uniongas
A Spectra Energy Company

October 1, 2015

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

RE: EB-2014-0182 – Union Gas Limited ("Union") – Burlington Oakville Project Undertaking Responses and Transcript Corrections

Dear Ms. Walli,

Please find attached Union's responses to the undertakings received in the Day 1 of the hearing on September 24, 2015. These will be filed in RESS and copies will be sent to the Board.

In addition, Union's witnesses have reviewed the Volume 1 transcript and have the following corrections to make:

p. 7, line 14 – Exhibit BOGV.1 *should be* Exhibit B.OGVG.1
p. 7, line 16 – a subject of the application *should be* the subject of the application
p. 8, line 14 – Milton Gate line *should be* Milton Gate station
p. 9, line 5 – third line in NPS 20 station *should be* Third Line and NPS 20 station
p. 10, line 4 – the amended CDA *should be* the amended Union CDA
p. 13, line 20 – at the ending of the NEB *should be* including at the NEB
p. 23, line 24 – This the may be an exception *should be* This may be an exception
p. 64, line 23 – 1/360th *should be* 1/365th
p. 65, line 7 – base and *should be* basin
p. 73, line 24 – Turning before *should be* The term before
p. 75, line 5 – ever *should be* every
p. 82, line 3 – could be *should be* couldn't be
p. 121, line 11 – contractor *should be* contract
p. 132, line 24 – CDM *should be* CDA
p. 133, line 3 – CDM *should be* CDA
p. 134, line 2 – properly *should be* prudently
p. 148, line 13 – seller *should be* sellers
p. 149, line 6 – show up as trade *should be* show up and trade
p. 150, line 7 – charge *should be* change
p. 150, line 26 – TJ *should be* PJ
p. 156, line 13 – they'll provide *should be* they won't provide

If you have any questions with respect to this submission please contact me at 519-436-5334.

Yours truly,

[original signed by]

Vanessa Innis
Manager, Regulatory Initiatives

Encl.

cc: Zora Crnojacki, Board staff
Mark Kitchen, Union Gas
Charles Keizer, Torys
All Intervenors (EB-2014-0182)

UNION GAS LIMITED

Undertaking of Mr. Isherwood
To Mr. Quinn

To confirm whether there was a provision in the Mainline Settlement Agreement dictating Enbridge gets its gas from the domestic line.

The Mainline Settlement Agreement reads "…TransCanada may, during the Term, in its sole discretion expand the Hamilton Line capacity to deliver up to 200,000 GJ/day to the Parkway Enbridge CDA Delivery Point from TransCanada's Niagara Falls and/or Chippawa Receipt Points." (Section 8.2(b), page 15) Please note that the Hamilton Line is a segment of TransCanada's Domestic Line.

At the EB-2015-0166/EB-2015-0175 Technical Conference, Mr. Leblanc from Enbridge noted that the Greater Golden Horseshoe Facilities Project is work (on the Hamilton Line and at Parkway) that TransCanada needs to do to transport Enbridge's 200 TJ/d from Niagara and Chippawa to the Parkway Enbridge CDA (September 9, 2015 Transcript, page 81, lines 20-22). This work is required to establish the Parkway Enbridge CDA Delivery Point and was also discussed at Volume 1, pages 28-29 by Mr. Redford and Mr. Isherwood.

In EB-2012-0433/EB-2012-0451/EB-2013-0074, Ms. Giridhar confirmed Enbridge's intention to "take 200,000 gigaJoules off of TransCanada's domestic line, which operates at lower pressures" (Volume 6 Transcript, September 26, 2013, page 28, lines 21-23; clarity provided by Mr. Brett at Volume 6, page 31, lines 21-24). The Parkway Enbridge CDA Delivery Point has been newly created by TransCanada specifically to connect to Enbridge at Parkway and is a direct result of the discussions that led to the Mainline Settlement Agreement. In those discussions, Enbridge made it clear that it wanted to contract for 200 TJ/d from Niagara to Parkway on the TransCanada system and that it wanted the path to be the Domestic Line (Hamilton Line) for diversity purposes. This is also reflected in Exhibit B.OGVG.10 with respect to an exchange with Enbridge on the Domestic Line path.

UNION GAS LIMITED

Undertaking of Mr. Isherwood
To Mr. Quinn

To obtain the requested information from TransCanada

TransCanada's MLV 209 (schematic is included at page 21 of Exhibit K1.2 Corrected) is on a cross-over connection that regulates pressure and controls flow between the higher pressure Niagara Export Line and the lower pressure Domestic Line (Hamilton Line). MLV 209 is not on the Domestic Line. MLV 209 has a physical capacity of 287 TJ/d from the Niagara Export Line through the station regulators to the Domestic Line. However, the physical capacity of TransCanada's Domestic Line between where the cross-over pipe meets the Domestic Line (near MLV 209) and MLV 207 on the Domestic Line (which is near the Burlington Gate Station) is 200 TJ/d. The remaining 87 TJ/d flows in the opposite direction on the Domestic Line, from the point where the cross-over pipe connects to the Domestic Line towards Niagara, feeding markets in the Enbridge CDA on the Niagara Peninsula. This is consistent with the responses filed on June 19, 2015, which are included at pages 42-43 of Exhibit K1.2 Corrected.

Filed: 2015-10-01
EB-2014-0182
Exhibit J1.2
Attachment 1

TransCanada
In business to deliver

October 1, 2015

TransCanada Corporation
450 – 1st Street SW
Calgary, Alberta, Canada T2P 5H1

tel 403.920.5574
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email dave_schultz@transcanada.com
web www.transcanada.com

Dave Schultz
Vice-President, Commercial East
Canadian Natural Gas Pipelines

Mark Isherwood
VP Business Development
and Storage Transportation
Union Gas Limited
PO Box 2001
50 Kell Drive North
Chatham, ON, N7M 5M1

Dear Mark,

TransCanada has reviewed the Union response to the **Undertaking No. J1.2: To Obtain Requested Information from TransCanada** from the Ontario Energy Board proceeding (EB-2014-0182) and can confirm that the information provided is factually correct.

Yours Truly,

Dave Schultz
Vice-President, Commercial East
Canadian Natural Gas Pipelines
TransCanada Corporation

UNION GAS LIMITED

Undertaking of Mr. Shorts
To Mr. Quinn

To provide the actual monthly landed gas cost at Dawn and Niagara from 2012 up to April 2015

Figure 1 shows actual average prices each month for Niagara supply landed at Kirkwall versus Dawn supply as purchased by Union. This graph shows the price of gas at Dawn versus the landed cost at Niagara were very close with some periods slightly lower at Dawn and some periods where it was slightly higher at Dawn up to February of 2014. From that point until today, the Niagara landed cost has been lower.

It is important to note that price is not the only factor used by Union when contracting for transportation capacity from a point such as Niagara. Union always refers to its Gas Supply Planning principles to ensure the security and reliability of its portfolio including access to a number of liquid markets. In fact, Union ensures that there is diversity of supply points, suppliers, terms and pipelines within its upstream transportation portfolio. This access to multiple markets ensures that pricing anomalies or supply risk at a single point do not have a major impact to Union's overall portfolio.

The prices at a point that is not liquid are easily influenced by changes in the surrounding market. Niagara does not possess the characteristics required to develop into a liquid trading point as it is simply a trans-shipment point between TransCanada and three U.S. pipelines and is unlikely to develop into a liquid trading hub.[1]

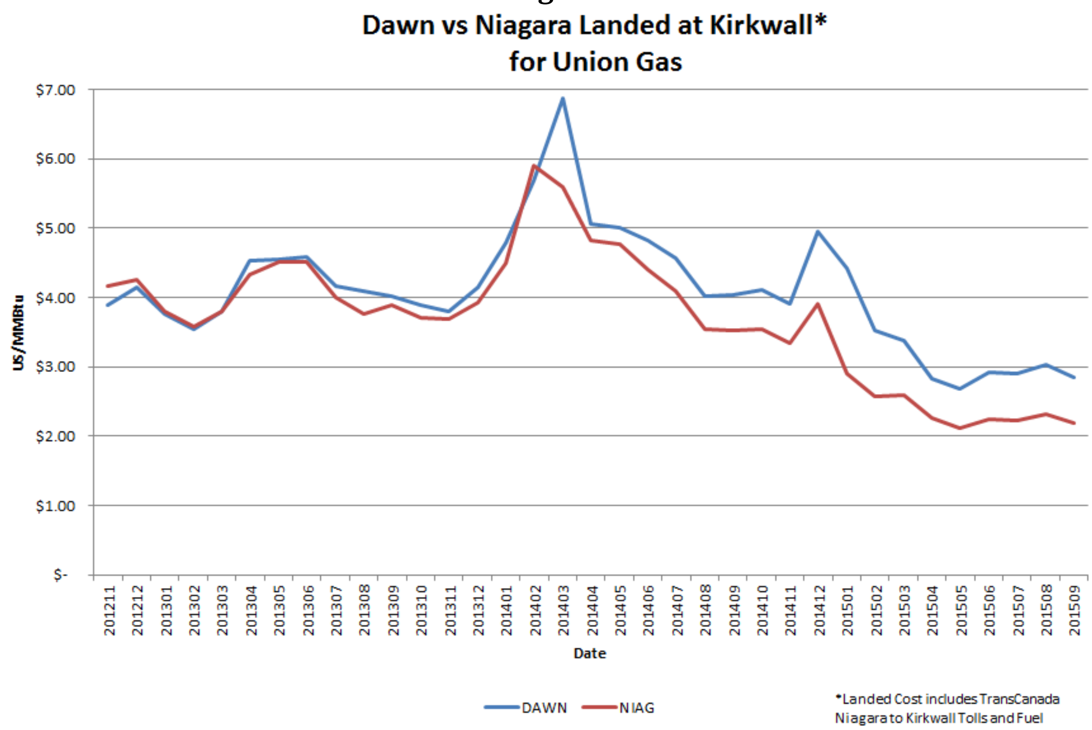
This was explained by Mr. Shorts at the hearing: "*Liquidity is a very complicated issue. It's not just all about price. It's about ensuring that you can get a competitive price where there are lots of sellers. We know that at a point in which there are lots of sellers there is going to be lots of competition, and you know you are going to get a competitive price. It's not to say that there [couldn't] be an anomaly in the marketplace based upon the way gas flows. That price might not necessarily always be the lowest.*"[2] The anomaly referred to by Mr. Shorts is the lack of contracted takeaway capacity on TransCanada from Niagara, resulting in more gas available at the U.S. border than can be transported into Canada (essentially resulting in gas on gas competition resulting in suppliers wanting to move to a more liquid point such as Dawn). Once TransCanada's expansions are in service, pricing at Niagara will change as a result.

Union expects Niagara prices could increase as early as the winter of 2015/2016 due to increased takeaway capacity on the TransCanada system from Niagara and Chippewa. As Mr. Shorts noted at the hearing "*… we expect to see those changes start to happen this winter with infrastructure*

[1] Exhibit C - Union Reply Evidence, pages 9 - 15
[2] Volume 1 Transcript, page 81, line 25, correction provided in Cover Letter to Undertakings

that's being built and the contracts that have been contracted for."[3] Over the next couple of years, the takeaway capacity from Niagara will more closely match the upstream capacity on the U.S. side of the border, which will likely result in prices rising. This was explained by Mr. Isherwood who stated, "*But the days of deep discount I think are gone. I think producers and marketers have bought capacity to take it away from [Niagara] to better markets.*"[4]

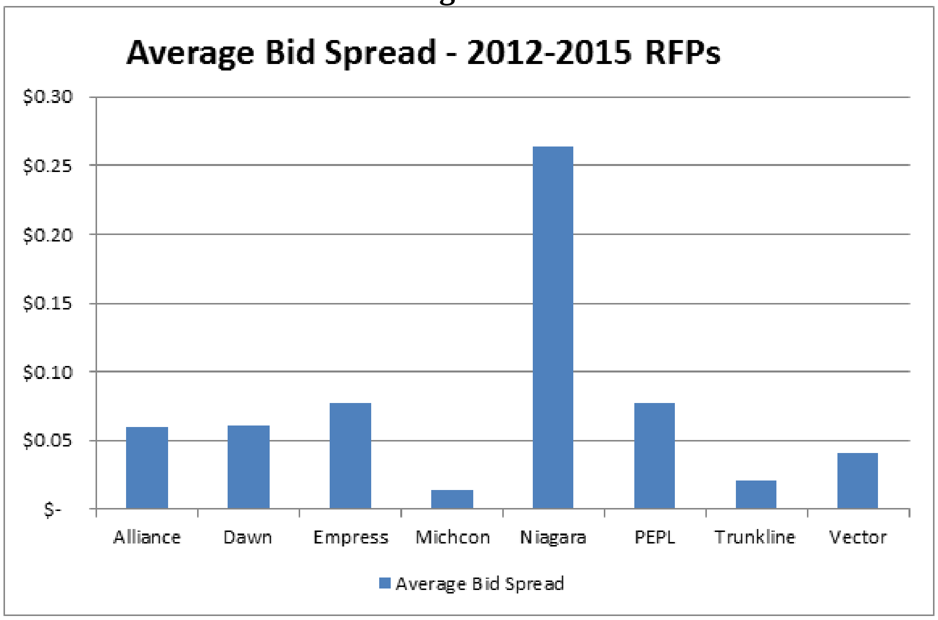
Figure 1



As discussed at Day 1 of the hearing[5], another measure of a competitive and liquid gas market is the price transparency which can be represented by the difference between the highest and lowest bids received (often called the spread) through the Request for Proposal (RFP) process. A narrow spread between bids is indicative of an active and liquid market where participants are confident in what a commodity is currently valued at. If there is a low number of transactions and counterparties at a point, this means there is a lack of transparency in pricing which often results in a larger spread between bids. Figure 2, as provided in Union's 2015-16 Gas Supply Memorandum filed in EB-2015-0116[6], summarizes the average spreads of all offers Union has received at the various basins / points at which Union purchases supply since 2012:

[3] Volume 1 Transcript, page 152, lines 10 – 12
[4] Volume 1 Transcript, page 152 line 28, page 153 line 1-2, correction provided at page 153, line 5
[5] Volume 1 Transcript, pages 153-154
[6] Exhibit A, Tab 3, page 11, Figure 2

Figure 2


Average Bid Spread - 2012-2015 RFPs
$0.30
$0.25
$0.20
$0.15
$0.10
$0.05
$-
Alliance
Dawn
Empress
Michcon
Niagara
PEPL
Trunkline
Vector
Average Bid Spread