is based on the Dawn Reference Price of \$3.742/GJ, as per April 2015 QRAM (EB-2015-0035).



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RATE 01A - SMALL VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East Zones who is an end user whose total gas requirements at that location are equal to or less than 50,000 m³ 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 TransCanada's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TransCanada 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.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(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	Union <u>North West</u>	Union <u>North East</u>
<u>APPLICABLE TO ALL SERVICES</u>		
<u>MONTHLY CHARGE</u>	\$21.00	\$21.00
<u>DELIVERY CHARGE</u>	<u>¢ per m³</u>	<u>¢ per m³</u>
First 100 m ³ per month @	9.0190	9.0190
Next 200 m ³ per month @	8.7909	8.7909
Next 200 m ³ per month @	8.4332	8.4332
Next 500 m ³ per month @	8.1049	8.1049
Over 1,000 m ³ per month @	7.8338	7.8338
Delivery-Price Adjustment (All Volumes)	(0.4725) (1)	(0.4725) (1)

Includes a temporary credit of (0.4725) cents/m³ expiring June 30, 2015.



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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.

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April 1, 2015
O.E.B. Order # EB-2015-0035

Chatham, Ontario

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RATE 10 - LARGE VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East Zones who is an end-user whose total firm gas requirements at one or more Company-owned meters at one location exceed 50,000 m³ 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 TransCanada's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TransCanada 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.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(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	<u>Union North West</u>	<u>Union North East</u>
<u>APPLICABLE TO ALL SERVICES</u>		
<u>MONTHLY CHARGE</u>	\$70.00	\$70.00
<u>DELIVERY CHARGE</u>	<u>¢ per m³</u>	<u>¢ per m³</u>
First 1,000 m ³ per month @	7.1293	7.1293
Next 9,000 m ³ per month @	5.8144	5.8144
Next 20,000 m ³ per month @	5.0936	5.0936
Next 70,000 m ³ per month @	4.6108	4.6108
Over 100,000 m ³ per month @	2.7817	2.7817
Delivery-Price Adjustment (All Volumes)	(0.6162) (1)	(0.6162) (1)

Includes a temporary credit of (0.6162) cents/m³ expiring June 30, 2015.



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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 m³ 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

April 1, 2015
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Chatham, Ontario

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RATE 20 - MEDIUM VOLUME FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East 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 m³ 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 TransCanada'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.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(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.



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MONTHLY RATES AND CHARGES

APPLICABLE TO ALL SERVICES - ALL ZONES (1)

<u>MONTHLY CHARGE</u>	\$972.44
<u>DELIVERY CHARGES</u> (cents per month per m ³)	
Monthly Demand Charge for first 70,000 m ³ of Contracted Daily Demand	27.8909
Monthly Demand Charge for all units over 70,000 m ³ of Contracted Daily Demand	16.4012
Commodity Charge for first 852,000 m ³ of gas volumes delivered	0.5365
Commodity Charge for all units over 852,000 m ³ of gas volumes delivered	0.3904

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 (m³) determined in accordance with Union's Terms and Conditions in any month falls above or below 37.89 MJ per m³, 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.



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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	Union North West	Union North East
<u>MONTHLY CHARGE</u>	\$972.44	\$972.44
<u>DELIVERY CHARGES</u>	<u>cents per m³</u>	<u>cents per m³</u>
Commodity Charge for each unit of gas volumes delivered	2.3704	2.3704

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) \$15.837

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) \$0.140

Authorized Overrun Commodity Charge on each additional unit of gas Union authorizes for withdrawal from storage (\$/GJ) \$0.542

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.



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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.

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RATE 25 - LARGE VOLUME INTERRUPTIBLE SERVICE

ELIGIBILITY

Any customer in Union's North West and North East 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 m³ or more or the interruptible portion of a maximum daily requirement for combined firm and interruptible service is 14,000 m³ 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 TransCanada'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.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

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)

<u>MONTHLY CHARGE</u>	\$352.32
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<u>DELIVERY CHARGES</u>	<u>cents per m³</u>
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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:

4.7098

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.



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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 (m³) determined in accordance with Union's Terms and Conditions in any month falls above or below 37.89 MJ per m³, 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.



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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.

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

ELIGIBILITY

Any customer in Union's North West and North East 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 10³m³ 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.



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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.

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RATE 100 – LARGE VOLUME HIGH LOAD FACTOR FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East 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 m³ 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 TransCanada'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.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(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.



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MONTHLY RATES AND CHARGES

APPLICABLE TO ALL SERVICES - ALL ZONES (1)

<u>MONTHLY CHARGE</u>	\$1,464.29
<u>DELIVERY CHARGES</u> (cents per Month per m ³ of Daily Contract Demand)	
Monthly Demand Charge for each unit of Contracted Daily Demand	15.3958
Commodity Charge for each unit of gas volumes delivered (cents/m ³)	0.2190

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 (m³) determined in accordance with Union's Terms and Conditions in any month falls above or below 37.89 MJ per m³, 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.



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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	Union North West	Union North East
<u>MONTHLY CHARGE</u>	\$1,464.29	\$1,464.29
<u>DELIVERY CHARGES</u>	cents per m ³	cents per m ³
Commodity Charge for each unit of gas volumes delivered	0.9421	0.9421
<u>GAS SUPPLY CHARGES</u>		

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) \$15.837

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) \$0.140

Authorized Overrun Commodity Charge on each additional unit of gas Union authorizes for withdrawal from storage (\$/GJ) \$0.542

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.



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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.

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Union Gas Limited
Union North
Gas Supply Charges

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(A) Availability

Available to customers in Union's North West and North East 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 / m³)

	Union North West	Union North East
Storage	1.6225	6.0246
Storage - Price Adjustment		
Commodity and Fuel (1)	11.5678	14.6171
Commodity and Fuel - Price Adjustment		
Transportation	6.8816	2.9681
Transportation - Price Adjustment		
Total Gas Supply Charge	<u>20.0719</u>	<u>23.6098</u>

Rate 10 (cents / m³)

Storage	1.2257	4.2327
Storage - Price Adjustment		
Commodity and Fuel (1)	11.5678	14.6171
Commodity and Fuel - Price Adjustment		
Transportation	6.0343	2.7376
Transportation - Price Adjustment		
Total Gas Supply Charge	<u>18.8278</u>	<u>21.5874</u>

Notes:

(1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1917 cents/m³.



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Union Gas Limited
Union North
Gas Supply Charges

Utility Sales

	<u>Union North West</u>	<u>Union North East</u>	
<u>Rate 20 (cents / m³)</u>			
Commodity and Fuel (1)	11.5678	14.6171	
Commodity and Fuel - Price Adjustment			
Commodity Transportation - Charge 1	3.7140	2.9682	
Transportation 1 - Price Adjustment			
Commodity Transportation - Charge 2	-	-	
Monthly Gas Supply Demand	53.1765	51.4719	
Gas Supply Demand - Price Adjustment			
Commissioning and Decommissioning Rate	6.4677	5.7590	
<u>Rate 100 (cents / m³)</u>			
Commodity and Fuel (1)	11.5678	14.6171	
Commodity and Fuel - Price Adjustment			
Commodity Transportation - Charge 1	6.0653	8.7805	
Commodity Transportation - Charge 2	-	-	
Monthly Gas Supply Demand	110.6609	157.1375	
Commissioning and Decommissioning Rate	7.7968	11.1433	
<u>Rate 25 (cents / m³)</u>			
Gas Supply Charge:			
Interruptible Service			
Minimum	1.4848	1.4848	
Maximum	675.9484	675.9484	

Notes:

(1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1917 cents/m³.

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Schedule 11**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 / m³Utility Sales

Commodity and Fuel	14.6171 (1)
Commodity and Fuel - Price Adjustment	-
Transportation	-
Total Gas Supply Commodity Charge	<u>14.6171</u>

Minimum Annual Gas Supply Commodity Charge

Rate M4 Firm and Rate M5A Interruptible Contract	4.1700
--	--------

Storage and Transportation Supplemental Services - Rate T1, Rate T2 & Rate T3\$/GJ

Monthly demand charges:	
Firm gas supply service	59.785
Firm backstop gas	1.684
Commodity charges:	
Gas supply	3.070
Backstop gas	4.450
Reasonable Efforts Backstop Gas	5.235
Supplemental Inventory	Note (2)
Supplemental Gas Sales Service (cents / m ³)	18.5264
Failure to Deliver: Applied to quantities not delivered to Union in the event the customer's supply fails	2.543
Discretionary Gas Supply Service (DGSS)	Note (3)

Notes:

- (1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1917 cents/ m³.
- (2) 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.
- (3) Reflects the "back to back" price plus gas supply administration charge.

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1 **NORTH T-SERVICE TRANSPORTATION FROM DAWN SERVICE**

2 The purpose of this evidence is to propose a T-Service Transportation from Dawn Service for
3 Union North T-Service customers. Specifically, Union is seeking approval for:

- 4 • Modifications to the existing Rate 01, Rate 10, Rate 20, Rate 25 and Rate 100 rate
5 schedules to include a new transportation service option for Union North East T-
6 Service customers; and,
7 • To establish a North T-Service TransCanada Capacity deferral account.

8
9 1.1. Drivers of the Service

10 The new Union North T-Service Transportation from Dawn service addresses the same changing
11 North American supply dynamics that also result in changes to how sales service customers are
12 being supplied and changes to bundled DP service for Union North customers. Union North T-
13 Service customers are also seeking to access Dawn supply and the ability to transport Dawn
14 supply on a firm basis to the Union North East Zone to meet their supply needs.

15
16 This new Transportation from Dawn service is optional and is designed for Union North T-
17 Service customers in the Union North East Zone. A second driver for T-Service customers in the
18 Union North East Zone is to address the potential for changes in the secondary market resulting
19 from the proposed TransCanada Pipelines Limited (“TransCanada”) Energy East project. As
20 currently proposed, TransCanada will reduce the amount of pipeline capacity in their Eastern
21 Delivery Area (“EDA”), loosely defined as the area East of Toronto. The secondary market
22 currently depends on the use of:

- 1 i) Other TransCanada shippers that have firm contracts on the TransCanada system
2 that do not use their full entitlement in off peak conditions (i.e. if TransCanada
3 shippers do not need some of their capacity on any given day they may sell the
4 capacity to other shippers to use in the secondary market); or,
5 ii) Existing excess capacity on TransCanada in the EDA that TransCanada can sell as
6 short-term firm, or interruptible capacity.

7
8 Although the Energy East project is not yet approved by the National Energy Board (and if
9 approved, the timing remains uncertain) some secondary market customers in the EDA have
10 requested the ability to move from the secondary market and instead access firm pipeline
11 capacity on Union and TransCanada to source their gas at Dawn.

12
13 Customer Request for Union-Provided Alternative

14 In April 2013, Union initially proposed to Union North T-Service customers an optional, firm
15 transportation service from Dawn to the Union NDA, Union NCDA and Union EDA (referred to
16 as the Union North East Zone). Since the initial proposal, Union and Union North T-Service
17 customers have had discussions regarding the service design that would meet the needs of
18 customers. Webex meetings and conference calls were held with customers beginning in April of
19 2013 through to July of 2013. In December, 2013, Union invited interested customers to
20 formally request the service for a November 1, 2016 or November 1, 2017 start date and execute
21 binding service agreements with Union for the quantities requested. In January 2015, Union
22 again invited customers to request the service with a November 1, 2017 start date. Exhibit A,

Tab 3, Appendix A provides a summary of stakeholder consultations. To date, just over one third of customers have committed to the service. The results of the North T-Service Transportation from Dawn agreements for service are summarized in Table 1.

Table 1
Total Results of the North T-Service Transportation from Dawn Requests for Service

Nov 1, 2016 Start Date		Nov 1, 2017 Start Date		Total	
Number of Customers	Quantity (GJ/d)	Number of Customers	Quantity (GJ/d)	Number of Customers	Quantity (GJ/d)
15	29,115	2	5,887	17	35,002

To provide the service, Union reserved incremental firm transportation capacity on the Dawn to Parkway system in the 2016 and 2017 expansions for the Dawn to Parkway portion of the transportation path. Union also entered TransCanada Open Seasons for long-term, firm transportation with TransCanada for transportation capacity starting in 2016 and 2017 from Parkway to the appropriate delivery areas to complete the Dawn to delivery area(s) transportation path to mirror the required customer quantities.

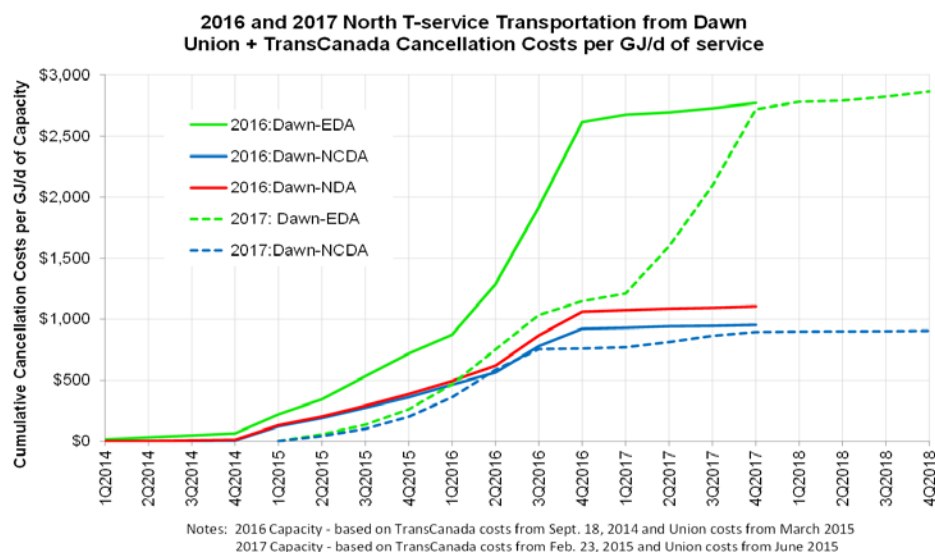
Assuming the Board approvals sought are granted and incremental transportation capacity is available, Union would offer the service in future years as customer interests arise. Overall, in Union's North East Zone, 85% of the DP market (T-Service and bundled customers) has transport to the respective delivery area while the remaining 15% relies on the secondary market (excluding power customers).

Sales service customers have 100% firm transport to the respective delivery areas.

Cancellation Costs

A condition precedent in the service agreement executed between Union and the customers allows for Union to cancel the contracts between Union and the customers for the Union North T-Service Transportation from Dawn service if Union does not receive the required approvals. If all approvals required are not obtained by Union, including Board approval, Union may then trigger an Event of Cancellation per the service agreement between Union and TransCanada. In that instance, costs incurred to date by Union (both Union and TransCanada costs specific to the service start date) will be shared pro-rata amongst customers who contracted for the service on the same start date as per the terms of the binding bid package. Figure 1 provides the total cancellation costs per GJ/d.

Figure 1



1.2. Proposed North T-Service Transportation from Dawn Service

Union North T-Service customers are responsible for arranging supply and transportation for supply to arrive in their delivery area. To arrange supply to arrive at the delivery area, North T-Service customers currently rely on either:

- i) Purchasing supply delivered to the customer at the delivery area; or,
- ii) Purchasing supply (at a location upstream of the delivery area) and transporting the supply to the delivery area.

The proposed service allows T-Service customers to arrange for an alternative gas supply source at Dawn.

The Union North T-Service Transportation from Dawn service has three objectives:

- i) Provide an option for Union North East Zone T-Service customers to acquire incremental firm transportation service, with renewal rights, from Dawn to their respective delivery areas, at cost of service rates;
- ii) Provide an easy to use, seamless transportation service that is independent of Union's sales service and bundled DP transportation portfolio where the Union North T-Service customers are responsible for managing the transportation capacity; and,
- iii) Incorporate a means of managing the contract term risk for both Union and the customers associated with Union contracting for new transportation capacity that requires a 15-year commitment and the customer preference for a shorter contract term.

1 The Union North T-Service Transportation from Dawn service provides firm transportation from
2 Dawn to the customer's delivery area on their Union North distribution contract. The service is a
3 new alternative that customers may choose to arrange for gas to arrive at their delivery area. The
4 proposed rate for the service is a formula equal to the sum of the approved cost of service tolls
5 on the Union Dawn to Parkway capacity using the C1 Dawn to Parkway toll plus the
6 TransCanada Firm Transportation ("FT") toll on the TransCanada Parkway to the delivery area
7 capacity.

8
9 Base Service and Supplemental Service

10 The North T-Service Transportation from Dawn service has a Base Service offering and a
11 Supplemental Service offering. Eligible customers may elect either service offering or both.

12
13 Base Service:

14 The Base Service offers Union North T-Service customers in the Union North East Zone firm
15 transportation from Dawn to the customer's delivery area. Eligible customers may elect a Firm
16 Daily Quantity ("FDQ") under the Base Service up to the greater of:

17 a) Firm Contract Demand for distribution service; or

18 b) Peak day in the previous 12 months;

19 but in no case more than 3,000 GJ/d.

20
21 Table 2 illustrates potential customer scenarios and the resulting maximum FDQ a customer
22 could elect.

Table 2
Scenarios to Illustrate Maximum Customer FDQ for Base Service

Line No.	Example Customer (in North East Zone)	Firm CD (GJ/d) (a)	Peak Day (GJ/d) (b)	Maximum FDQ Eligible for Base Service (GJ/d) (c)
1	Customer A	2,000	2,500	2,500
2	Customer B	4,000	5,000	3,000
3	Customer C	1,000	5,000	3,000
4	Customer D	5,000	1,000	3,000
5	Customer E	500	250	500

The Base Service transportation capacity has an initial contract term of one year, with an automatic annual renewal. The Base Service continues to automatically renew until the earlier of:

- a) the customer ceases to take distribution service from Union;
- b) the underpinning TransCanada transportation contract expires (15 years); or,
- c) Union is able to facilitate TransCanada turnback at customer's request consistent with Union's turnback policy.

Renewal beyond the 15-year period will be consistent with the renewal provisions of the underpinning assets (at the customer's option to renew, currently one year extensions with two year's notice).

Base Service Firm Daily Quantity Limit of 3,000 GJ/d

The Base Service FDQ limit was created in order to establish a similar turn back risk profile for all eligible customers. The quantity of 3,000 GJ/d limit was selected to achieve balance:

- 1 • The quantity is large enough that it allows for approximately two thirds of the
2 eligible customers to contract for only the Base Service and be able to meet 100%
3 of their Firm CD under their Union distribution contract.
- 4 • The quantity minimizes the potential impact that any one customer might have on
5 the Union North T-Service TransCanada Capacity deferral account (discussed
6 below).

7

8 The quantity limit of 3,000 GJ/d for the Base Service has customer support and was established
9 through customer consultation.

10

11 *Base Service North T-Service TransCanada Capacity Deferral Account*

12 To facilitate this service, Union is required to contract for 15-year transportation capacity with
13 TransCanada from Parkway to the Union NDA, Union NCDA and Union EDA. The purpose of
14 establishing the Base Service North T-Service TransCanada Capacity deferral account is to
15 provide a fair and equitable means for customers to mitigate the long-term demand charge risk of
16 an individual end use location facing unforeseen decreases in distribution demand (i.e. plant
17 closure).

18

19 In the circumstance where an individual customer experiences a decreased need of 5% or greater
20 in both the Total Distribution Contract Demand and the Maximum Hourly Flow parameter of the
21 distribution contract, the customer can request that the Base Service contract quantity be

1 decreased by the same percentage at contract renewal. When a decrease in Base Service
2 contract quantity occurs during the initial 15-year period, excess capacity is created.

3
4 *Excess Capacity*

5 Union will re-market any excess capacity in an attempt to mitigate the cost of the entire path of
6 the excess capacity (from Dawn to the delivery area). Options available to Union to re-deploy
7 any excess capacity include:

- 8 • Sell excess capacity to existing Union North East Zone customers on a permanent
9 or temporary basis;
- 10 • Sell capacity into the market (i.e. outside of existing customer base);
- 11 • Absorb into the Union sales service and bundled DP transportation portfolio, if
12 capacity is required; and/or,
- 13 • Turnback capacity if TransCanada has offered that option to the market.

14
15 In the instance where excess capacity has been created, the Base Service North T-Service
16 TransCanada Capacity Deferral Account will capture the differences between revenues and costs
17 for the excess capacity from Parkway to the delivery area. This deferral account will be cleared
18 annually to all firm T-Service customers in the Union North East Zone, (i.e. customers who are
19 eligible for the service), using an allocation approach based on the customers' eligible quantity
20 for Base Service.

Disposition of the Base Service North T-Service TransCanada Capacity Deferral Account

To dispose of the Base Service North T-Service TransCanada Capacity deferral account, the customers Maximum FDQ Eligible for Base Service in Union North East Zone will be used for allocation purposes. The example below in Table 3 illustrates the disposition allocation of \$10,000 in the Base Service North T-Service TransCanada Capacity Deferral Account.

Table 3
Proposed Deferral Account Disposition Allocation

Line No.	Example Customer (in Union North East Zone)	Firm CD (GJ/d) (a)	Peak Day (GJ/d) (b)	Maximum FDQ Eligible for Base Service (GJ/d) (c) = Greater of (a) or (b), capped at 3,000	North T-Service TransCanada Capacity Deferral Account Allocation (d)= (%)	North T-Service TransCanada Capacity Deferral Account Allocation (e)=(d)*\$10,000 (\$)
1	Customer A	2,000	2,500	2,500	20.83	\$2,083
2	Customer B	4,000	5,000	3,000	25.00	\$2,500
3	Customer C	1,000	5,000	3,000	25.00	\$2,500
4	Customer D	5,000	1,000	3,000	25.00	\$2,500
5	Customer E	500	250	500	4.17	\$417
6	TOTAL			12,000	100.00	\$10,000

Please see Exhibit A, Tab 3, Appendix B for the draft Base Service North T-Service TransCanada Capacity Deferral Account Accounting Order.

1 Supplemental Service:

2 Any customer who wishes incremental transportation capacity beyond what they were otherwise
3 eligible for under the Base Service has the option to purchase that capacity from Union under a
4 separate, standalone, Supplemental Service contract. The Supplemental Service also offers
5 Union North T-Service customers seamless firm transportation from Dawn to the customer's
6 delivery area at the same cost of service rates as the Base Service. The term of the Supplemental
7 Service contract is 15 years, which is based on the term of the TransCanada transportation
8 contract that Union would acquire on behalf of the customer. The Supplemental Service has no
9 quantity limitations, no associated deferral account and no impact on the Base Service Union
10 North T-Service TransCanada Capacity deferral account. Instead, the customer assumes the
11 rights and obligations of the costs on the path for the term and would exercise any re-marketing
12 or turnback opportunities. Union would also offer the ability to turn back the TransCanada
13 capacity and or Union's capacity on the path, subject to Union's turn back policy at the time.

14
15 Table 4 illustrates a further breakdown of Table 1 into the Base Service and the Supplemental
16 Service that customers have entered into service agreements with Union.

Table 4
Results of the North T-Service Transportation from Dawn Requests for Service

	Nov 1, 2016 Start Date		Nov 1, 2017 Start Date		Total	
	Number of Customers	Quantity (GJ/d)	Number of Customers	Quantity (GJ/d)	Number of Customers	Quantity (GJ/d)
Base Service	15	18,515	2	3,887	17	22,402
Supplemental Service	1	10,600	1	2,000	2	12,600
Total	15	29,115	2	5,887	17	35,002

Fuel Factor Adjustment - Base and Supplemental Service

Both the Base Service and the Supplemental Service include a Fuel Factor Adjustment that increases the Union Dawn to Parkway transportation capacity the customer holds by a small amount in order to facilitate the movement of fuel required for the TransCanada transportation capacity from Parkway to the Union delivery area. The Fuel Factor Adjustment is based on TransCanada's 3-year historical fuel requirement for the transportation path from Parkway to the delivery area. The initial Fuel Factor Adjustments will be set at 1.72% for Union NDA, 1.29% for Union EDA and 0.75% for Union NCDA. The Fuel Factor Adjustment will be updated annually at November 1 to reflect the highest TransCanada fuel rate from Parkway to the delivery area for the most recent three years.

For example, if a customer were to contract for 1,000 GJ/d to arrive in the Union NDA, the quantity of TransCanada transportation capacity from Parkway to the Union NDA would be 1,000 GJ/d. The corresponding Dawn to Parkway transportation capacity would be 1,017 GJ/d

(1,000 GJ/d gas supply required to arrive in the Union delivery area plus 17 GJ/d (calculated as 1,000 GJ/d times the NDA fuel factor adjustment of 1.72%)).

The corresponding Union Dawn to Parkway transportation capacity contracted in order to deliver both the gas supply and the fuel required on the TransCanada system to move the gas to the Union delivery area is 1,017 GJ/d in this example.

Assignments - Base and Supplemental Service

Customers have the option to assign the Union segment of the transportation path, the TransCanada segment of the transportation path, or both, in whole or in part, on a temporary or permanent basis, for the duration of the contract term, subject to Union and TransCanada credit requirements. Contractual obligations, including renewal, remain with any transportation capacity that is assigned on a permanent basis.

1.3. Rate Approval

Union is seeking approval to modify the existing Rate 01, Rate 10, Rate 20, Rate 25 and Rate 100 rate schedules to include a new transportation service option for Union North East T-Service customers. Union North T-Service customers in the Union North East Zone will have the option to directly contract with Union for Dawn to Parkway and Parkway to delivery area transportation services to meet their upstream transportation requirements.

1 The rate schedule changes will allow Union North East T-Service customers to access
2 transportation from Dawn to their respective delivery area and enable Union to recover the costs
3 associated with providing the transportation service. T-Service customers contracting for Dawn
4 to Parkway transportation service from Union will do so under the Board-approved C1 rate
5 schedule. Transportation service on TransCanada will be accommodated through modifications
6 to the applicable Union North rate schedules, which will enable Union North T-Service
7 customers to elect an additional transportation service and allow Union to recover the costs
8 associated with upstream transportation service on TransCanada from these customers.

9
10 The black-lined Rate 01, Rate 10, Rate 20, Rate 25, and Rate 100 rate schedules are provided at
11 Exhibit A, Tab 2, Appendix A, Schedule 11.

12 13 1.4. Implementation

14 Service Implementation

15 The start date for the North T-Service Transportation from Dawn service is targeted for
16 November 1, 2016. However, service implementation may be delayed as it is dependent on:

- 17 i) All facility expansions being in-service which provide the underpinning transportation
18 assets. This includes TransCanada's Kings North 2015, TransCanada's Maple
19 Compression 2016, Enbridge's Albion Line 2015 and Union's Dawn to Parkway 2015
20 and 2016 facility expansions;
- 21 ii) All required Board approvals are obtained; and,
- 22 iii) Union has waived or met all conditions precedent in the service agreement.

- 1 Incremental customer capacity for this service is expected to be added in 2017 (as noted above)
- 2 and as requested by customers in subsequent years.

**North T-service Transportation from Dawn Service:
Summary of Stakeholder Consultations**

1. April 18, 2013 – Web-ex meeting and conference call – introduced the initial service concept of a transportation service, for firm North T-service customers, from Dawn to the EDA, NDA and NCDA and sought feedback on proposed service. Key service design concept included “pooling” of accountability of capacity of contracting parties. Capacity eligible was up to 50% of Firm T-service CD, with initial contract term of 3 years. If any customer ceased taking distribution service (ie. Due to plant closure), capacity re-allocated pro-rata to others in the pool, capped at 100% of remaining customers firm T-service CD. Any excess after re-allocation (due to cap), reverts to Union.
2. April 23, 2013 – Web-ex and conference call – further discussions and reviewed questions from customers – same service design
3. April 30, 2013 - Web-ex and conference call – further discussions and reviewed questions from customers – same service design
4. May 1, 2013 – sent eligible customers an expression of interest form and asked for feedback
5. July 3, 2013 - Web-ex and conference call – reviewed customer feedback received up to that point:
 - a. Customers want the service to help lower their delivered gas costs
 - b. Small customers prefer a solution that meets the majority of their needs.
 - c. Large customers prefer diversity of supply
 - d. Concerns with the “pooling” concept and bankruptcy impact on others
 - e. Customers want a service that is easy to manage
 - f. Long term contracts are onerous
 - g. Customers like Union Gas helping to secure capacity

Introduced proposed changes to the service: Term shortened to 1 year (renewal requirement remains); service to be embedded or offered on the R10, R20 and R100 rate schedules (to simplify contracting); introduced cap on Firm Daily Quantity of greater of Firm T-service CD or max daily consumption in last 12 months, but no more than 3,000 GJ/d if either are above 3,000 GJ/d; introduced deferral account for any excess TransCanada capacity; separate contract for any capacity above 3,000 GJ/d.
6. July 10, 2013 – sent eligible customers a “request for Service” form for the updated service design
7. September 11, 2013 - Conference call to discuss Bid results (33 of 46 eligible customers expressed a desire to take the service, 37 support or neutral to the service and 2 opposed, 24 customers had bids with conditions precedent that were acceptable to Union, so Union bid 49,302 GJ/d to Enbridge on their behalf), clearing customer conditions, potential risks and considerations and next steps
8. December 10, 2013 – conference call and Web-ex to update customers on impact of the TransCanada Settlement Agreement to the service and to ask customers to re-bid for service
9. December 12, 2014 – conference call and Web-ex update on NEB decision on TransCanada Settlement Agreement; shared bids results, after customers waived conditions of 29,115 GJ/d for 2016; introduced option for same service for 2017 start date; shared option for T-service customers to switch to Bundled T or sales service.
10. January 13, 2015 – conference call and Web-ex to invite customers to request service for November 2017 or 2018, updated name of service and new bid form (for later start - same service design)

UNION GAS LIMITED

**Accounting Entries for
Base Service North T-Service TransCanada Capacity Deferral Account
Deferral Account No. 179-XXX**

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-XXX Other Deferred Charges – Base Service North T-Service TransCanada Capacity Deferral Account
Credit	-	Account No. 140 Accounts Receivable - Customers

To record, as a debit (credit) in Deferral Account No. 179-XXX, the differences between revenues and costs for the excess capacity from Parkway to the Union Point of Receipt as part of the Base Service offering of the North T-Service Transportation from Dawn.

Debit	-	Account No. 179-XXX Other Deferred Charges - Base Service North T-Service TransCanada Capacity Deferral Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX interest expense on the balance in Deferral Account No. 179-XXX. 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.