

November 3, 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 – Interrogatory Responses

Please find attached Union's responses to the interrogatories received in the above proceeding.

If you have any questions with respect to this submission please contact me at (519) 436-5476.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2015-0181 Intervenors
Crawford Smith, Torys

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, p. 1, lines 2-6

Union Gas Limited (Union) is proposing a change to the reference price used to set commodity rates on a quarterly basis to better reflect the changes in Union's gas supply transportation portfolio going forward. Union further states that it will be converting long-haul transportation contracts on TransCanada Pipelines Limited (TransCanada) to short-haul transportation contracts.

Will Union incur any financial penalties or additional demand charges as a result of converting long-haul transportation contracts on TransCanada to short-haul transportation contracts? If yes, please provide details and quantify the amounts.

Response:

Union will not incur any financial penalties as a result of converting TransCanada long-haul transportation contracts to short-haul transportation contracts. In the fall of 2013, Union, Enbridge and Gaz Métro reached a settlement with TransCanada ("Mainline Settlement Agreement"). The purpose of the Mainline Settlement Agreement was to provide TransCanada with a framework that would provide them a reasonable opportunity to recover their cost of service. For the three utilities, TransCanada agreed to build the necessary facilities to facilitate the conversion of long-haul capacity from Empress to short-haul capacity from Parkway. This conversion allows all three utilities (and other market stakeholders) increased access to buying gas supply at Dawn. In December of 2014, the National Energy Board approved TransCanada's RH-001-2014 tolls application. The intent of this application was to provide the toll framework that would facilitate the conversion of long-haul transportation to short-haul transportation as contemplated by the Mainline Settlement Agreement. TransCanada implemented the approved final tolls effective July 1, 2015 which include the toll impacts due to the long-haul to short-haul conversion.

The impacts of this conversion to Union's transportation portfolio have been outlined in Union's 2015 Brantford-Kirkwall/Parkway D Project (EB-2013-0074), 2016 Dawn Parkway Expansion Project (EB-2014-0261), and 2017 Dawn Parkway Expansion Project (EB-2015-0200). In EB-2013-0074, Union discussed the 110,000 GJ/d of short-haul transportation resulting from the conversions and the associated savings to Union's customers.

In its Decision for the Brantford-Kirkwall/Parkway D Project, the Board supported the increased short-haul transportation capacity from Dawn stating:

“The project is part of a group of projects, including Enbridge’s GTA Segment A pipeline and TransCanada’s proposed King’s North pipeline that will facilitate greater flows of mid-continent natural gas into Dawn for transportation to downstream markets. The projected benefits of these projects stem from an enhanced diversity of supply, gas costs savings, and enhanced liquidity at Dawn.” (EB-2013-0074, Decision and Order, p. 22).

The Board further supported the Project by saying:

“Furthermore, Ontario gas consumers will obtain additional certainty through this project concerning their access to alternative supply sources. The project will provide access to more supply and to more sources of supply while retaining market access to existing WCSB supplies. That is a clear benefit to Ontario consumers, and is a positive element in relation to the economic viability of the project. Supply diversity enhances security and has the tendency to lower gas prices from what they would otherwise be if the market continued to rely on fewer sources of supply.” (EB-2013-0074, Decision and Order, p. 29).

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, p. 7, lines 12-16

Union is proposing to set storage and transportation rates for the Union North West and Union North East Zone based on a detailed cost allocation methodology by zone. Within each of the two proposed Union North zones, Union is proposing to set storage and transportation rates on a postage stamp basis.

- a) Please state the furthest points in each of the two proposed Union North zones and provide the distance between the two points.
- b) Why is Union proposing rates on a postage stamp basis for the two Union North zones?

Response:

- a) The Union North West Zone will consist of the Fort Frances (Centrat MDA), Union WDA, and Union SSMDA delivery areas. The furthest customer locations within this zone are Keewatin, located on the westernmost border of the Union WDA (at or near the Manitoba-Ontario border), and Elliot Lake, located on the easternmost border of the Union SSMDA. These locations are approximately 1,000 kilometres apart.

The Union North East Zone will consist of the Union NDA, Union NCDA, and Union EDA delivery areas. The furthest customer locations within this zone are Calstock, located at the westernmost border of the Union NDA, and Cornwall, located at the easternmost border of the Union EDA. These locations are approximately 900 kilometres apart.

- b) Union's proposal to set rates within each of the two proposed Union North Zones on a postage stamp basis reflects the fundamental changes to the manner in which customers in the Union North East Zone will be served in the 2017-2018 gas supply plans as compared to customers in Union's North West Zone.

Specifically, Union is converting long-haul transportation contracts to short-haul transportation contracts on TransCanada and increasing reliance on gas supply sourced at Dawn or upstream of Dawn for the delivery areas in the Union North East Zone (Union NDA, Union NCDA and Union EDA). These delivery areas will be served predominantly from Dawn (or upstream of Dawn).

The delivery areas in the Union North West Zone (Fort Frances, Union WDA and Union SSMDA) will continue to be served from Empress (or alternative routes not from Dawn).

Union is also proposing to introduce two Union North Zones for simplicity and to manage the bill impacts for Union North sales service and bundled direct purchase customers.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, pp. 13-15

Union has proposed a change to the reference price used to set commodity rates on a quarterly basis. Union has proposed to use a Dawn-based reference price as opposed to the Alberta Border Reference Price to set commodity rates for Union North and Union South sales service customers. However, Union proposes to continue to use the Alberta Border Reference Price to set gas commodity rates for the Union North West Zone.

- a) Has Union considered using one reference price for its entire service area? What would be the impact on Union North West customers if Union were to use the Dawn Reference Price to set gas commodity rates?
- b) Why is Union proposing the use of two reference prices considering that the Quarterly Rate Adjustment process is short and mechanistic?
- c) What would be the implication if Union continued using the existing Quarterly Rate Adjustment Methodology in 2018 corresponding to the full implementation of the new gas supply plan?

Response:

- a) Yes, Union considered using one reference price for its entire service area. However, the NGF Report to the Board (Natural Gas Regulation in Ontario: A Renewed Policy Framework, Report on the Ontario Energy Board Natural Gas Forum, March 30, 2005, pp. 68-69) concluded that the QRAM price should be a transparent benchmark that best reflects market prices. The Board reiterated these key points in the QRAM Review in EB-2014-0199, indicating that:

“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.”

If Union were to use a Dawn Reference Price for the Union North West Zone, it would not reflect the market prices of the gas supply being purchased to serve the Zone and it would result in large credits each month in the North Purchased Gas Variance Account (“NPGVA”).

Union currently uses the Alberta Border Reference Price to calculate the reference price for all of Union sales service customers (with significant adjustments to calculate the reference price for Union South). However, by November 1, 2016, Union expects to buy 85% of its gas supply for the Union North East Zone at Dawn or upstream of Dawn (with Dawn landed pricing). It is therefore more appropriate to use a Dawn-based Reference Price for the Union North East Zone and Union South. Similarly, Union will continue to purchase 100% of its supply for the Union North West Zone at Empress so it is appropriate to continue to use the Alberta Border Reference Price. In both cases, the customers are getting the price signal based on the source of the gas supply for them.

- b) The proposed process will continue to be short, mechanistic and consistent. Today, the Board approves an Alberta Border Reference Price and an Ontario Landed Reference Price, as well as the South Portfolio Cost Differential (“SPCD”) each quarter as part of the QRAM process. As indicated at Exhibit A, Tab 1, p. 15, Union proposes to use the same methodology to set the Dawn Reference Price as is used today to set the Alberta Border Reference Price.

Union will determine the Dawn Reference Price by applying a forward Dawn 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 will be an average cost per gigajoule (“GJ”) in Canadian dollars that represents the forward market price at Dawn. The reference price will be a rolling 12-month price that is updated quarterly, similar to the process used today to set the Alberta Border Reference Price. The schedules reflecting the new reference price methodology are filed at Exhibit A, Tab 1, Appendix A, Schedules 1 and 2. In addition, Union has proposed elimination of the SPCD as it is no longer required when using a Dawn Reference Price.

- c) Union will commence buying the majority of the gas supply for the Union North East Zone at Dawn starting in late 2016. Using an Empress price for the Union North East Zone would not be an accurate reflection of the underlying cost of gas supply for these customers and would lead to frequent and potentially large deferral balances accumulating in the NPGVA each month.

In the Board’s EB-2005-0551 Decision with Reasons, Natural Gas Electricity Interface Review, the Board noted that part of their objectives are to facilitate competition in the sale of gas to users and to protect the interests of consumers with respect to prices and the reliability and quality of gas service (p. 29). If Union were to continue to use the existing QRAM methodology and Alberta Border Reference Price to set commodity rates, it would be misleading for direct purchase customers and marketers who would be purchasing supply at Dawn, similar to Union.

For Union South, the cost of the average forecasted landed cost of the Union South portfolio is significantly less than the cost would have been had all the Union South supplies been purchased at Empress and transported on TransCanada (i.e. the Ontario Landed Reference Price). Historically, Union has managed this by reducing the transportation rate by the SPCD.

When the SPCD was implemented in 2004, the differential between the forecast cost of the Union South portfolio and the Ontario Landed Reference Price was approximately \$7.0 million (EB-2003-0287, Tab 1, Schedule 4, p. 2, column (f), line 13). The differential between the forecast Union South portfolio cost and the Ontario Landed Reference Price has increased to approximately \$125 million (EB-2015-0035, Tab 1, Schedule 3, p. 4, column (f), line 27). By November 1, 2016, as less supply is sourced from Alberta, the differential will grow even larger. The proposed Dawn Reference Price will be more reflective of the forecast landed cost of the Union South portfolio, providing all customers a more accurate price signal.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, p.17, lines 6-12

Union's current rate design and associated rate schedules include four rate zones in the North: Fort Francis, the Western Delivery Area, the Northern Delivery Areas and the Eastern Delivery areas.

- a) Does the current rate design cross-subsidize commodity, storage and/or transportation costs within these areas including Union South? If yes, please provide a detailed response. Please identify the areas that subsidize and those that are being subsidized and also indicate the level of subsidies.
- b) Will Union's proposal to move to a Dawn Reference Price including the proposed changes to cost allocation and rate design for Union North West and Union North East customers reduce the cross-subsidies? Please provide details.

Response:

- a) Yes, there are cross subsidies across Union North delivery areas under current storage and transportation rates.

Based on Board-approved cost allocation and rate design updated for the 2018 gas supply plan, Union estimates that the Union SSMDA, Union NCDA and Union EDA contribute \$13.9 million more storage and transportation revenue than the cost to serve these delivery areas. This additional revenue is offset by \$14.8 million less storage and transportation revenue than the cost to serve Fort Frances (Centrat MDA), Union WDA and Union NDA. The variance of \$0.9 million relates to proposed changes in recovery of upstream transportation fuel and the allocation of costs to Rate 25 and Rate 100. The estimate of the storage and transportation cost variances for each delivery area is provided at Attachment 1.

There are currently no cross subsidies related to gas commodity rates and no cross subsidies between Union North and Union South customers.

- b) Yes, Union's proposed storage and transportation cost allocation and rate design reduces the cross subsidies across the Union North delivery areas.

Based on proposed cost allocation and rate design updated for the 2018 gas supply plan, Union estimates that the Union SSMDA, Union NCDA and Union EDA contribute \$10.7

million more storage and transportation revenue than the cost to serve these delivery areas. This additional revenue is offset by \$10.3 million less storage and transportation revenue than the cost to serve Fort Frances (Centrat MDA), Union WDA and Union NDA. The variance of \$0.4 million relates to the allocation of costs to Rate 25 and Rate 100, which are included in the total costs and not the proposed revenue by rate class. The estimate of the storage and transportation cost variances for each delivery area is provided at Attachment 2.

Union's proposal to establish a Union North East Zone and Union North West Zone and an associated Purchase Gas Variance Account deferral account for each Zone reduces the potential gas commodity cross subsidies by delivery area. Union's proposal recognizes that supply will be sourced predominantly at Dawn (or upstream of Dawn) for the Union North East Zone and from Empress for the Union North West Zone.

Although there continues to be cross subsidies by delivery area, Union's proposal to introduce two Zones more closely reflects how Union North customers will be served in the 2017-2018 gas supply plans, as described at Exhibit B.Staff.2.

UNION GAS LIMITED
Comparison of Union North Storage and Transportation Costs vs. Proposed Revenue using Current Rate Design by Delivery Area
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (\$000's)	MDA (a)	WDA (b)	SSMDA (c)	NDA (d)	NCDA (e)	EDA (f)	Total (g) = (a+b+c+d+e+f)
<u>Total Costs - By Delivery Area (1)</u>								
1	Transportation	2,762	19,874	4,458	15,176	6,863	10,400	59,533
2	Storage	74	3,870	1,165	30,317	1,538	20,560	57,524
3	Total	<u>2,836</u>	<u>23,744</u>	<u>5,623</u>	<u>45,493</u>	<u>8,401</u>	<u>30,960</u>	<u>117,057</u>
4	Common Costs							1,470
5	Total Costs							<u>118,527</u>
<u>Total Proposed Revenue - Current Rate Design (2)</u>								
Rate 01								
6	Transportation	529	5,908	3,085	13,417	3,757	12,314	39,010
7	Storage	629	8,179	3,677	15,993	4,009	13,143	45,630
8	Total	<u>1,158</u>	<u>14,087</u>	<u>6,762</u>	<u>29,409</u>	<u>7,766</u>	<u>25,457</u>	<u>84,641</u>
Rate 10								
9	Transportation	101	1,334	1,114	3,855	1,762	4,852	13,017
10	Storage	97	1,491	1,066	3,691	1,514	4,169	12,027
11	Total	<u>198</u>	<u>2,825</u>	<u>2,180</u>	<u>7,545</u>	<u>3,275</u>	<u>9,021</u>	<u>25,045</u>
Rate 20 (3)								
12	Transportation	-	1,092	192	239	-	2,777	4,300
13	Storage	-	548	96	120	-	1,393	2,157
14	Total	<u>-</u>	<u>1,639</u>	<u>289</u>	<u>359</u>	<u>-</u>	<u>4,170</u>	<u>6,457</u>
15	Total Transportation	630	8,334	4,391	17,510	5,519	19,944	56,328
16	Total Storage	726	10,218	4,840	19,803	5,523	18,705	59,815
17	Total	<u>1,356</u>	<u>18,552</u>	<u>9,231</u>	<u>37,314</u>	<u>11,042</u>	<u>38,648</u>	<u>116,143</u>
18	Other (4)							2,384
19	Total Proposed Revenue							<u>118,527</u>
<u>Variance</u>								
20	Transportation (line 15 - line 1)	(2,132)	(11,540)	(67)	2,334	(1,345)	9,543	(3,206)
21	Storage (line 16 - line 2)	652	6,348	3,675	(10,513)	3,985	(1,855)	2,291
22	Total (line 17 - line 3)	<u>(1,480)</u>	<u>(5,192)</u>	<u>3,608</u>	<u>(8,179)</u>	<u>2,641</u>	<u>7,688</u>	<u>(915)</u>

Notes:

- (1) Based on detailed cost allocation methodology by delivery area.
- (2) The estimated Rate 01, Rate 10 and Rate 20 costs by delivery area are based on Board-approved zonal differential rate design methodology and the annual volume forecast.
- (3) Rate 20 Transportation and Storage costs are estimated by delivery area based on the total demand and commodity costs for each delivery area.
- (4) Other costs include Rate 100 and Rate 25 cost allocation and upstream transportation fuel currently recovered in Union North gas commodity rates.

UNION GAS LIMITED
Comparison of Union North Storage and Transportation Costs vs. Proposed Revenue using Proposed Rate Design
Based on the 2018 Gas Supply Plan at April 2015 QRAM

Line No.	Particulars (\$000's)	Union North West				Union North East				Total (i) = (d+h)
		MDA (a)	WDA (b)	SSMDA (c)	Total (d)	NDA (e)	NCDA (f)	EDA (g)	Total (h)	
<u>Total Costs - By Delivery Area (1)</u>										
1	Transportation	2,762	19,874	4,458	27,094	15,176	6,863	10,400	32,440	59,533
2	Storage	74	3,870	1,165	5,109	30,317	1,538	20,560	52,414	57,524
3	Total	<u>2,836</u>	<u>23,744</u>	<u>5,623</u>	<u>32,203</u>	<u>45,493</u>	<u>8,401</u>	<u>30,960</u>	<u>84,854</u>	<u>117,057</u>
4	Common Costs									1,470
5	Total Costs									<u>118,527</u>
<u>Total Proposed Revenue - Proposed Rate Design</u>										
6	Transportation	1,123	18,474	7,781	27,378	14,721	3,893	14,206	32,819	60,197
7	Storage	361	3,148	1,599	5,109	23,917	6,208	22,017	52,143	57,252
8	Total	<u>1,484</u>	<u>21,622</u>	<u>9,381</u>	<u>32,486</u>	<u>38,638</u>	<u>10,101</u>	<u>36,223</u>	<u>84,962</u>	<u>117,449</u>
9	Other (2)									1,078
10	Total Costs - Recovery by Delivery Area									<u>118,527</u>
<u>Variance</u>										
11	Transportation (line 6 - line 1)	(1,640)	(1,400)	3,323	284	(455)	(2,971)	3,806	380	663
12	Storage (line 7 - line 2)	287	(722)	434	(1)	(6,399)	4,670	1,457	(272)	(272)
13	Total (line 8 - line 3)	<u>(1,353)</u>	<u>(2,122)</u>	<u>3,757</u>	<u>283</u>	<u>(6,854)</u>	<u>1,700</u>	<u>5,263</u>	<u>108</u>	<u>391</u>

Notes:

- (1) Based on detailed cost allocation methodology by delivery area.
- (2) Other costs include Rate 100 and Rate 25 cost allocation, as per Exhibit A, Tab 2, Appendix A, Schedule 6, p.1, line 16 and line 17.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, p. 29, lines 6-7

Union has indicated that as a result of the changing market dynamics, Union will reduce reliance on supply from Western Canadian Sedimentary Basin and increase supply sourced at Dawn or upstream of Dawn. Union is therefore proposing to use a Dawn-based reference price to set gas supply rates in the Quarterly Rate Adjustment Mechanism for Union South and Union North customers.

Does Union's proposal depend on a portion of the gas being transported to Dawn via the NEXUS pipeline?

Response:

No, Union's proposal does not depend on a portion of gas being transported to Dawn via the NEXUS pipeline. The need for the Reference Price change is independent of the NEXUS project.

As indicated at EB-2015-0181, Exhibit A, Tab 1, p. 6, by 2017, 85% of the supply for Union North customers and 97% of the supply for Union South sales service customers will be served predominately from supply sourced at Dawn or upstream of Dawn. As Union reduces reliance on supply from the Western Canadian Sedimentary Basin ("WCSB") and increases access to supply sourced at Dawn or upstream of Dawn, the Dawn Reference Price is a more appropriate market price indicator of the cost of gas supply for those customers. The proposed changes to the reference price used to set rates will better reflect the gas supply costs to serve Union South and Union North East Zone customers and will minimize variances that would otherwise accumulate in gas cost deferral accounts. Please see the response at Exhibit B.Staff.3.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, p. 16, lines 1-6; Tab 2, p. 6

Union has noted that the change to the Union South gas commodity and transportation rates results in an annual decrease of \$20 for the average Union South residential customer to approved rates, as per April 2015 QRAM (EB-2015-0035). Union has further noted in its evidence that the projected cost of the Union South portfolio, relative to the cost of serving Union South sales service customers based on the Ontario Landed Reference Price currently results in a significant credit in the Union South Purchase Gas Variance Account.

Union manages this variance by reducing the transportation rate by the South Portfolio Cost Differential.

- a) Does the projected annual decrease of \$20 in Union South residential rates reflect the significant credit in the Union South PGVA that customers currently receive?
- b) Please provide a revised comparison that takes into account the effective price (including all debits and credits received) for transportation and commodity that customers paid in the April 2015 QRAM (EB-2015-0035).

Response:

- a) The projected annual decrease of \$20 in Union South residential rates is in addition to the significant credit in the Union South Purchased Gas Variance Account (SPCD). By 2017, as less supply is sourced at Empress and more supply is sourced at Dawn or upstream of Dawn, the forecast cost of the Union South portfolio will decrease, resulting in savings to Union South customers. As less supply is sourced at Empress, the Dawn Reference Price will be more reflective of the forecast cost of the Union South portfolio. Forecast variances between the cost of the Union South portfolio and the Dawn Reference Price, if any, will be managed as a prospective rate adjustment.
- b) Please see Attachment 1. The price adjustments managed through prospective recovery (on lines 5-8) reflect the debits and credits received that customers paid or received in the April 2015 QRAM.

UNION GAS LIMITED
 Board-Approved vs. Proposed Union South Gas Commodity and Transportation Rates
Including Prospective Recoveries

Line No.	Particulars (cents/m ³)	Board-Approved EB-2015-0035 April 2015 QRAM (a)	EB-2015-0181 Proposed (b)	Rate Change (c) = (b - a)
1	Reference Price (Alberta Border/Dawn)	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	Inventory Revaluations	0.5231	0.5231	-
6	Spot Gas	-	-	-
7	Firm PGVA	(1.3508)	(1.3508)	-
8	Prospective Recovery	<u>(0.8277)</u>	<u>(0.8277)</u>	<u>-</u>
9	Total Commodity and Fuel Rate (line 4 + 8)	<u>11.1988</u>	<u>13.7894</u>	<u>2.5906</u>
10	Transportation Rate	3.5196	-	(3.5196)
11	Total Transportation and Gas Commodity Rate	<u>14.7184</u>	<u>13.7894</u>	<u>(0.9290)</u>
12	Annual Residential Gas Commodity Bill Impact (\$)	323.80	303.37	(20.44)

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 2, p. 26, Table 4, Lines 17-19

In the table showing the summary of proposed Rate 01 changes, the commodity rates for Union North East in 2018 show a significant increase as compared to the April 2015 QRAM (EB-2015-0035). Please explain the reasons for the significant increase in commodity rates.

Response:

The increase in the Rate 01 gas commodity rate for the Union North East Zone reflects Union's proposal to use the Dawn Reference Price to set rates for the Union North East Zone, as opposed to the Alberta Border Reference Price currently used in the QRAM process.

Union is converting long-haul transportation capacity from Empress to the delivery area to short-haul transportation capacity from Parkway to the delivery area. As more supply is sourced at Dawn (or upstream of Dawn) and transported to the Union North East Zone on short-haul TransCanada transportation from Parkway to the delivery area, the Dawn Reference Price is more reflective of the commodity costs to supply the Union North East Zone. The Alberta Border Reference Price is no longer indicative of the commodity costs to serve the Union North East Zone.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 2, p. 26, Table 4, Lines 17-19

Union has provided the bill impacts as a result of changes in the gas supply plan, cost allocation and rate design for Union North West and Union North East customers...Union has also indicated that a change in the reference price would impact the annual bill of Union South customers.

Will Union's proposed changes require a change to the billing system or bill design? Also, would any of the line items that are currently displayed on customer bills change as a result of Union's proposal? If yes, please provide a detailed response including any timelines that would be required to implement such a change.

Response:

Union's proposal to introduce the Union North West and Union North East Zones require minor changes to the billing system for general service customers. The billing system currently has rates for each of Union's four zones including: Fort Frances, Western Zone (Union WDA), Northern Zone (Union NDA, Union SSMDA) and Eastern Zone (Union NCDA, Union EDA). Union is proposing two Zones including the Union North West Zone (Fort Frances, Union WDA, Union SSMDA) and the Union North East Zone (Union NCDA, Union EDA, Union NDA).

The billing system changes will take approximately 4-6 months to implement.

As indicated at Exhibit A, Tab 1, p. 17, the transportation rate for Union South would be zero. Union is proposing to keep the transportation rate at 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. Maintaining the transportation line item on the bill at a rate of zero does not require any changes to the billing system.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 3, p. 9, Lines 5-12

Union has proposed a new optional North T-Service Transportation from Dawn for the Union North East Zone. To provide the service, Union has 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 has also entered TransCanada Open Seasons for long-term firm transportation with TransCanada for transportation capacity starting in 2016 and 2017.

Union has further noted that it will re-market any excess capacity in an attempt to mitigate the cost of the entire path of the excess capacity (from Dawn to the delivery area).

What would be the financial impact on in-franchise customers if Union is unable to re-market any excess capacity?

Response:

Excess capacity is created only when an individual customer experiences a decrease of 5% or more in both their Total Distribution Contract Demand and Maximum Hourly Flow parameter. If a customer's demands do not decrease by 5% or greater in both of these parameters, then the customer is obligated to renew their capacity annually at the contracted levels. Both parameters would need to be altered in order for a customer's commitment to the capacity to be reduced. If a customer did not alter their peak day demands but wanted to reduce their Contract Demand, it would not meet the 5% test and their capacity would not be reduced.

If excess TransCanada capacity is created as described above, Union will attempt to re-deploy the excess capacity in order to mitigate the cost to customers. Options to re-deploy excess capacity include: selling to existing T-Service customers, selling into the market, absorbing into the Union sales service and bundled direct purchase portfolio or turning back capacity to TransCanada if that option is available. To the extent that there is a difference between the value obtained by re-marketing the Parkway to delivery area capacity and its underlying costs, that difference will accrue in the proposed Base Service North T-Service TransCanada Capacity Deferral Account. The disposition of this deferral account will be allocated amongst all customers that were eligible to elect the new North T-Service Transportation from Dawn service, specifically T-Service customers in Union's North East Zone. All other in-franchise customers will not be impacted by excess capacity from Parkway to the delivery area.

North T-Service TransCanada Capacity Deferral Account Impact Example 1

Assumptions

Customer in the Union NDA (highest toll delivery area) with FDQ of 3,000 GJ/d goes out of business and Union is not able to re-market any of the capacity

Deferral Account Impact

Union Parkway Belt to Union NDA FT Toll	\$0.5565/GJ/day
Union Parkway Belt to Union NDA Abandonment Surcharge	\$0.0280/GJ/day
Total Union Parkway Belt to Union NDA TransCanada Charge	\$0.5845/GJ/day

Annual Costs Accruing to the Deferral Account = 3,000 GJ/day * \$0.5845/GJ/day * 365 days
= \$ 640,027.50

Annual Revenue Accruing to the Deferral Account = \$0.00

Deferral Account Balance after 1 year = \$ 640,027.50

Maximum FDQ for all Eligible Customers = 93,786 GJ/day
FDQ which Deferral Account is Allocated = 93,786 GJ/day – 3,000 GJ/day (customer out of business)
Remaining FDQ for all Eligible Customers = 90,786 GJ/day

Per Unit Deferral Account Impact = \$640,027.50
(90,786 GJ/d * 365 days)
= \$0.019/GJ/d

Customer Impact Example 1

Therefore, the impact for an eligible North T-Service customer in Example 1 is \$0.019/GJ/d. For a customer with a maximum eligible FDQ of 3,000 GJ/day, the annual amount of the deferral account clearing they would be subject to would be \$21,150.

The example illustrated assumes no off-setting revenue is generated from re-marketing activities. This was provided for illustrative purposes and does not represent Union's view of the anticipated outcome of excess capacity. If excess TransCanada capacity is created as described above, Union will attempt to re-deploy the excess capacity in order to mitigate the deferral account balance and the resulting disposition to customers.

North T-Service TransCanada Capacity Deferral Account Impact Example 2

Assumptions

Customer in the Union NDA (highest toll delivery area) with FDQ of 3,000 GJ/d goes out of business and Union is able to re-market the capacity and recover 75% of the costs.

Deferral Account Impact

Union Parkway Belt to Union NDA FT Toll	\$0.5565/GJ/day
Union Parkway Belt to Union NDA Abandonment Surcharge	\$0.0280/GJ/day
Total Union Parkway Belt to Union NDA TransCanada Charge	\$0.5845/GJ/day

Annual Costs Accruing to the Deferral Account = 3,000 GJ/day * \$0.5845/GJ/day * 365 days
= \$ 640,027.50

Annual Revenue Accruing to the Deferral Account
= 3,000 GJ/day * (\$0.5845/GJ/day * 75%) * 365 days
= \$480,020.63

Deferral Account Balance after 1 year = \$ 640,027.50 - \$480,020.63
= \$160,006.87

Maximum FDQ for all Eligible Customers = 93,786 GJ/day
FDQ which Deferral Account is Allocated = 93,786 GJ/day – 3,000 GJ/day (customer out of business)
Remaining FDQ for all Eligible Customers = 90,786 GJ/day

Per Unit Deferral Account Impact = $\frac{\$160,006.87}{(90,786 \text{ GJ/d} * 365 \text{ days})}$
= \$0.0048/GJ/d

Customer Impact Example 2

Therefore, the impact for an eligible Union North T-Service customer in Example 2 is \$0.0048/GJ/d. For a customer with a maximum eligible FDQ of 3,000 GJ/day, the annual amount of the deferral account disposition they would be subject to would be approximately \$5,256.

Union bears the risk of excess Dawn to Parkway capacity not re-deployed until Union's next rebasing proceeding. Upon rebasing, any excess Dawn to Parkway capacity not re-deployed will be included in in-franchise rates. The excess capacity will not drive a change to the Dawn to Parkway costs but does result in a demand reduction. Given the relatively small amount of capacity subscribed as part of the Union North T-Service Transportation from Dawn service (22,402 GJ/d vs. 7,904,420 GJ/d of the Dawn to Parkway system at November 1, 2017), the financial impact of excess Dawn to Parkway capacity to other in-franchise customers will be minimal.

UNION GAS LIMITED

Answer to Interrogatory from
The Association of Power Producers of Ontario (“APPrO”)

Reference: i) Exhibit A Tab 3 North T-Service Transportation from Dawn Service
ii) August 24, 2015, Settlement Term Sheet between TransCanada and Eastern Canadian LDCs
iii) Iroquois Pipeline’s proposed ‘So-No’ Project to deliver gas into Canada

Preamble: Union notes that one of the reasons that Union is pursuing North T-Service is the reduction in expected TransCanada Mainline capacity in the EDA due to its Energy East Project. APPrO would like to better understand the Mainline capacity implications to the EDA as a result of the recent Settlement in Reference ii) and how this and other gas supply developments may impact the need for the proposed Dawn T-Service.

- a) Please provide a copy of the agreement in Reference ii).
- b) Please discuss how the Settlement with TransCanada will impact future capacity in the EDA and provide your understanding and estimates of the quantitative impacts of the Settlement on capacity and reserves. Please advise if the capacity reduction rationale for providing this Dawn T-Service is as significant as it was prior to the Settlement and all supporting calculations.
- c) Please provide Union’s understanding of the status of the proposed reversal of the Iroquois line to deliver gas into the TransCanada EDA via Waddington.
- d) If Waddington becomes a new receipt point into the TransCanada Mainline, please discuss how this may impact the supply options for Union’s customers situated in the EDA, and further if this may impact such customers’ interest in additional Dawn T-Service if such service is more competitive with Dawn supply.

Response:

- a) Below is a link to the Energy East Settlement Term Sheet amongst TransCanada, Union, Enbridge and Gaz Métro, effective August 18, 2015.

<https://docs.neb-one.gc.ca/ll-eng/llisapi.dll?func=ll&objId=2813285&objAction=browse&viewType=1>

b) The following excerpt from the Energy East Settlement Term Sheet outlines the impact to future capacity within the Affected Area (which is largely TransCanada's Eastern Delivery Area):

- It is the intention of the Parties that the Eastern Mainline Project Application, now pending in NEB File OF-Fac-Gas-T211-2014-0102, will be changed to reflect a new project scope. Once amended, and pursuant to its obligations under the Definitive Agreements contemplated by this Term Sheet, the Eastern Mainline Project Facilities will accommodate the "Firm and Incremental Capacity" and the "Additional Capacity".
- "Firm and Incremental Capacity" shall consist of:
 - the capacity required to provide 2,664 TJ/d in the Affected Area, as that term is defined in the Eastern Mainline Project Application. The 2,664 TJ/d includes current firm capacity requirements that preceded the 2016 NCOS and 2017 NCOS; the capacity required in the Affected Area to serve the 2016 NCOS and 2017 NCOS after the transfer of certain North Bay Short Cut facilities to Energy East; and that capacity extended under Term-Up Elections as of the Effective Date of this Term Sheet; and is net of all turn back notices received as of the Effective Date of this Term Sheet),
 - less any future additional volumes that do not renew after the Effective Date of this Term Sheet to the latest date at which the Eastern Mainline Project scope reasonably can be reduced,
 - less any existing firm contracts that are turned back after the Effective Date of this Term Sheet to the latest date at which the Eastern Mainline Project scope reasonably can be reduced,
 - less any firm transportation service obligations that can be met using alternative commercial arrangements (*the commercial arrangements cannot result in less reliable service for firm shippers than physical capacity would provide*), after the Effective Date of this Term Sheet to the latest date at which the Eastern Mainline Project scope reasonably can be reduced.
- "Additional Capacity" shall be uncontracted available capacity of 50 TJ/d in addition to the Firm and Incremental Capacity. TransCanada may utilize this uncontracted 50 TJ/d to meet requests for incremental firm capacity received after the in-service date of the Eastern Mainline Project.

In total, the replacement capacity of the Eastern Mainline Project, without the adjustments described above for turn back, non-renewals and use of commercial alternatives, is 2,714 TJ/d. Other than the Additional Capacity (50 TJ/d), the 2,714 TJ/d of replacement capacity

serves all known firm demands as of November 1, 2017 including those demands required to serve the Union North T-Service customers that have requested service back to Dawn. Without access to this capacity, these Union North T-Service customers would not have access to firm capacity on TransCanada back to Dawn.

The current capacity of the North Bay Shortcut Line that is being transferred from gas service to oil service is approximately 3,200 TJ/d. The difference between the current capacity of the North Bay Shortcut Line and the new pipeline being built to replace it is approximately 500 TJ/d. This capacity is currently being used by market participants in the Affected Area under non-renewable, short-term firm services or other discretionary services, such as interruptible services. This 500 TJ/d of capacity will not be available to provide those short-term and discretionary services when the TransCanada Energy East Project goes forward. It is therefore important that the Union North T-Service customers who previously used these short-term or discretionary services have access to the capacity provided under the new Union North T-Service.

For capacity requests beyond 2017 (such as capacity requested through a 2018 New Capacity Open Season or 2019 New Capacity Open Season), the Mainline Settlement Agreement allows for the development of incremental short-haul facilities within the Eastern Ontario Triangle by TransCanada on a best efforts basis. However, any capacity requested effective post November 2017 will not be part of the Energy East Project or Eastern Mainline Project.

Union's North T-Service customers have requested access to Dawn as an alternative to sourcing supply from Empress. Many of these customers are unable to or do not wish to independently make the necessary long-term contractual commitments required by TransCanada to support new infrastructure in the Eastern Ontario Triangle. Union's new firm North T-Service from Dawn service allows T-Service customers access to Dawn and customers have reserved approximately 35 TJ/d of this capacity.

- c) As discussed in EB-2015-0166, Exhibit B.T1.Union.FRPO.1, Iroquois Gas Transmission proposed up to 0.3 PJ/d of import capacity at Waddington (into Ontario via TransCanada) however no public announcement regarding the results of that open season has been made.
- d) Union continues to evaluate and contract for upstream supply options to ensure its Union North sales service and bundled customers consistently receive secure, diverse natural gas supply at prudently incurred costs and with minimal risk. As Union makes changes to its upstream transportation portfolio, it will continue to evaluate any impacts to the services that it offers its customers. T-service customers in the Union EDA are responsible to ensure their gas supply arrives in the area when they require it. How they contract for supply is their responsibility. It is not known whether this change will impact customers' desire to source supply from Waddington. Waddington has been an illiquid market rather than the established liquid Dawn Hub. Union does not expect that Waddington will develop to be a liquid market hub due to its lack of infrastructure, storage and trading parties. At this time, T-service customers have contracted with Union for the new firm Union North T-Service from Dawn

service. This service will allow them access to supply from the Dawn Hub and the liquidity and counterparties available at the Dawn Hub.

c) Please summarize the percentage of customers within each of the groupings in the table below that have signed up for Union’s new Base Dawn T-Service:

Customer’s Firm CD (GJ/d)	Number of Eligible Customers Falling within each CD Grouping	Percentage of Eligible Customers Falling within each CD Grouping	Number of Committed Customers within each CD Grouping	Percentage of Committed Customers within each CD Grouping
Under 1,000				
Between 1,000 and 2,000				
Between 2,000 and 3,000				
Between 3,000 and 5,000				
Between 5,000 and 10,000				
Between 10,000 and 25,000				
Over 25,000				
Total				

Response:

Please note the responses below exclude Rate 25 as this rate class is ineligible for the Union North T-Service Transportation from Dawn service.

a) Please see Table 1.

Table 1

Rate Class	Total Number of Customers *		Contract Demand for all Customers in the Class (GJ/day)		Number of Dawn T-Service Customers		Firm Daily Quantity (FDQ) of Dawn T-Service Customers (GJ/day)
	Firm	Interruptible	Firm	Interruptible	Firm	Interruptible	Firm
10	3		1,235		0	0	0
20	33		113,164		17**	0	22,402
100	10		113,448		0	0	0
TOTAL	46		227,847		17	0	22,402

*This table includes customers in the Union North East Zone that are eligible for the service.

**The customers in each delivery area:

Union NDA/Union NCDA – 10 customers, 10,116 GJ/day

Union EDA – 7 customers, 12,286 GJ/day

b) Please see Table 2.

Table 2

Customer CD (GJ/day)		Customer's FDQ as a % of its Firm CD*	Rate Class
Firm	Interruptible		
1,139	0	96.6%	20
5,675	0	6.6%	20
2,392	0	94.1%	20
1,899	0	121.1%	20
721	0	175.0%	20
319	0	141.1%	20
37,970	0	7.9%	20
2,278	0	87.8%	20
949	0	79.0%	20
873	0	45.8%	20
683	0	99.4%	20
608	0	82.2%	20
570	0	70.2%	20
456	0	87.7%	20
2,658	0	99.7%	20
892	0	99.4%	20
1,519	0	197.5%	20
Total = 61,145	0	Weighted Average = 36.6%	

*The eligible FDQ is the greater of Firm CD or peak day in the previous 12 months, to a maximum of 3,000 GJ/d. A percentage greater than 100% indicates that the customer has elected to contract for an FDQ greater than their Firm CD. Customers would flow this incremental supply that is above the Firm CD using IT (Rate 25) or authorized overrun service.

c) Please see Table 3.

Table 3

Customer's Firm CD (GJ/d)	Number of Eligible Customers Falling within each CD Grouping	Percentage of Eligible Customers Falling within each CD Grouping	Number of Committed Customers within each CD Grouping	Percentage of Committed Customers within each CD Grouping
Under 1,000	NDA/NCDA = 17 EDA = 4	NDA/NCDA = 37.0% EDA = 8.7%	NCA/NCDA = 7 EDA = 2	NDA/NCDA = 41.2% EDA = 11.8%
Between 1,000 and 2,000	NDA/NCDA = 2 EDA = 2	NDA/NCDA = 4.3% EDA = 4.3%	NDA/NCDA = 1 EDA = 2	NDA/NCDA = 5.9% EDA = 11.8%
Between 2,000 and 3,000	NDA/NCDA = 4 EDA = 2	NDA/NCDA = 8.7% EDA = 4.3%	NDA/NCDA = 1 EDA = 2	NDA/NCDA = 5.9% EDA = 11.8%
Between 3,000 and 5,000	NDA/NCDA = 1 EDA = 1	NDA/NCDA = 2.2% EDA = 2.2%	NDA/NCDA = 0 EDA = 0	NDA/NCDA = 0.0% EDA = 0.0%
Between 5,000 and 10,000	NDA/NCDA = 4 EDA = 4	NDA/NCDA = 8.7% EDA = 8.7%	NDA/NCDA = 0 EDA = 1	NDA/NCDA = 0.0% EDA = 5.9%
Between 10,000 and 25,000	NDA/NCDA = 2 EDA = 1	NDA/NCDA = 4.3% EDA = 2.2%	NDA/NCDA = 0 EDA = 0	NDA/NCDA = 0.0% EDA = 0.0%
Over 25,000	NDA/NCDA = 1 EDA = 1	NDA/NCDA = 2.2% EDA = 2.2%	NDA/NCDA = 1 EDA = 1	NDA/NCDA = 5.9% EDA = 0.0%
Total	NDA/NCDA = 31 EDA = 15	NDA/NCDA = 67.4% EDA = 32.6%	NDA/NCDA = 10 EDA = 7	NDA/NCDA = 58.8% EDA = 41.2%

UNION GAS LIMITED

Answer to Interrogatory from
The Association of Power Producers of Ontario (“APPrO”)

Reference: i) Exhibit A Tab 3 pages 6-10

Preamble: Union is seeking a Deferral Account to collect the difference between revenues and costs associated with the provision of this new service. Union is asking to recover the balances in this Deferral Account from all eligible customers. APPrO would like to understand the risks and implications to those eligible customers that do not avail themselves of this service.

- a) Please confirm that a customer that already has arranged a long term transportation contract with TransCanada to feed its facility requirements has no need to contract for Union’s Dawn T-Service during the currency of its contract with TransCanada. If not confirmed, please explain.
- b) Please confirm that a large power generation customer situated in Union’s North East zone, without a power purchase agreement for baseload or dispatchable power, is unlikely to be able to commercially contract for any new firm transportation either with Union using its Dawn T-Service or directly with TransCanada. If not confirmed, please explain.
- c) Please indicate if costs within the Deferral Account will be managed collectively or by rate class.
- d) Please confirm that all customers, including those customers that have not availed themselves of the use of this service, bear the risk of “excess capacity,” even if, commercially, they are unable to contract for such service. If not confirmed, please explain.
- e) In the event that excess capacity existed, please explain how the Deferral Account would be impacted in each of the following circumstances:
 - i) Union had a need to contract for additional capacity for system customers, and alternative sources of transportation and/or supply were available at a lower cost; and
 - ii) Union had an opportunity to resell the transportation capacity on a permanent basis and for a price less than the sum of the tolls.
- f) Please explain Union’s cost causation or other rationale for exposing customers that do not contract for the Dawn T-Service to be exposed to the Deferral Account costs.

- g) Please detail all other options Union considered to address and alleviate the costs associated with the Deferral Account, and the rationale for rejecting each such option.
 - h) Please provide a numerical estimate of the rate impact on eligible customers by rate class in 2018 if excess capacity was equal to: (i) 20% of the proposed aggregate FDQ assuming that there was no other option to mitigate the upstream transportation costs; and (ii) 50% of the proposed aggregate FDQ assuming that there was no other option to mitigate the upstream transportation costs.
 - i) Please explain why Union is not asking the customers subscribing for the Dawn T-Service to contract with Union for a similar term as required for the upstream transportation commitments.
-

Response:

- a) Not confirmed. Union is not able to speculate on specific customers' requirements or risk tolerances. If customers have further need for gas supply to feed their facilities during the term of their long-term transportation contract with TransCanada or when the terms expire, customers may look to contract with Union for the Union North T-Service Transportation from Dawn service. All eligible T-Service customers may choose whether to participate in this optional service and to what level.
- b) Not confirmed. Union is not able to speculate on customers' risk tolerances or ability to contract for capacity without an underlying power purchase agreement for baseload or dispatchable power. The service, once approved by the Board, will continue to be offered to eligible customers on a regular basis when additional capacity is made available by TransCanada and Union, or when Union looks to re-market any turned back capacity. Customer circumstances could change over time whereby customers may contract for this service in the future.
- c) The costs within the proposed Base Service North T-Service TransCanada Capacity Deferral Account will be managed collectively and will be cleared annually to all firm T-Service customers in the Union North East Zone using an allocation approach based on the customers' eligible quantity for Base Service.
- d) Not confirmed. Union cannot confirm that customers are unable to participate in this service. All customers in the Union North East Zone are eligible and able to participate in the North T-Service Transportation from Dawn service. Customers' interest and risk tolerances to contract for the short-haul service vary between the various customers currently, and may also change over time. The non-participating customers may later find value in purchasing any turned back capacity to their zone. Customers may also later participate when the service is offered in the future when new open seasons are offered.

- e) The proposed Base Service North T-Service TransCanada Capacity Deferral Account will record the difference between the cost of the excess TransCanada transportation capacity and the revenue obtained by re-marketing that excess capacity. When re-marketing the excess capacity, Union will first evaluate all options that fully recover the costs of the excess capacity. If options for full cost recovery are not available, Union will then prioritize other re-marketing opportunities, including but not limited to the two scenarios described in the interrogatory, in order to minimize the amount of unrecovered costs that will be captured in the deferral account. Eligible customers would only be subject to the unrecovered cost of the excess capacity.
- f) Customers that have contracted for the Union North T-Service Transportation from Dawn service have committed to contracting for capacity that contributes to alleviating the bottleneck on TransCanada's system between Parkway and Maple. Without firm contracts to support expansion, TransCanada would not be willing to build capacity to alleviate the bottleneck.¹

By alleviating the bottleneck, all customers in the Union North East Zone will benefit by having a more liquid secondary market that has improved access to Dawn to meet all or a portion of their gas supply requirements. With incremental firm transportation to the delivery area, secondary market options become less expensive, which benefits customers that did not elect this service.

Union North direct purchase ("DP") customers are administered in a similar manner. When a bundled DP customer who currently delivers gas to Union at Empress reduces its gas demand and therefore its daily contract quantity ("DCQ"), the pipeline capacity on which that gas would have flowed remains part of the system supply portfolio. That extra capacity would drive increased unabsorbed demand charges ("UDC") that are shared amongst all bundled customers until Union is able to reduce its length position. Union takes measures to reduce excess length through re-marketing excess capacity and any un-mitigated costs collect in the UDC deferral account and when cleared, is shared amongst all bundled DP and sales service customers.

In Union's view, it is appropriate to allocate the proposed deferral account to all eligible customers and not just those customers who have elected the service.

- g) Union's initial service design did not include a deferral account but rather proposed to re-allocate excess capacity amongst only those customers that elected the service. Based on

¹ Article 2.2 (e) of the TransCanada Pipelines Limited Mainline Settlement Agreement: *based upon gas transportation requests from market participants, to use best efforts, subject to TransCanada determining the project is economical and not being obligated to deviate from the utilization of prudent cost management practices during project execution to facilitate the natural gas market's desire for supply diversity and the ability of such markets to access supply of natural gas located close to their markets on a timely basis while continuing to contribute to ensure reliability and the recovery of costs for existing natural gas pipeline infrastructure by the Parties.*

customer feedback (please see the response at Exhibit B.FRPO.5) and after considering consistency with the treatment of sales service and bundled DP customers as outlined in part (f) above, Union revised the proposal to include:

- A deferral account that would be cleared to all customers that were eligible to take the service;
- A Base Service FDQ limited to a maximum of the greater of; i) Firm CD, ii) the peak day in the previous 12 months, and iii) in no case greater than 3,000 GJ/d, so that the impact of any one customer on the deferral account is limited;
- A Supplemental Service offering for those customers that desired capacity in excess of the Base Service amount; and,
- Specific and limited conditions under which customers could turn back the capacity within the 15 year commitment.

The Supplemental Service does not impact the deferral account or other eligible customers in any way.

- h) Please see Attachment 1 for the calculation of an estimated unit rate of disposition and an estimated bill impact for a Union North East T-Service customer eligible for the Base Service FDQ limit of 3,000 GJ/d. The rate and bill impacts assume the excess capacity equals 20% and 50% of the Base Service FDQ requests and no excess capacity has been re-marketed.
- i) Through consultation with customers in developing the Union North T-Service Transportation from Dawn service, customers communicated that the need for firm transportation capacity was real but the 15-year term commitment with TransCanada was too onerous to bear individually. Union 's response to customer feedback was an approach that balances:
 - i. customer need for firm capacity from Parkway to their delivery area;
 - ii. a better contracting option (one year annually renewing) than if the customer contracted on their own directly with TransCanada (15-year fixed); and,
 - iii. low risk to Union and other shippers.

Union's proposal requires an initial contract term of one-year for the Base Service, with an *obligation* to automatically renew annually subject to strict conditions on how and when the customers' commitment could be reduced throughout the 15-year term. The conditions ensure that the only reason a customer is allowed to initiate turnback is limited to the customer going out of business or decreasing *both* their hourly and daily distribution consumption by 5% or greater. Union will also offer turnback opportunities when there is no cost impact to other shippers (such as a turnback offered by TransCanada). In the circumstance where excess capacity is created through turnback, Union has four options to mitigate the costs prior to any cost being accrued in the deferral account:

- 1) Re-market the capacity to the existing eligible Union North East Zone T-Service customers on a permanent or temporary basis;
- 2) Sell the capacity into the market;

- 3) Absorb the capacity into the Union sales service and bundled DP transportation portfolio, if capacity is required; and/or,
- 4) Turnback capacity to TransCanada if TransCanada has offered that option to the market, consistent with Union's existing "Turnback of TransCanada Pipeline (TransCanada) Capacity by Direct Purchase Customers" Policy as outlined at www.uniongas.com/about-us/policies.

Therefore, other than closure or a permanent reduction in production, customers will maintain the 15-year commitment to the capacity. Further, any excess capacity created will be re-marketed to mitigate any cost impacts to other eligible customers.

UNION GAS LIMITED

Estimated Annual Union North East T-Service Bill Impact based on Excess Capacity of 20% and 50% of the Base Service FDQ
Base Service North T-Service TransCanada Capacity Deferral Account

Line No.	Particulars	Notes	Excess Capacity at 20% (a)	Excess Capacity at 50% (b)
	<u>Deferral Account Balance</u>			
1	Base Service Firm Daily Quantity (FDQ) Requests (GJ/d)	(1)	22,402	22,402
2	Excess Capacity of the Aggregate Firm Daily Quantity (FDQ)		20%	50%
3	Excess Capacity FDQ (GJ/d) (line 1 x line 2)		4,480	11,201
4	Parkway to Union NDA TransCanada Charge (\$/GJ/d)	(2)	0.5845	0.5845
5	Annual Deferral Account Balance (\$) (line 3 x line 4 x 365)	(3)	955,860	2,389,649
	<u>Disposition of Deferral Account Balance</u>			
6	Maximum FDQ of all Eligible Customers (GJ/d)	(4)	93,786	93,786
7	Excess Capacity FDQ (GJ/d) (line 3)		4,480	11,201
8	Remaining FDQ of all eligible customers (GJ/d) (line 6 - line 7)		89,306	82,585
9	Unit Rate for Disposition (\$/GJ) (line 5 / (line 8 x 365))		0.0293	0.0793
10	Annual Estimated Bill Impact based on an FDQ of 3,000 GJ/d (\$) (line 9 x 3,000 x 365)	(5)	32,084	86,834
11	Total Estimated Transportation Cost of 3,000 GJ/d (\$) (line 4 x 3,000 x 365)	(5)	640,000	640,000
12	Total Transportation Cost Impact (%) (line 10 / line 11)	(5)	5.0%	13.6%

Notes:

- (1) Exhibit A, Tab 3, Page 12, Table 4, Total Quantity, Base Service.
- (2) Exhibit B.Staff.9, Total Union Parkway Belt to Union NDA TransCanada Charge.
- (3) Assumes no other option to mitigate upstream transportation costs.
- (4) Exhibit B.Staff.9, Maximum FDQ of all Eligible Customers.
- (5) Illustrative impact only. Actual impacts by customer will vary.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 1, pp. 17-18

Preamble: “In the proposed Union North East Zone (Union NDA, Union NCDA and Union EDA), Union is converting long-haul transportation contracts on TransCanada from Empress to short-haul transportation contracts on TransCanada from Parkway. As early as November 1, 2015, but likely by April 1, 2016, approximately 40% of the transportation portfolio for these three delivery areas will be sourced from Dawn. As of November 1, 2016, approximately 85% of the transportation portfolio for these three delivery areas will be sourced from Dawn”.

Please provide Union’s current understanding of the timing of Kings North.

- a) How does that understanding affect Union’s proposed timing for initiation of the changes to reference price?
- b) What are the respective pros and cons of a January 1, 2017 implementation date?
 - i) Please provide specific mitigation efforts Union could contemplate to address the cons of such a start date.

Response:

- a) TransCanada has recently indicated that the King’s North Project will now be delayed until as late as November 1, 2016. As indicated at Exhibit A, Tab 1, p. 2, Union had proposed implementation of the changes to the reference price used to set rates as determined in Union’s quarterly rate filing to be effective the QRAM coinciding with or immediately following TransCanada facilities in-service date. If the TransCanada King’s North Project is delayed to November 1, 2016, Union would implement the changes to the reference price as of January 1, 2017. Union will monitor the progress on King’s North and advise customers when the in-service date becomes more certain.

As a result of the potential delay in the TransCanada King’s North Project, Union is also proposing that the following be implemented effective January 1, 2017 rather than January 1, 2016:

- changes to Union North transportation, storage and commodity rates to reflect the gas supply portfolio changes and modifications to the applicable rate schedules;
- changes to the recovery of upstream transportation compressor fuel costs in rates for Union North sales service and bundled direct purchase (“DP”) customers; and,

- changes to deferral accounts as required.
- b) The conversion of long-haul contracts to short-haul contracts is contingent on the in-service date of the King's North Project. The pros of implementing the changes to the reference price as of January 1, 2017 is that it better aligns to the expected implementation of the King's North Project and would coincide with a QRAM filing. Variances between actual gas costs and forecast gas costs will be captured in the gas cost deferral accounts for November and December, 2016. This would be the same process had the King's North facilities been in place for November 1, 2015 and Union implemented the reference price and service changes January 1, 2016 as originally planned.

The con of delaying implementing the changes to the reference price and rates to January 1, 2017 is that the higher cost of purchasing gas at Dawn relative to the Alberta Border Reference Price in rates would be disposed of to all sales service customers in Union North rather than just the Union North East Zone.

If the King's North Project is delayed beyond January 1, 2017, Union would need to reconsider the implementation timeline.

- i) There is no mitigation required. Union will not implement its proposed changes until the King's North Project is completed.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 1, pp. 20-21

Preamble: “Union plans to update Union North bundled DP obligated DCQ receipt point quantities annually at November 1 to reflect the percentage of Union’s transportation portfolio at Dawn or Empress to serve Union North delivery zones.”

Please provide the lead time that Union will provide in advance of Nov. 1st in each year to allow DP customers time to refine their supply arrangement.

Response:

Please see the response at Exhibit B.OAPPA 2.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 1, pp. 20-21

Preamble: "Union plans to update Union North bundled DP obligated DCQ receipt point quantities annually at November 1 to reflect the percentage of Union's transportation portfolio at Dawn or Empress to serve Union North delivery zones."

Please provide the lead time that Union will provide in advance of the initiation of changes currently scheduled for April 1, 2016.

- a) Please indicate the minimum time that Union would provide an update if the initial date slips past April 1, 2016.

Response:

- a) Please see the response at Exhibit B.FRPO.1. A minimum notice period of 45 days will be issued to customers affected.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 1, p. 25

Preamble: “The cost of fuel to transport the gas to and from storage on a forecast basis is included in the storage rate that is charged to Union North sales service and bundled DP customers.”

How are variances between the forecast and actual costs of fuel gas between the North and Dawn reconciled.

a) Please provide the numbers for 2014.

Response:

Variances between the actual cost of supply for STS injection and withdrawal fuel on TransCanada compared to the forecast cost included in rates are captured in the Transportation Tolls and Fuel Account (Account No. 179-100) and disposed of as part of the Quarterly Rate Adjustment Mechanism (“QRAM”) process.

a) The cost included in storage rates for STS injection and withdrawal fuel for 2014 is \$0.271 million as approved by the Board in EB-2011-0210 (Union’s 2013 Cost of Service proceeding).

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 1, p. 28

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

What is the driver(s) behind this change in approach?

Response:

As indicated at Exhibit A, Tab 1, pp. 25-29, currently, Union North bundled direct purchase (“DP”) customers provide compressor fuel in kind to Union at Empress based on the actual monthly TransCanada fuel ratios in a given month multiplied by the obligated daily contract quantity (“DCQ”) at Empress. Union uses that fuel provided by the bundled DP customers to transport the bundled DP obligated DCQ from Empress to the respective delivery areas. Currently, all gas delivered at Empress (by bundled DP customers or purchased at Empress by Union for sales service customers) must be delivered to the respective delivery areas so all fuel provided by Union North bundled DP customers is always fully utilized and there are no variances. Union uses STS to take excess gas in the summer from the delivery area to Dawn storage and uses STS to take gas from Dawn storage to the delivery area to meet winter peaks. Fuel costs for STS injections and withdrawals are forecast in the gas supply plan and included in storage rates for sales service and bundled DP customers. This treatment is similar to what is being proposed for transportation fuel.

In the future, gas delivered at Dawn may not move to the respective delivery area on any given day. If the gas is not required in the delivery area to meet demand requirements, the gas delivered at Dawn will be injected into storage at Dawn. This is the case primarily in the summer months when demand is expected to be lower than the obligated DCQ. In those instances, the upstream transportation compressor fuel to move gas from Parkway to the delivery area will not be required. If Union continued to set the compressor fuel rate for Union North sales service customers based on the historical TransCanada fuel ratios from Parkway to the respective delivery areas, Union would over recover fuel. Similarly, if Union North bundled DP customers continued to supply compressor fuel volumes in kind at Dawn based on the monthly TransCanada fuel ratios from Parkway to the respective delivery area multiplied by the obligated DCQ, bundled DP customers would constantly deliver more upstream transportation compressor fuel than would be required. While Union manages variances between actual and forecast fuel

costs for Union North sales service customers through the Transportation Tolls and Fuel Deferral Account, no such true-up mechanism exists for Union North bundled DP customers today.

For these reasons, it is necessary for Union to alter the approach for supplying fuel for bundled DP deliveries at Dawn. For consistency, Union is proposing to include the cost for upstream transportation compressor fuel to move gas from Empress as well as Parkway (Dawn) to the respective delivery area in transportation rates for both Union North sales service and bundled DP customers. This approach would be the same as how Union currently manages STS injection and withdrawal fuel costs in storage rates. Union North bundled DP customers will no longer be required to provide fuel in kind at Empress or Dawn. Variances between actual and forecast fuel costs will be captured in the Transportation Tolls and Fuel Deferral Account for each respective area and disposed of to sales service and bundled DP customers.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 1, p. 37

Preamble: “The North Purchase Gas Variance Account (“Account No. 179-105”), in combination with Account No. 179-100, captures cost variances related to commodity and upstream transportation for Union North customers.”

How does Union currently differentiate between the differences unit costs of transportation in 179-100 and cost variances in upstream transportation in 179-105.

Response:

The Union North Purchased Gas Variance Account (“NPGVA”) (Account No. 179-105) captures the difference between the Union North unit cost of gas purchased each month and the Union North unit cost of gas included in the gas sales rates as approved by the Board. This represents the difference between the actual cost of supply incurred by Union (commodity cost only) and the Alberta Border Reference price as updated and approved each QRAM. Balances in the Union North PGVA are disposed of to Union North sales service customers as part of the QRAM process.

The Transportation Tolls and Fuel Account (Account No. 179-100) captures the difference in costs between the actual per unit transportation and associated fuel costs and the forecast per unit transportation and associated fuel costs included in rates as approved by the Board. This represents the difference between actual cost of transport and fuel incurred by Union (TransCanada tolls, fuel and other upstream transport costs) and the Union transport and fuel rates updated and approved each QRAM. Balances in the Transportation Tolls and Fuel Account related to fuel variances are disposed of to Union North sales service customers as part of the QRAM process. Balances in the Transportation Tolls and Fuel Account related to transportation cost variances are disposed of to Union North sales service customers and bundled direct purchase customers as part of the QRAM process.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, pp. 1-2

Preamble: “In lieu of providing their own fuel in-kind, Union will purchase gas on behalf of bundled DP customers to meet their upstream transportation fuel requirements.”

Has Union discussed this proposed approach with the direct purchase community?

- a) Please provide all meeting minutes, presentations or other written communication between Union and those stakeholders regarding this approach and the overall proposed changes to the Union Gas bill in the South and North East Zone.
- b) If no material is available, how does Union propose to assist Direct Purchase stakeholders to manage this change (e.g., bill change, comparison of commodity rates, etc.)

Response:

Yes.

- a) Union presented the fuel in kind information to customers as part of the Union North Bundled-T service proposal. Please see Attachment 1 for service specific written communications to date between Union and Union North bundled direct purchase (“DP”) stakeholders with respect to the proposed service changes. Fuel in kind is referenced in the following materials:

- April 2, 2015 Webex meeting;
- April 8, 2015 Stakeholder presentation;
- April 20, 2015 Enerline and Factsline North newsletters; and,
- May 20, 2015 Energy Marketer meeting presentation.

There are no service changes to bundled DP customers in Union South. Union will continue to communicate and assist Union North bundled DP stakeholders on all aspects of the service transition.

- b) Please see the response to a).

**North Bundled T to Dawn:
History of Stakeholder consultations and what was shared with whom and when:**

Contents

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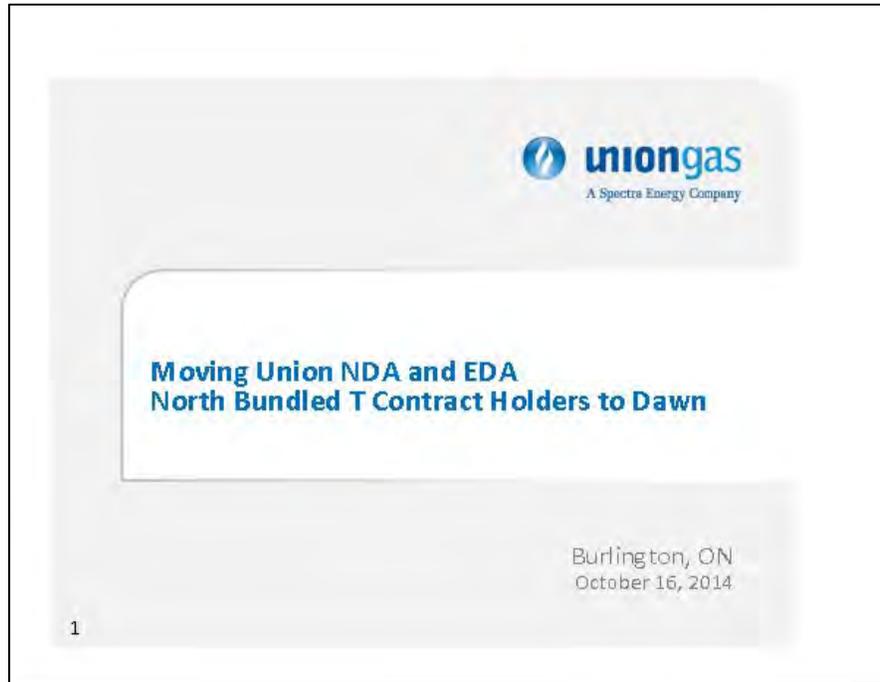
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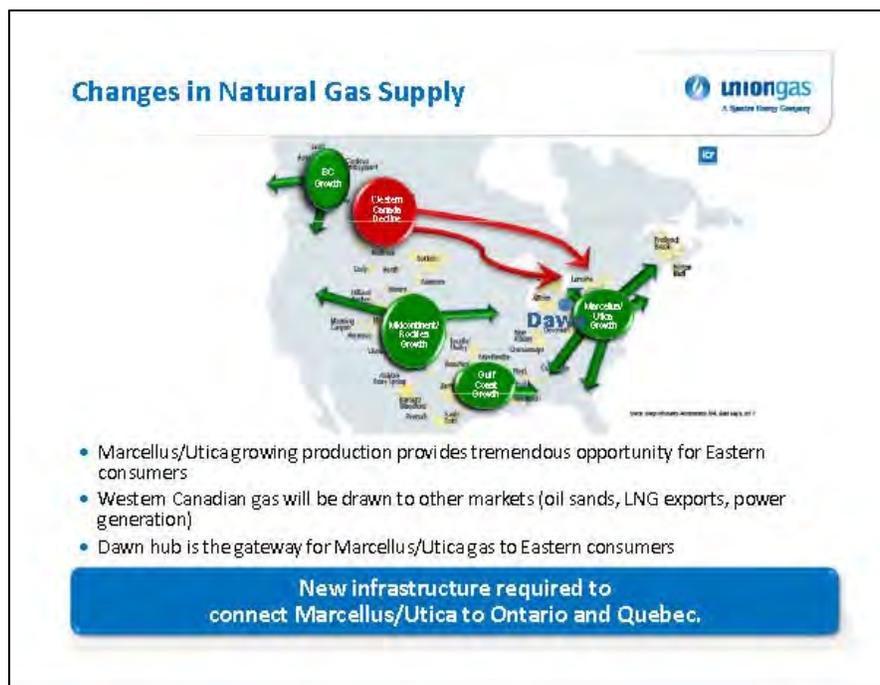
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Presentation slides – Burlington Energy Marketer Meeting re. Moving Union NDA and EDA North Bundled T Contract Holders to Dawn – October 16 2014



The slide features the Uniongas logo (A Spectra Energy Company) in the top right corner. The main title is centered in a white box with a blue border: "Moving Union NDA and EDA North Bundled T Contract Holders to Dawn". The date and location "Burlington, ON October 16, 2014" are in the bottom right. A small number "1" is in the bottom left corner.



The slide is titled "Changes in Natural Gas Supply" and features the Uniongas logo in the top right. It contains a map of North America with several callouts: "EC Growth" (green circle), "Western Canada Decline" (red circle), "Marcellus/Utica Growth" (green circle), "Our Own Growth" (green circle), and "New/Reactivated Utica Growth" (green circle). Red arrows point from the Western Canada Decline and Marcellus/Utica Growth areas towards the Dawn hub in Ontario. A blue box at the bottom contains the text: "New infrastructure required to connect Marcellus/Utica to Ontario and Quebec."

- Marcellus/Utica growing production provides tremendous opportunity for Eastern consumers
- Western Canadian gas will be drawn to other markets (oil sands, LNG exports, power generation)
- Dawn hub is the gateway for Marcellus/Utica gas to Eastern consumers

New infrastructure required to connect Marcellus/Utica to Ontario and Quebec.

TransCanada Settlement Agreement (TransCanada, Union, Enbridge and Gaz Métro)



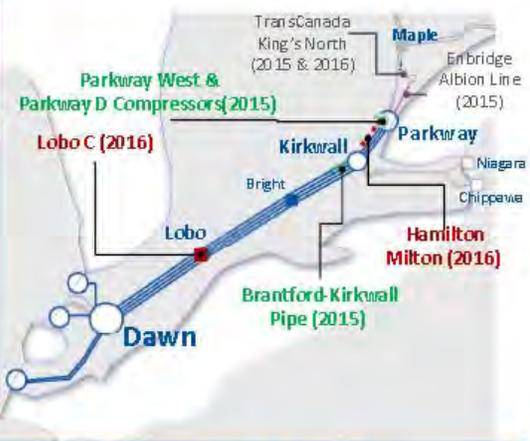
- Addresses issues that had resulted in TransCanada halting construction of much needed new pipeline capacity in Ontario (NEB set tolls less than the cost of service)
- Approval of agreement will result in the construction of new pipeline infrastructure by TransCanada, Union Gas and Enbridge
- New infrastructure will allow for increased supply diversity for Ontario, Québec and Northeast U.S. natural gas markets
- Ontario will get access to the same cost competitive natural gas as U.S. industrial competitors
- Alberta Government and Québec Government urged NEB to support the Agreement
- Agreement provides TransCanada with a reasonable opportunity to earn a return on capital
- Hearing was completed September 26, 2014
- Decision is expected this fall

**Natural Gas commodity markets continue to evolve
 Infrastructure is critical to achieve the associated economic benefits.**

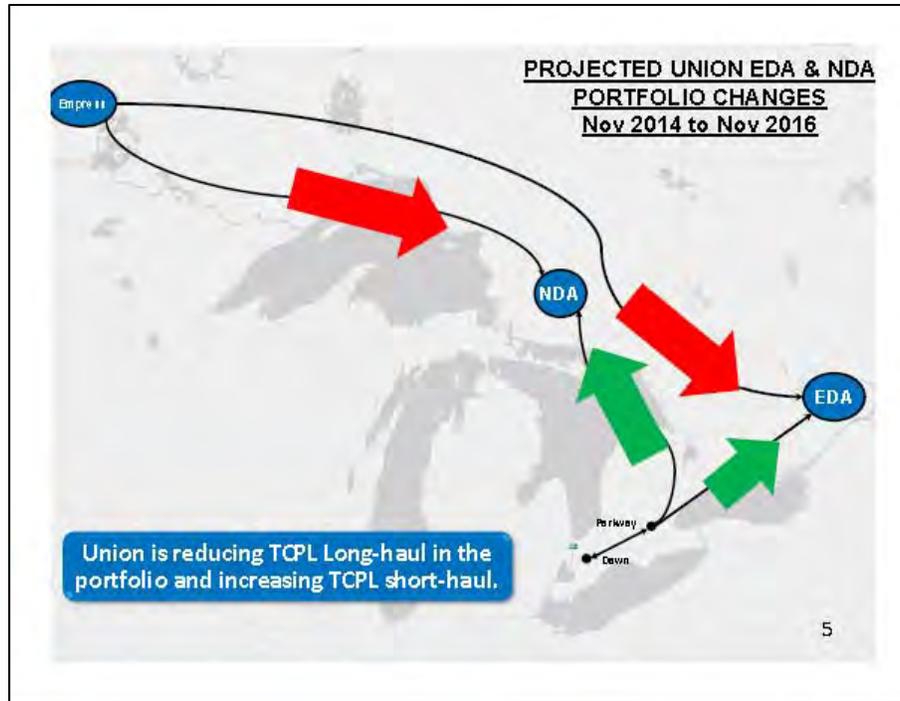
2015/2016 Dawn Parkway Expansion



- 2015 facilities approved by OEB pending positive outcome for TransCanada Settlement Agreement
- 2016 Facility expansion ~\$416 million
- Provides ~443 TJ/d of incremental Dawn-Parkway capacity
- Initial application with the OEB filed on Sept 11, 2014
- Evidence filed with the OEB on Sept 30, 2014



Timing is critical to meeting market demand.



**What does this mean to Union's North
Bundled T Contract Holders?**



- NDA and EDA
 - Obligated receipt point is expected to include Dawn
 - Timing of change to be determined, could be as early as November 1, 2015
- WDA, MDA, SSMDA, NCDA
 - at this time, no change to obligated receipt point

Union is sourcing transport to cost effectively
land gas in the delivery area.

Bundled T Contract Holders in the EDA and NDA



- Consider incorporating flexibility when making future gas supply arrangements
- Union will need to work with Bundled T contract holders to understand quantities and duration of supply that is committed to Empress beyond the implementation date

Communications

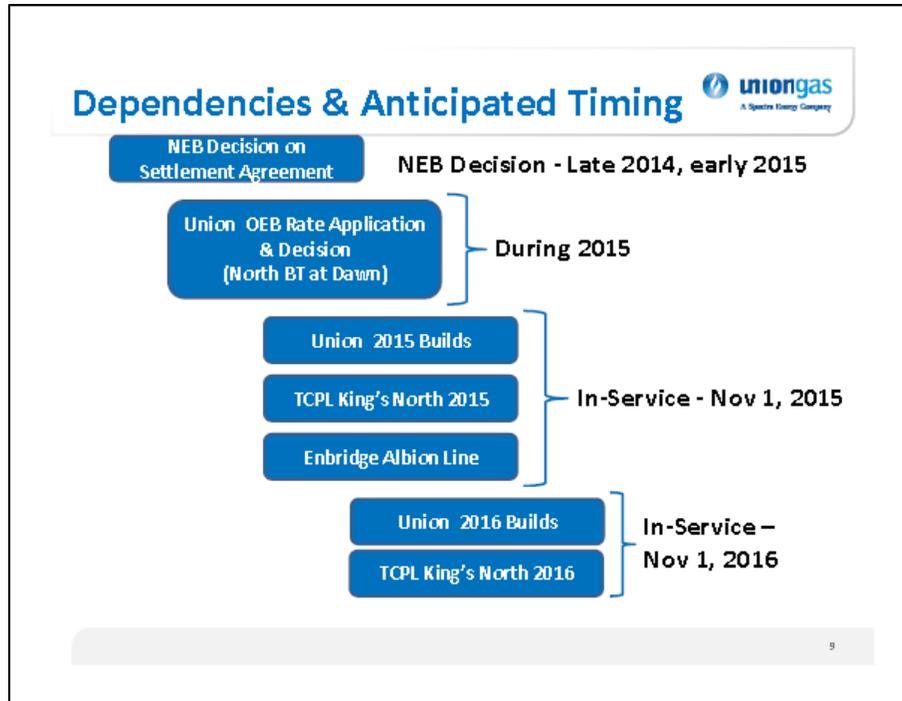


TODAY

- Introduce including Dawn as an additional obligated receipt point through this meeting

FOLLOW-UP

- Communicate to all Bundled T contract holders in the EDA and NDA (end of October, 2014) and beyond
- Application to address changes to the obligated receipt point and any rate redesign are expected to be filed with the OEB as early as March 31, 2015.
- Customer communication will come in stages as approvals, milestones, etc., are acquired and the landscape for timely transition unfolds.



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Newsletter communication – October 31, 2014 – Enerline North

October 31, 2014 - Enerline North - Business - Union Gas

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Important Notice for Bundled T Customers in Union Gas' Eastern and Northern Delivery

Areas

[Information for Union Gas North customers](#)

Bundled T customers in the Union Gas Eastern Delivery Area (EDA) and Northern Delivery Area (NDA) may see a future change in the Obligated Receipt Point at which they are contracted to deliver natural gas direct purchase supply to Union Gas. A change from the Empress receipt point to Dawn, or some combination of both receipt points, may occur as early as November 1, 2015.



The flow of natural gas and the economics of supply in North American markets are undergoing change. Accessible and economic natural gas supplies are now available from producing locations other than the traditional Western Canadian Sedimentary Basin (WCSB). These fundamental changes in supply economics mean that gas supply will be increasingly sourced from competitive supply sources in closer proximity to Union Gas' markets.

An obligated receipt point change for the EDA and NDA direct purchase supply is dependant on a number of outstanding factors. Among them are timely approvals of the TransCanada Pipelines Settlement Agreement currently in front of the National Energy Board, timely approval of an application Union Gas will file with the Ontario Energy Board in the spring of 2015, and the timely completion of new pipeline facilities being built in Ontario once these approvals are received.

While these outstanding items are being resolved, direct purchase customers should consider maintaining flexibility in their future supply arrangements in anticipation of these potential changes.

Union Gas will provide additional information to affected customers once further details are known. There is currently no change anticipated for customers outside the EDA and NDA.

If you have questions about these potential changes, please contact your [account manager](#) for more information.

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Important Notice for Bundled T Customers in Union Gas' Eastern and Northern Delivery

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Patrick Boyer (519) 436-5470 Cell (519) 436-4915 Email: pboyer@uniongas.com (<mailto:pboyer@uniongas.com>)

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Presentation Slide - Excerpt from Dec. 12, 2014 WebEx meeting with North T-Service Customers



Pending changes to the North Bundled T service



Today

- North Bundled T customers have an Obligated DCQ at Empress
- Bundled T transportation rates reflect TransCanada transportation from Empress

By Nov 1, 2017 - Anticipated

- Obligated DCQ will be at Empress, Dawn or a pro-rated combination depending on delivery area
- Bundled T transportation rates will reflect TransCanada transportation from Empress, Dawn or a pro-rated combination
- EDA & NDA – mostly Dawn (ie 80%+)
- NCDA – currently under review
- SSMDA, MDA, WDA – mostly Empress (ie 90%+)

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**Presentation slides – Moving North Bundled T Contract Holders to Dawn
- WebEx meeting April 2, 2015**





Agenda

- Opening Remarks
- Safety Message
- Changing Supply Dynamics
- October 2014 Meeting
- North Bundled-T Changes
- Dependencies
- Summary
- Q&A

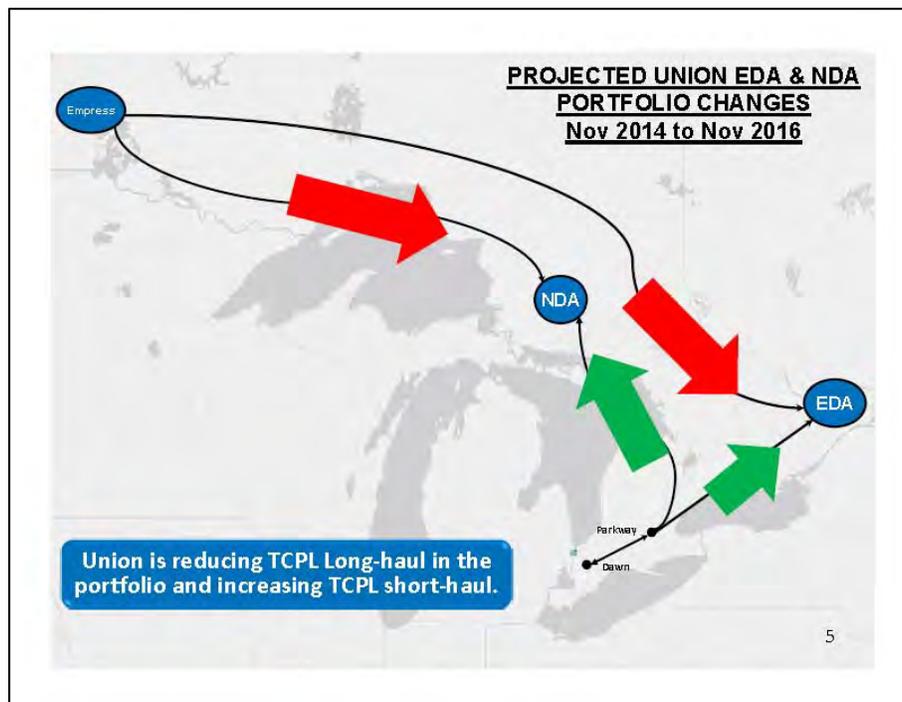


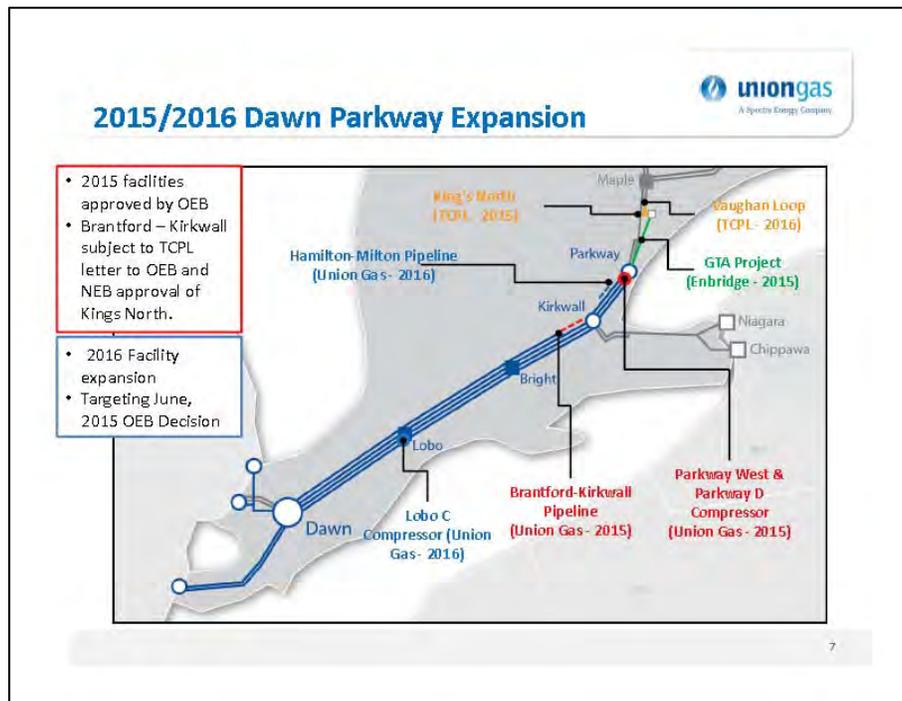
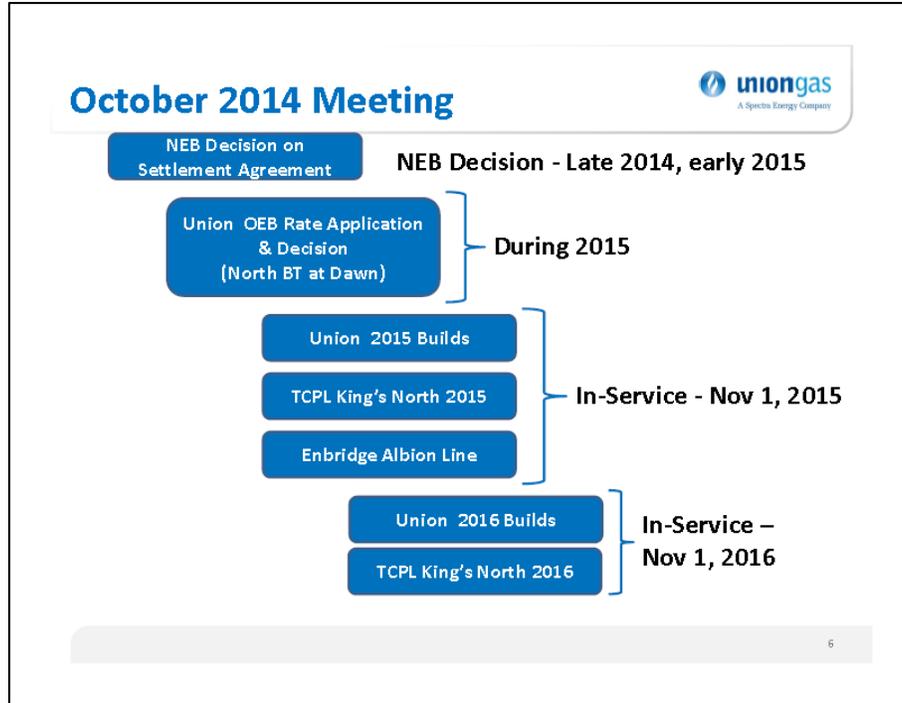
April is National Safe Digging Month

Know What's Below – Take This Simple Steps

1. Click or call at **least** 5 days before you plan to dig
 - **Ontario 1 Call: 1-800-400-2255**
 - **www.on1call.com**
 - **[#knowwhatsbelow](https://twitter.com/knowwhatsbelow)**
2. Wait for the location of utilities
3. Respect the utility marks
4. Excavate or dig with care









October 2014 Meeting Highlights

- NDA and EDA to have Dawn added as a Receipt Point
- Timing of change to be determined, could be as early as November 1, 2015
- No Change to WDA, MDA, SSMDA, NCDA
- LOTS OF MOVING PARTS!
 - » Settlement Agreement is first hurdle
 - » Approval by OEB of proposed change
 - » 2015 Facility expansions



North Bundled-T Changes


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North Bundled T Service Proposal

- Upstream Points of Receipt will now have two locations instead of one:
 - Western (Empress)
 - Dawn
- Percentage split for Daily Contract Quantity (DCQ) to be delivered at Empress and Dawn will be effective annually on November 1st regardless of the contract holder's individual contract renewal/termination date.
- Contract holder will no longer provide fuel-in-kind. Compressor fuel will be embedded in the transportation rate.
- Financial true-up calculation at contract renewal will use an Empress or Dawn reference price dependent upon delivery area
- Ratcheting takes place on the larger percentage path first

Service changes affect all contract holders

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Percentage DCQ Split Details

- The percentage split for BT contract holders will be:
 - determined on an annual basis,
 - reflect Union's portfolio
 - rounded to the nearest 5% percent for ease of administration
 - communicated annually by no later than August 31
 - effective November 1 each year
 - changes only when the portfolio percentage changes by 5% or greater from the previous communicated percentage split
 - If an individual contract has less than 4 GJ at either Empress or Dawn after the split allocation has been calculated, the contract DCQ is on the largest percentage path only.

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DCQ Split Implementation Forecast

This information is provided as an indication only and is subject to change. Formal notification of DCQ split will be issued by no later than August 31st annually for the coming November 1st.

- **North East (NDA, NCDA, EDA)**

	Nov 1, 2014	Nov 1, 2015*	Nov 1, 2016*	Nov 1, 2017*
Empress	100%	40%	15%	15%
Dawn	0%	60%	85%	85%

**Dates are also subject to change.*

- **North West (WDA, MDA, SSMDA)**

- Empress 100% & Dawn 0% through to October 31, 2017

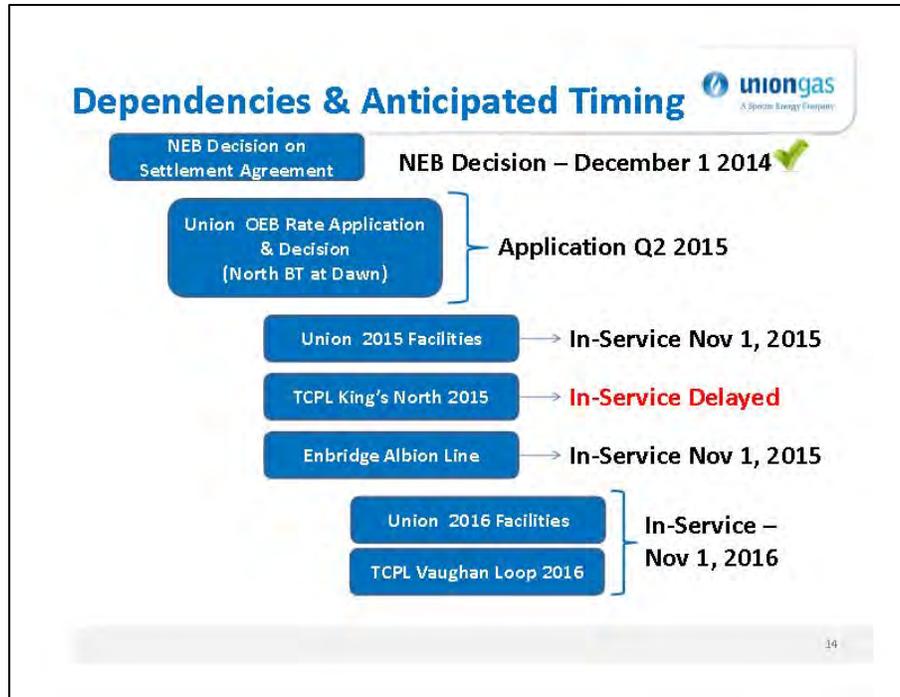
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Initial DCQ Split Implementation

- All EDA, NDA and NCDA BT contract holders must transition to the new obligated DCQ split on the date communicated by Union **when:**
 - **All facility expansions** required to provide the underpinning assets are in-service (TCPL, Enbridge, Union)
 - All required **OEB approvals** have been obtained
 - Union has **communicated** to customers
- Implementation date of the upcoming service changes will be issued to ALL delivery areas shortly after evidence filed, ie Q2 2015.

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- ## Summary
- Obligated Dawn Receipt for NDA, NCDA and EDA
 - **Targeting April 1, 2016** – still to be determined
 - Implement changes following TransCanada facilities in-service date
 - DCQ split based on annual Union Gas portfolio
 - Contract holder will no longer provide fuel-in-kind. Compressor fuel will be embedded in the transportation rate.
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Summary of Service Design Changes

- Obligated DCQ receipt point will be Empress, Dawn or a combination of the two points.
- Financial true-up calculation at contract renewal will use an Empress or Dawn reference price dependent upon delivery area
- Ratcheting takes place on the larger percentage path first

In-service date remains uncertain

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Q&A

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YouTube f t in



Presentation slides – April 8, 2015 OEB Annual Stakeholder Meeting (excerpt relating to North Bundled T Service Changes)



North Services

Tina Hodgson
Manager, Product Process & Development



North Services Agenda

- North Services Overview
 1. Bundled T at Dawn (Bundled T Customers)
 2. North T-service Transportation from Dawn (T-service Transportation)
 3. North Storage at Dawn (T-service Dawn Storage)
 4. Key Messages and Timing

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North Services Overview

Drivers of Change

- Underpinning transportation and redelivery assets for Union North are changing as early as November 1, 2015 to incorporate Dawn as a supply point

Service Proposals

- **Bundled T Customers**
 - Add Dawn as an obligation point and accommodate for transportation rate changes
- **T-Service customers**
 - Introduce Dawn as a supply point (transportation service)
 - Introduce access cost based storage

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Union North Bundled T Direct Purchase Customers at Dawn (BT Customers)

Service changes for all Bundled T customers:

- Obligated DCQ at both Dawn and at Empress that reflects Union's transportation portfolio
- Fuel requirement changes from customer providing fuel to a unit cost in transportation rates
- Financial true-up calculation at contract renewal reflects Empress or Dawn reference price dependent upon customer delivery area

Start date of service to be driven by actual timing of Union's transportation changes

- A lag is anticipated between Union's transportation changes and the subsequent start date of the BT customer service change. The lag is due to the uncertainty of the in-service date(s) of the new short haul pipelines.

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Union North Services Key Messages

- The three Union North services are anticipated to be filed in Q2 2015
- Uncertainty for in-service dates due to unknown in-service dates of new facility expansions
- Target In-Service dates, subject to Board approval, are:
 - Bundled T at Dawn (BT Customers)
 - April 1, 2016
 - North T-Service Transportation from Dawn (T-Service Transportation)
 - November 1, 2016
 - North Storage at Dawn (T-service Dawn Storage)
 - April 1, 2016

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Union Gas Files an Application for 2014 Deferral Account Clearing

Information for Union Gas North Customers

On April 15, 2015, Union Gas applied to the Ontario Energy Board (OEB) to dispose of its 2014 Deferral Account balance. This 2014 deferral account filing excludes Demand Side Management (DSM) related deferrals, which will likely be filed in the third quarter of 2015.



If approved, the account clearing will result in a delivery adjustment being applied to the bills of all customers who received contract rate delivery services in 2014.

What are Deferral Accounts?

Deferral accounts capture the difference between Union Gas' forecast and actual revenues and costs. The differences are refunded or collected from customers once these balances are approved by the OEB. The balances are specifically allocated to the rate classes.

2014 Demand Side Management Deferral Accounts

Not included in this application are the costs associated to the 2014 DSM related deferral accounts. Union Gas will file a separate application for approval and disposition of the DSM related deferral accounts later in 2015. Further information will be provided when that application is filed.

As a reminder, the 2013 DSM deferrals were filed on December 1, 2014 and subject to timely completion of the OEB review, the account clearances are expected to happen in mid-2015.

How to Estimate Your 2014 Delivery Adjustment

To assist with your business planning, you can estimate your 2014 delivery adjustment by multiplying the proposed rate adjustment that applies to your service (shown below) by the actual volume of natural gas you consumed in 2014.

Rate Class	Proposed Unit Rate for 2014 Delivery Adjustment cents/m ³
Rate 20BT ¹	(0.0304)
Rate 20T ²	(0.0304)
Rate 100T ²	(0.0079)
Rate 25	(0.0230)

¹ Sales and Bundled-T customers only

² T-service customers only

Full details of this filing (EB-2015-0010

(http://www.ors.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/474327/view/UNION_APP1_2014%20Deferrals_20150415.PDF) can be found on the OEB website.

Moving Union North Bundled T Contract Holders to Dawn - Presentation Available Online

Union Gas held a customer web-ex on April 2, 2015, to share further details of our proposal to add Dawn as an obligated receipt point for Union North Bundled-T (BT) daily contract quantities (DCQ). This proposal is for Bundled-T contracts in Union Gas' EDA, NDA and CDA northern zones.

This presentation is now available online (</business/your-business/energy-marketers/conferences>) for your reference.

If you have any questions about this edition of Enerline, please contact your [account manager](/business/contact-us/account-manager-search) (</business/contact-us/account-manager-search>).

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Information for Union Gas North Customers

Rate Class	Proposed Unit Rate for 2014 Delivery Adjustment cents/m ³
Rate 20BT ¹	(0.0304)
Rate 20T ²	(0.0304)
Rate 100T ²	(0.0079)
Rate 25	(0.0230)

¹ Sales and Bundled-T customers only

² T-service customers only

Information for Union Gas South Customers

Rate Class	Proposed Unit Rate for 2014 Delivery Adjustment cents/m ³
Rate M4	0.0394
Rate M5A	(0.0391)
Rate M7	0.0221
Rate M9	0.0597
Rate M10	0.3484
Rate T1	0.0248

Rate T2	0.0243
Rate T3	0.0960

Union South Bundled Direct Purchase Customers

As in the previous year's filing (2013 deferrals), as part of this application Union Gas has filed to recover costs applicable to winter 2014/2015 spot gas price variances. These costs were incurred by Union Gas to load balance weather-driven incremental consumption on behalf of Union South bundled direct purchase customers this past winter. Incremental spot gas purchases were purchased for this purpose and these costs will be recovered from Union South bundled customers who were below the planned Banked Gas Account balance as of the March 31, 2015 Direct Purchase Status Report.

Full details of this filing ([EB-2015-0010](#))

(http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/474327/view/UNION_APP1_2014%20Deferrals_20150415.PDF) can be found on the OEB website.

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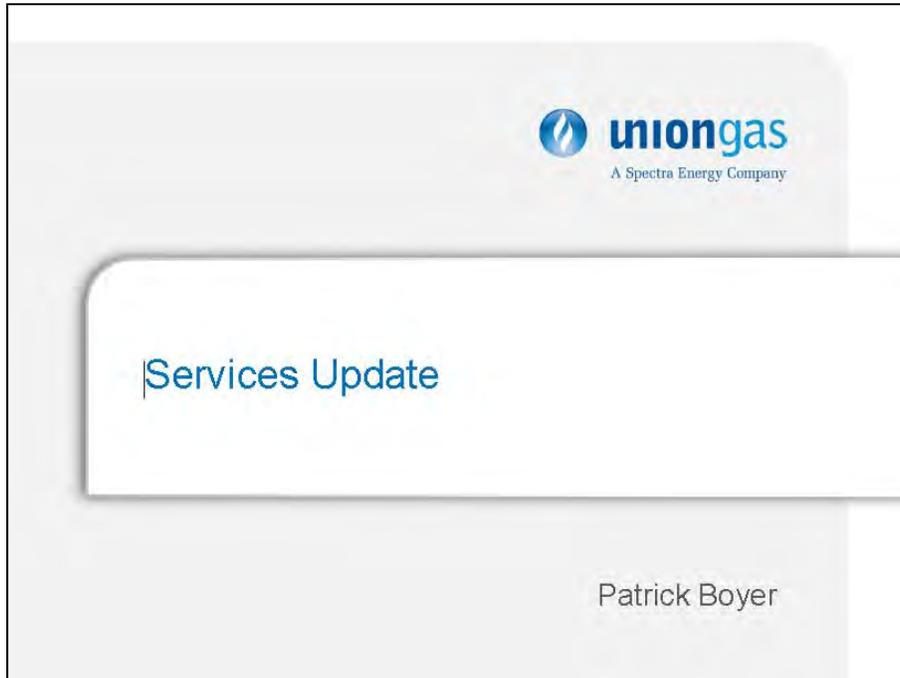
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This presentation is now [available online \(/business/your-business/energy-marketers/conferences\)](#) for your reference.

If you have any questions about this edition of Factsline, please contact Patrick Boyer (<mailto:pboyer@uniongas.com>).

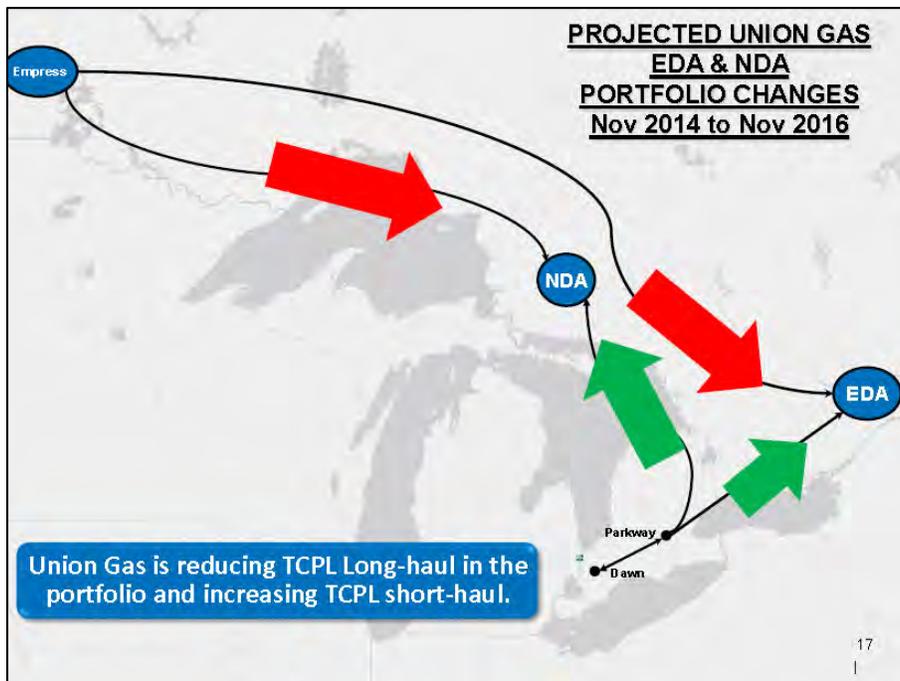
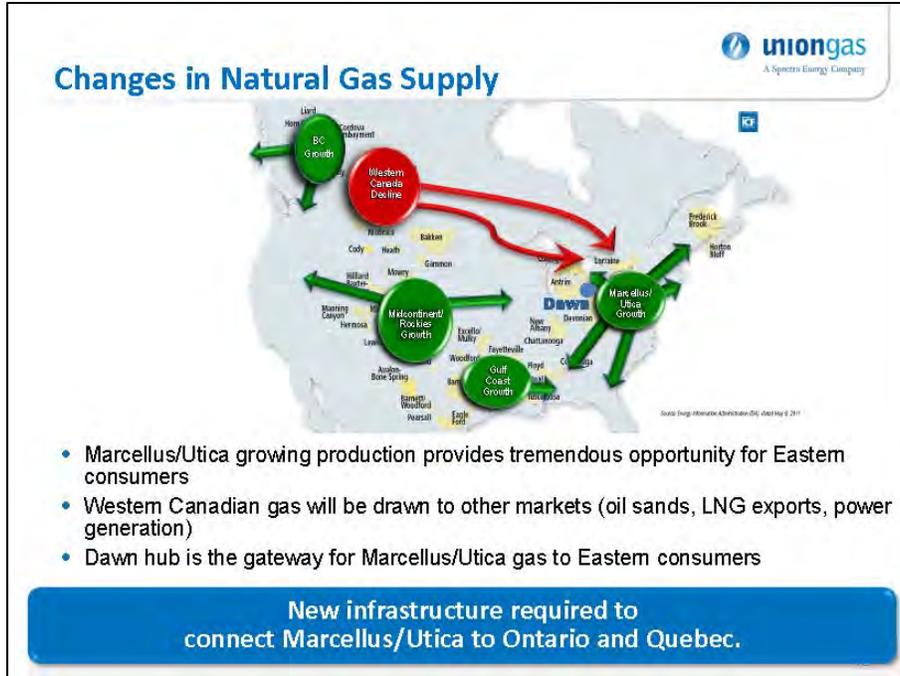
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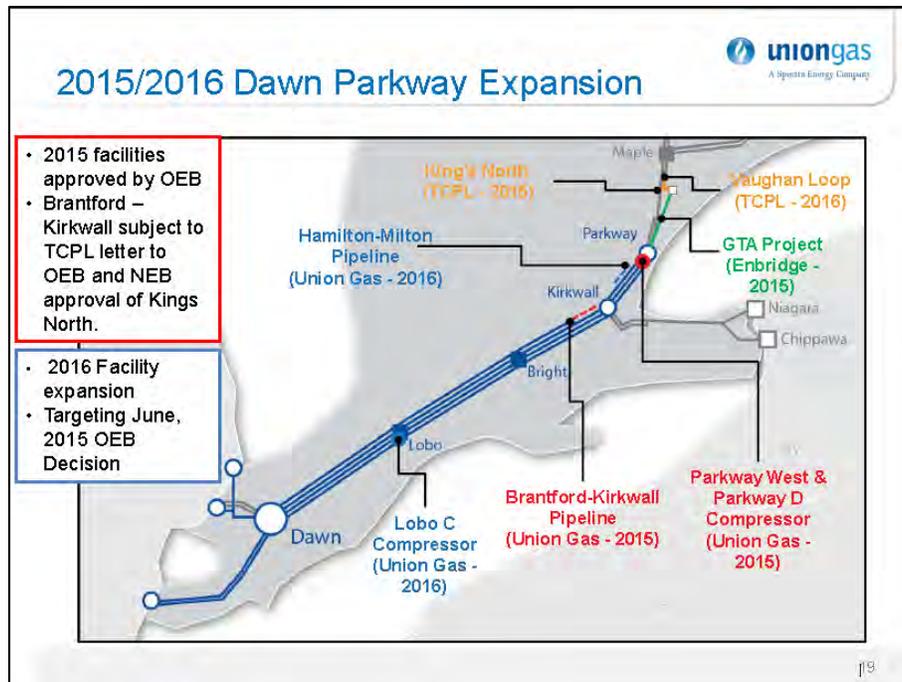
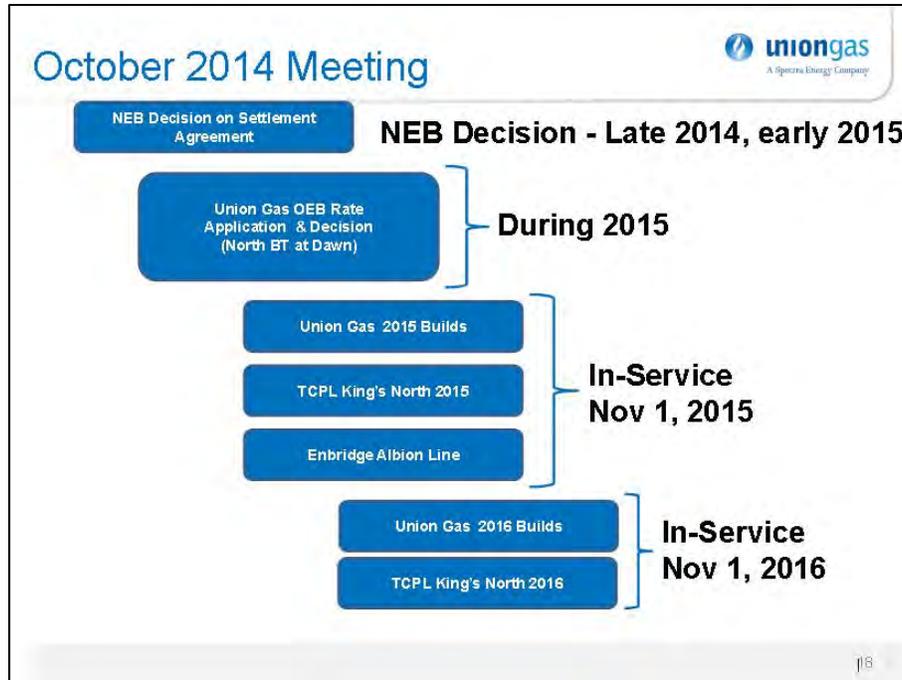
**Presentation slides - May 20, 2015 Energy Marketer Meeting - North
Services Update (excerpt re. North Bundled-T)**





Northern Bundled-T Supply at Dawn|





October 2014 Meeting Highlights



- NDA and EDA to have Dawn added as a Receipt Point
- Timing of change to be determined, could be as early as November 1, 2015
- No Change to WDA, MDA, SSMDA, NCDA
- **LOTS OF MOVING PARTS!**
 - » Settlement Agreement is first hurdle
 - » Approval by OEB of proposed change
 - » 2015 Facility expansions

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North Bundled-T Changes



North Bundled T Service Proposal

- Upstream Points of Receipt will now have two locations instead of one:
 - Western (Empress)
 - Dawn
- Percentage split for Daily Contract Quantity (DCQ) to be delivered at Empress and Dawn will be effective annually on November 1st regardless of the contract holder's individual contract renewal/termination date
- Contract holder will no longer provide fuel-in-kind. Compressor fuel will be embedded in the transportation rate
- Financial true-up calculation at contract renewal will use an Empress or Dawn reference price dependent upon delivery area
- Ratcheting takes place on the larger percentage path first

Service changes affect all North delivery areas



Percentage DCQ Split Details

- The percentage split for BT contract holders will be:
 - determined on an annual basis
 - reflect Union Gas' portfolio
 - rounded to the nearest 5% percent for ease of administration
 - communicated annually by no later than August 31
 - effective November 1 each year
 - changes only when the portfolio percentage changes by 5% or greater from the previous communicated percentage split
 - If an individual contract has less than 4 GJ at either Empress or Dawn after the split allocation has been calculated, the contract DCQ is on the largest percentage path only

 A Spectra Energy Company

DCQ Split Implementation Forecast

This information is provided as an indication only and is subject to change. Formal notification of DCQ split will be issued by no later than August 31st annually for the coming November 1st.

- **North East** (NDA, NCDA, EDA)

	Nov 1, 2014	Nov 1, 2015*	Nov 1, 2016*	Nov 1, 2017*
Empress	100%	40%	15%	15%
Dawn	0%	60%	85%	85%

**Dates are also subject to change.*
- **North West** (WDA, MDA, SSMDA)
 - Empress 100% & Dawn 0% through to October 31, 2017

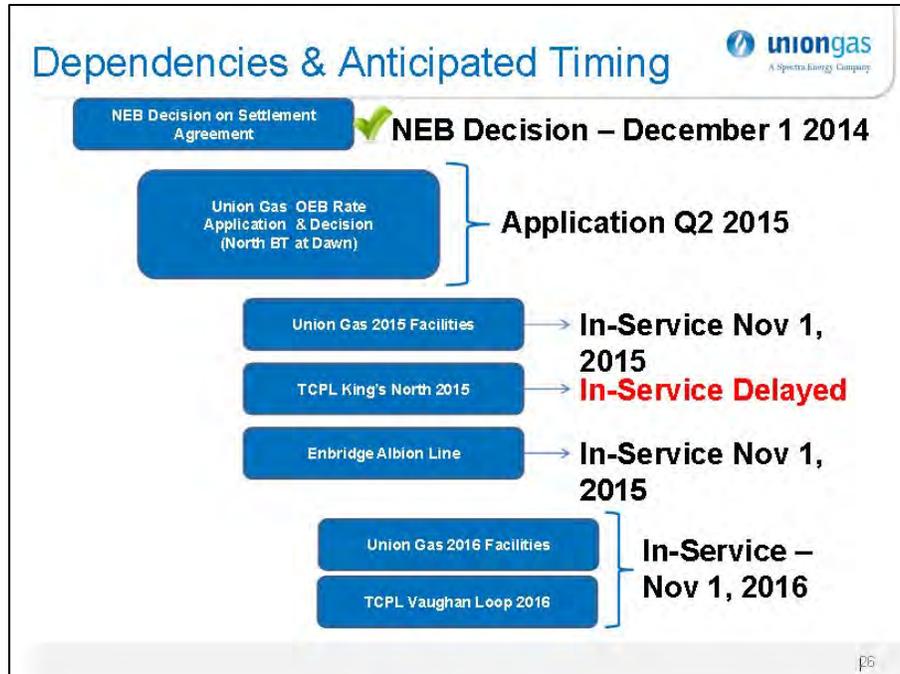
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 A Spectra Energy Company

Initial DCQ Split Implementation

- All EDA, NDA and NCDA BT contract holders must transition to the new obligated DCQ split on the date communicated by Union **when:**
 - **All facility expansions** required to provide the underpinning assets are in-service (TCPL, Enbridge, Union Gas)
 - All required **OEB approvals** have been obtained
 - Union has **communicated** to customers
- Implementation date of the upcoming service changes will be issued to ALL delivery areas shortly after evidence filed, targeting Q2 2015

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Summary

- Obligated Dawn Receipt for NDA, NCDA and EDA
 - **Targeting April 1, 2016** – still to be determined
 - Implement changes following TransCanada facilities in-service date
- DCQ split based on annual Union Gas portfolio
- Contract holder will no longer provide fuel-in-kind. Compressor fuel will be embedded in the transportation rate

In-service date remains uncertain

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Summary (cont'd)

- Obligated DCQ receipt point will be Empress, Dawn or a combination of the two points
- Financial true-up calculation at contract renewal will use an Empress or Dawn reference price dependent upon delivery area
- Ratcheting takes place on the larger percentage path first

In-service date remains uncertain

BB



Q&A



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Newsletter communication - July 21, 2015 – Enerline North

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Union Gas Files an Application for Rate Changes to Reflect Changing Gas Supply and Transportation Portfolio

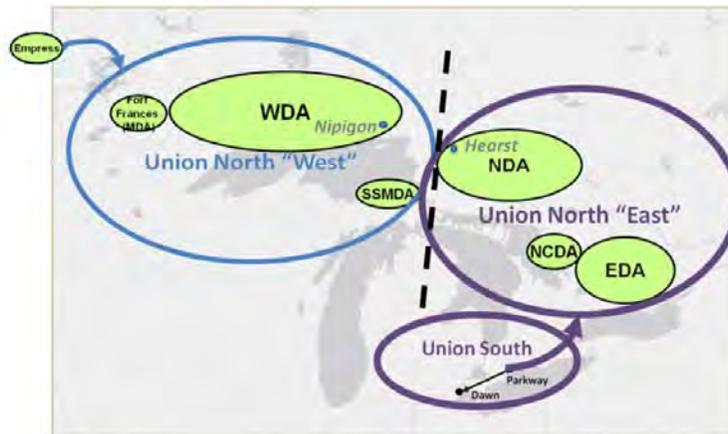
Information for Union Gas North Customers

On July 15, 2015, Union Gas filed to the Ontario Energy Board (OEB) to propose changes to rates for Union Gas sales service and bundled direct purchase (DP) customers to better reflect the changes in Union Gas' gas supply and transportation portfolio going forward. Union Gas will be converting long-haul transportation contracts on TransCanada Pipelines (TCPL) to short-haul transportation contracts and 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 Gas is proposing a change in 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 Empress price of gas used today. 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 Gas is also proposing a new optional Union North T-service transportation from Dawn service to provide customers with access to Dawn-based supply.



Highlights for Union Gas North customers from this filing include proposals to:

- change to two zones for setting gas commodity, storage and transportation rates in the north, from the current 4 zones. The Union North West Zone will include delivery areas served from Empress (Union MDA, Union WDA, and Union SSMDA) and the Union North East Zone will include the areas served from Dawn (Union NDA, Union EDA and Union NCDA). (use in North Enerline only)
- change the obligated DCQ allocation methodology for Union North bundled DP customers to reflect Union Gas' transportation portfolio for each respective zone.
 - The three delivery areas in the Union North East Zone will be served from both Empress and Dawn. Consequently, Union North bundled DP customers in Union North East Zone will have a portion of their obligated DCQ at Empress and a portion of their obligated DCQ at Dawn. The percentage of the obligated DCQ to be delivered at each receipt point will reflect the percentage of Union Gas' underpinning firm transportation portfolio at Empress and Dawn used to serve the North East Zone as of each November 1.
 - The three delivery areas in Union North West Zone will continue to be served 100% from Empress for the foreseeable future. Consequently, Union North bundled DP customers in the North West Zone will have their obligated DCQ at Empress.
- change the reference price used in the 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 Empress price of gas used today.

Newsletter communication - July 21, 2015 – Factsline

July 21, 2015 - Factsline - Business - Union Gas

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Union Gas Files an Application for Rate Changes to Reflect Changing Gas Supply and

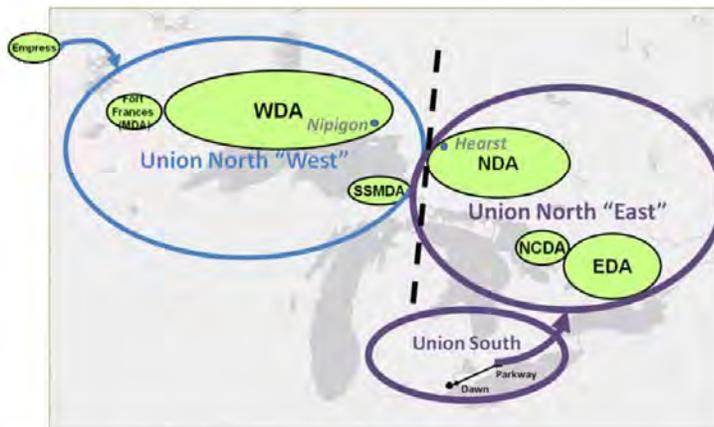
Transportation Portfolio

On July 15, 2015, Union Gas filed to the Ontario Energy Board (OEB) to propose changes to rates for Union Gas sales service and bundled direct purchase (DP) customers to better reflect the changes in Union Gas' gas supply and transportation portfolio going forward. Union Gas will be converting long-haul transportation contracts on TransCanada Pipelines (TCPL) to short-haul transportation contracts and 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 Gas is proposing a change in 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 Empress price of gas used today. 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 Gas is also proposing a new optional Union North T-service transportation from Dawn service to provide customers with access to Dawn-based supply.



Highlights from this filing include proposals to:

- change to two zones for setting gas commodity, storage and transportation rates in the north, from the current 4 zones. The Union North West Zone will include delivery areas served from Empress (Union MDA, Union WDA, and Union SSMDA) and the Union North East Zone will include the areas served from Dawn (Union NDA, Union EDA and Union NCDA).
- change the obligated DCQ allocation methodology for Union North bundled DP customers to reflect Union Gas' transportation portfolio for each respective zone.
 - The three delivery areas in the Union North East Zone will be served from both Empress and Dawn. Consequently, Union North bundled DP customers in Union North East Zone will have a portion of their obligated DCQ at Empress and a portion of their obligated DCQ at Dawn. The percentage of the obligated DCQ to be delivered at each receipt point will reflect the percentage of Union Gas' underpinning firm transportation portfolio at Empress and Dawn used to serve the North East Zone as of each November 1.
 - The three delivery areas in Union North West Zone will continue to be served 100% from Empress for the foreseeable future. Consequently, Union North bundled DP customers in the North West Zone will have their obligated DCQ at Empress.
- change the reference price used in the 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 Empress price of gas used today.
- change the transportation rate in Union South to zero to reflect the change to Union South gas supply commodity costs

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, p. 11

Please describe Union's STS contracts and how they have been used to meet peak day demands in the past.

Response:

Union uses TransCanada STS contracts to manage design day requirements for Union North as follows:

- Union first flows gas on TransCanada at 100% load factor (the gas supply plan does assume some lower load factors during part of the summer). However, typically gas flows at 100% load factor;
- STS injections are used in the summer months to transport excess gas supply from Union North to Parkway to be injected into Dawn storage (i.e. when consumption in the delivery area is lower than the daily gas supply flows on TransCanada);
- STS withdrawals are used in the winter months to serve weather-driven demands when consumption in the delivery area is higher than the gas supply flows on TransCanada. (Gas is withdrawn from Dawn storage and transported to Union North);
- Union’s STS contracts with TransCanada allow for some pooling of injection/withdrawal rights between delivery areas on TransCanada. STS pooling rights provide Union with the flexibility to serve the individual delivery areas in Union North with gas service in excess of its specific STS rights in some delivery areas.

The STS firm withdrawal and pooling rights are an integral part of the upstream services and are fully utilized on a design day.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, p. 11

Please describe how this will change in the 2015-2018 time frame (i.e., capacity held to each zone, contribution to design day demands, resulting allocations, etc.).

a) Please summarize Union’s adjustments as a result of those changes.

Response:

Please refer to Exhibit A, Tab 1, p. 34, Table 2 for more detail on Union’s STS contracts from 2014 to 2017. Union is not forecasting any changes to STS contracts other than what is reflected in Table 2.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, p. 12, lines 4-9

Preamble: Union describes forecasted annual cost impacts.

Please provide a table that contains the respective cost changes detailed in the reference as compared to the forecasts presented to the Board for these zones in the combined Parkway West and Dawn-Parkway proceedings (EB-2012-0433 and EB-2013-0074).

Response:

Please see Table 1 for a comparison of cost changes in this proceeding relative to the costs forecast in the Parkway West and Brantford-Kirkwall/Parkway D Project (EB-2012-0433/EB-2013-0074). This is not a relevant comparison as the data sets are for different gas supply portfolios, compare different timeframes and reflect different TransCanada tolls.

Column (a) in Table 1 represents calendar year 2018 of the 2015 to 2019 Gas Supply Plan. Calendar year 2018 reflects the annualized costs of all gas supply portfolio changes anticipated in 2015, 2016 and 2017. The TransCanada tolls assumed in this plan are as approved by the National Energy Board on an interim basis effective January 1, 2015.

The forecast data provided in column (b) reflects annualized storage and transportation costs for gas supply portfolio changes anticipated at November 1, 2015 in EB-2013-0074. The TransCanada tolls assumed in this plan are based on 2013 TransCanada compliance tolls effective July 1, 2013. The costs in column (b) do not contemplate further portfolio changes beyond 2015.

Table 1
Comparison of Union North Storage and Transportation Revenue Requirement

Line No.	Cost Allocation (\$000)	Proposed 2018 (a)	EB-2013-0074 Costs (b)	Variance (c) = (a - b)
	Transportation			
1	Cost of Gas - Transportation Demand	56,900	47,097	9,804
2	Cost of Gas - Transportation Fuel	1,549	733	817
3	Other Transportation	199	199	-
4	Total Transportation Costs	58,649	48,028	10,621
	Storage			
5	Cost of Gas - Storage Demand	41,395	15,861	25,535
6	Cost of Gas - Storage Fuel	664	339	325
7	Union Storage Costs (1)	17,819	20,336	(2,517)
8	Total Storage	59,878	36,535	23,343
9	Total Transportation and Storage	118,527	84,563	33,964

Notes:

(1) Union North storage costs include \$2.5 million of allocated 2018 Dawn-Parkway costs associated with the Brantford-Kirkwall/Parkway D Project, as per EB-2013-0074, Schedule 10-2, line 23, column b) + column d).

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, p. 17

Preamble: “A portion of Union North storage rates are common to all customers in each Zone and a portion of storage rates are based on west to east TransCanada zonal differentials (i.e. zonal or distance-based).”

What are the distinguishing features that Union uses to separate the common costs from those that are specific to an area or zone?

Response:

In Union’s current Union North storage and transportation rate design, Union deems a portion of the Union North storage and transportation costs to be different for each zone based on zonal differentials and the remainder to be common to all Union North customers.

To determine the portion of the upstream storage and transportation costs that are based on zonal differentials, Union calculates the differences between the firm upstream transportation tolls of the most westerly Zone and each other Zone, based on the 100% load factor rate. Please see Exhibit A, Tab 2, Appendix A, Schedule 4, lines 3-5 for an example of the determination of the storage and transportation zonal differentials. Union applies the zonal differentials to the annual volumes by Zone to calculate the deemed cost by Zone, as illustrated at Exhibit A, Tab 2, Schedule 4, line 7 and line 14.

The remaining storage and transportation costs, as provided at Exhibit A, Tab 2, Appendix A, Schedule 4, line 8 and line 15 are deemed to be common and are recovered from all customers in the rate class based on the Board-approved volume forecast.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, p. 19

Preamble: “Examples of common costs include costs associated with the Limited Balancing Agreement (“LBA”) and gas purchase working capital.”

Please describe the LBA.

a) How are the LBA costs deemed common?

Response:

Union has a Limited Balancing Agreement (“LBA”) at its Union North delivery area interconnects with TransCanada (e.g. Union EDA, Union SSMDA, etc.). Any variance between daily gas consumption and daily gas supply delivered is tracked in the LBA. When LBA imbalances occur, LBA fees accrue, depending on the magnitude and duration of the imbalance. Union’s LBA’s with TransCanada include balancing fees associated with Union’s daily and cumulative gas imbalances.

a) The LBA costs are deemed to be common as Union does not forecast operational imbalances for each delivery area as part of its gas supply plan. Accordingly, Union has proposed to recover these costs from all customers based on the Board-approved volume forecast.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, Appendix A, Schedule 1, p. 2

Preamble: “To determine cost-based Union North storage and transportation rates, Union used the 2018 allocated costs for the Union North West and Union North East Zones by rate class, as described at Exhibit A, Tab 2, Section 2.4.”

Why did Union use the 2018 allocated costs as opposed to 2016 or 2017?

- a) Please provide a table that provides the resulting costs if Union used 2016 or 2017 as compared to the 2018 result.

Response:

- a) Union is proposing to update Union North storage and transportation rates based on the gas supply plan for calendar years 2017 and 2018, effective January 1 of each year. Union provided the detailed cost allocation, rates and bill impacts based on the calendar year 2018, as it represents the first full year of the gas supply portfolio changes that occur with the November 2017 gas supply plan.

Union summarized the cost allocation at Exhibit A, Tab 2, Appendix A, Schedule 7 and the proposed rates at Exhibit A, Tab 2, Appendix A, Schedule 9 for each 2016, 2017 and 2018.

TransCanada has recently indicated that the King’s North Project will be delayed until as late as November 1, 2016. If the TransCanada King’s North Project is delayed to November 1, 2016, Union would implement the changes to the reference price as of January 1, 2017. Please see the response at Exhibit B.FRPO.1 for the changes resulting from the delay in TransCanada’s King’s North Project.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2, Appendix A, Schedule 5, p. 3

Please explain the basis for allocation of the Storage Demand Costs by providing a breakdown of the components.

- a) Please explain why the direct assignment costs for the Northwest are so much less than the Northeast.

Response:

- a) Union has provided a detailed description of the storage demand cost allocation at Exhibit A, Tab 2, pp. 21-23. The storage demand costs and allocation factors based on the 2018 gas supply plan are also provided at Exhibit A, Tab 2, Appendix A, Schedule 5, p. 3.

Union has proposed to direct assign the storage demand costs included in the gas supply plan, as the gas supply plan provides the storage demand costs for each storage-related contract by delivery area. Specifically, the direct assignment for the Union North West Zone includes \$1.558 million for STS Injection costs from the Union WDA to Parkway based on the 2018 gas supply plan. The STS Injection service allows Union to transport excess gas from the Union WDA to Dawn Storage.

All remaining storage demand costs in the 2018 gas supply plan are required to transport storage volumes to/from the Union NDA and Union EDA, in the Union North East Zone. Specifically, the direct assignment of \$39.837 million for the Union North East Zone includes \$10.278 million for STS Injection costs from the Union NDA to Parkway and \$29.559 million for STS Withdrawal costs and short-haul TransCanada firm transportation costs from Parkway to the Union NDA and the Union EDA. The STS withdrawal service and short-haul FT transportation allow Union to transport storage withdrawal volumes from Parkway to the Union North delivery areas.

The storage demand costs included in the gas supply plan are provided at Exhibit A, Tab 2, Schedule 1, p. 2, lines 1-8.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association (“LPMA”)

Reference: Exhibit A, Tab 1, p. 17

There is currently a line titled "Transportation to Union Gas" on general service invoices from Union Gas. Is this the line that would have a charge of zero under the proposal to use the Dawn reference price? Would this line item continue to show on the bill or would be removed from the bill?

Response:

As indicated at Exhibit A, Tab 1, p. 17, the transportation rate for Union South would be zero. Union is proposing to keep the transportation rate at zero on the bill 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. Maintaining the transportation line item on the bill at a rate of zero does not require any changes to the billing system.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association (“LPMA”)

Reference: Exhibit A, Tab 1, Appendix A, Schedules 1 & 2

- a) Please confirm that under the current methodology, the Union South Ontario Landed Reference price would \$5.036 for the 12 month period ending March 31, 2016. If this cannot be confirmed, please explain.
 - b) What would be the corresponding Dawn Reference price for the 12 month period ending March 31, 2016 for Union South? In particular, would it be the \$3.735 per GJ shown on line 5 of Schedule 2 or the \$3.742 per GJ shown on line 12? If the latter, please explain why the north supply cost calculation is used to forecast the Union South Dawn reference price.
-

Response:

- a) Confirmed.
- b) The Dawn Reference Price for the 12-month period ending March 31, 2016 for the Union North East Zone and Union South would be \$3.742/GJ as shown at Exhibit A, Tab 1, Appendix A, Schedule 2, line 8 and line 12. Today, Union North volumes are used in the calculation of the Alberta Border Reference Price to reflect a weighted average based on the expected volumes being purchased each month as shown on Exhibit A, Tab 1, Appendix A, Schedule 1, line 6. For purposes of illustrating the calculation of the Dawn Reference Price, Union used the same Union North volumes as used in determining the Weighted Average Alberta Border Reference Price. In the future, Union would use the forecast Union North East Zone volumes to calculate the “weighted” Dawn Reference Price, and the forecast Union North West Zone volumes to calculate the “weighted” Alberta Border Reference Price.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association (“LPMA”)

Reference: Exhibit A, Tab 2, pp. 1-2

Union is proposing to eliminate the requirement for Union North bundled DP customers to provide their own upstream transportation fuel in kind and Union will purchase gas on behalf of these customers to meet their upstream fuel requirements and the recover the costs associated with the transportation fuel from both bundled DP and sales service customers.

- a) Is Union proposing the same change for bundled DP customers in Union South? Please explain fully.
 - b) Will bundled DP customers (Union North and/or Union South) have the option to purchase their own upstream transportation fuel or to pay Union for it? Please explain fully.
-

Response:

- a) No, Union is not proposing a fuel change for Union South bundled direct purchase (“DP”) customers, as these customers provide fuel to the pipelines they ship on directly. Union contracts for transportation capacity on behalf of Union North bundled DP customers. Union does not contract for transportation capacity on behalf of Union South bundled DP customers. Union South bundled DP customers manage their own transportation and associated compressor fuel costs, and therefore, Union does not recover transportation fuel from these customers.
- b) No, Union North bundled DP customers will not have an option to provide fuel in kind at Empress or Dawn. Union is proposing to remove the upstream transportation fuel costs from the gas commodity rate and recover upstream transportation fuel costs for both sales service and bundled DP customers in Union North West and Union North East transportation rates. Please see the response at Exhibit B.FRPO.5.

Union South bundled DP customers will continue to provide fuel to the pipelines they ship on directly.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 2, Appendix A, Schedule 11

Please confirm that there are no changes to Schedule "A" shown on the last page of Schedule 11 for Union's Southern Delivery Zone other than the rates shown in the Utility Rates section of part (C). If this cannot be confirmed, please indicate what other changes have been made/proposed.

Response:

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 1, p. 14, Lines 16-18, p. 16, Lines 16-18

Union indicates that forecast variances between the forecast cost of the North East Zone / South gas supply requirements and the Dawn Reference Price will be managed as a prospective rate adjustment. Will there be any changes to the general approach for determining prospective rate adjustments as a result of the proposals concerning the reference price methodologies for the North and the South?

Response:

There are no changes to the methodology for determining prospective rate adjustments as a result of Union’s proposals. With the introduction of the Union North West and Union North East Zones, Union proposes to track variances in the Transportation Tolls and Fuel Variance Account and the North Purchased Gas Variance Account separately for each Union North Zone. The proposed gas cost deferral accounts can be found at Exhibit A, Tab 1, Appendix B.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 1, p. 20, Lines 14-16

How far in advance of each November 1 will affected customers be notified of Union’s updated North bundled DP obligated DCQ receipt point quantities reflecting the percentage of Union’s transportation portfolio at Dawn and Empress to serve the North?

Response:

The annual DCQ receipt point allocation, to be effective November 1 of each year, will be communicated to customers no later than August 31 of each year.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 1, p. 21, Line 6 to p. 22 Line 5

Union sets out the conditions for implementing the changes in the obligated DCQ in the North for April 1, 2016.

- a) With respect to condition (i), please provide the status of the facilities expansions that must be in-service to enable the changes to Union’s transportation portfolio and conversion from long-haul to short-haul.
- b) With respect to condition (ii), what communications have already been provided to North bundled DP customers who will be affected by the changes?
- c) What is Union’s current estimate of the implementation date? Does this date have to coincide with the implementation date for proposals regarding the new zones in the North and the North gas commodity storage and transportation rates? Please explain.

Response:

- a) The facilities expansions that enable the Union North Bundled-T service change and the associated status are as follows:
 - i) TransCanada King’s North Project
Please see the response at Exhibit B.FRPO.1.
 - ii) Enbridge’s Albion 2015
It is Union’s understanding that the Enbridge Albion 2015 facility expansion will be in-service as early as January 1, 2016.
 - iii) Union’s Dawn to Parkway 2015 Facility Expansion
Union’s Dawn to Parkway 2015 facility expansion is scheduled to be in-service November 1, 2015.
- b) Please see the response at Exhibit B.FRPO.7 a).
- c) Please see the response at Exhibit B.FRPO.1.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 1, Section 2

Under Union’s current QRAM methodology, changes to the delivery commodity rates in any quarter are based on the change in the Ontario Landed Reference Price as it affects the fuel and UFG costs and the gas in storage carrying costs in rates. What reference price will be used to determine the change in these costs with Union’s reference price proposals in this application?

Response:

Union proposes to use the Dawn Reference Price to determine the change in gas costs associated with fuel, UFG and gas in storage carrying costs included in Union North and Union South delivery rates.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 2, Appendix A, Schedule 9, p. 4, Col. (d)

Please show the determination of the 2018 rates for Gas Supply Demand Service and Commodity Transportation Service for Rate 100 for both the North West and North East zones. Does Union currently have any Rate 100 sales or bundled DP customers?

Response:

Please see Attachment 1. Union is proposing to use the Board-approved methodology for setting the Rate 100 Gas Supply Demand and Commodity Transportation rates, updated to reflect Union’s proposed Union North West and Union North East Zones.

Union does not currently have any Rate 100 sales service or bundled DP customers.

UNION GAS LIMITED
Determination of 2018 Rate 100 Gas Supply Demand and Commodity Transportation Rates for the Union North West and Union North East Zones

Line No.	Particulars	MDA	WDA	SSMDA	Total North West	NDA	NCDA	EDA	Total North East
		(a)	(b)	(c)	(d) = (a + b + c)	(e)	(f)	(g)	(h) = (e + f + g)
1	Demand Billing Units (10 ³ m ³ /d) (1)	2,880	2,640	19,200	24,720	22,151	-	25,104	47,255
2	Demand Tolls (\$/GJ) (2)	21.914	31.471	43.994		48.527	58.024	64.066	
3	Demand Tolls (\$/10 ³ m ³ /d) (3)	821.9904	1,180.4847	1,650.2075		1,820.2440	2,176.4952	2,403.1269	
4	Demand Cost (\$000s) (line 1 x line 3)	2,367	3,116	31,684	37,168	40,320	-	60,329	100,648
5	Transportation Billing Units (4)	47,997	50,291	546,016	644,304	540,314	-	667,812	1,208,126
6	Fuel Ratios	1.2500%	1.6217%	2.3375%		2.5467%	3.0442%	3.2333%	
7	Fuel Billing Units (10 ³ m ³) (line 5 x line 6)	600	816	12,763		13,760	-	21,593	
8	Fuel Tolls (\$/GJ)	2.951	2.951	2.951		2.951	2.951	2.951	
9	Fuel Tolls (\$/10 ³ m ³)	110.6920	110.6920	110.6920		110.6920	110.6920	110.6920	
10	Fuel Cost (\$000s) (line 7 x line 9)	66	90	1,413	1,569	1,523	-	2,390	3,913
11	Storage Demand (5)				42				465
12	Storage Commodity (5)				300				1,027
13	Storage Cost Variance				-				25
14	Total Storage				342				1,517
15	Total Costs (line 4 + 10 + 14)				39,079				106,079
16	Demand Billing Units (10 ³ m ³ /d) (line 1) (1)				24,720				47,255
17	Demand Cost (line 15 x 70%)				27,355				74,255
18	Gas Supply Demand Rate (cents/m ³ /d) (line 17 / line 16)				110.6609				157.1375
19	Commodity Transportation Billing Units (10 ³ m ³ /d) (line 5 x 30%) (6)				193,291				362,438
20	Commodity Transportation Cost (line 15 x 30%)				11,724				31,824
21	Commodity Transportation Rate (cents/m ³) (line 20 / line 19)				6.0653				8.7805

Notes:

- (1) Based on 2013 Board-approved (EB-2011-0210) total demand billing units.
- (2) Exhibit A, Tab 2, Appendix A, Schedule 1, p.1, column (a).
- (3) Conversion of GJ to 10³m³ based on 2013 Board-approved heat value of 37.51 GJ/10³m³.
- (4) Based on 2013 Board-approved (EB-2011-0210) throughput volumes without MAV, with adjustments from 2014 and 2015 LRAM.
- (5) Based on 2013 Board-approved (EB-2011-0210) Storage Demand and Commodity Rate 100 allocation.
- (6) Based on 2013 Board-approved (EB-2011-0210) transportation block 1 throughput volumes without MAV, with adjustments from 2014 and 2015 LRAM.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 2, Appendix A, Schedule 10

What are the impacts, if any, on transportation (as opposed to bundled transportation) customers in the North of Union’s proposals concerning upstream transportation fuel costs and cost allocation and rate design for gas storage and transportation?

Response:

Union North T-Service customers are not impacted by Union’s proposed changes to the recovery of upstream transportation fuel costs and Union North storage and transportation cost allocation and rate design.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators (“OAPPA”)

Reference: Exhibit A, Tab 3, p. 9, Lines 17-20

- a) What is the rationale for Union’s proposal to clear any balance in the Base Service North T-Service TransCanada Capacity Deferral Account to all customers who are eligible for the service rather than only those who use the service?
 - b) What factors could affect the number of eligible customers from one year to the next?
-

Response:

- a) Please see the response at Exhibit B.APPrO.3 f).
- b) The number of eligible customers from one year to the next may be impacted by:
 - i) Customers in Union’s North East Zone switching from T-Service to either Bundled-T or sales service.
 - ii) Customers in Union’s North East Zone switching from either Bundled-T or sales service to T-Service.
 - iii) T-Service customers in Union’s North East Zone closing.
 - iv) New customers establishing a T-Service contract in Union’s North East Zone.
 - v) T-Service customers in Union’s North East Zone switching from Firm service to Interruptible service.
 - vi) T-Service customers in Union’s North East Zone switching from Interruptible service to Firm service.
 - vii) Existing T-Service customers that did not elect the service initially choosing to take the service.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Exhibit A, Tab 1, pp.20-22

Please expand Table 1 (DCQ Allocation) to show the allocations for the next 5 years.

Response:

Union does not anticipate any changes in the percentage allocations for supply sourced at Empress or Dawn for the Union North East and Union North West Zones beyond November 1, 2017. To the extent that Union makes changes the gas supply portfolio as part of the annual gas supply plan, Union will update the percentage allocation as necessary.

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Exhibit A, Tab 2

On what basis does Union’s IRM Framework permit it to adjust its approved cost allocation methodology, as proposed in this application, before its 2019 rebasing application?

Response:

Union is proposing to adjust its approved cost allocation methodology in this proceeding, rather than in 2019 (Union’s next cost of service proceeding) in order to mitigate the large deferral impacts that would result from converting long-haul TransCanada transportation contracts to short-haul transportation contracts. The proposed changes 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 GAS LIMITED

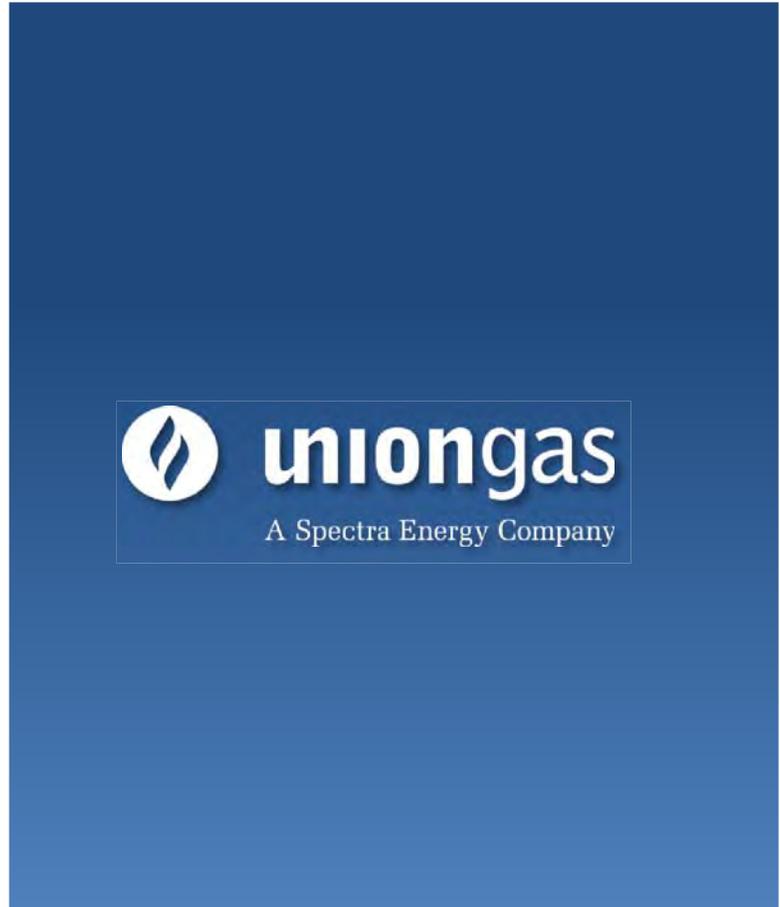
Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Exhibit A, Tab 2, p. 3

Please provide a copy of the referenced 2016-2018 gas supply plan.

Response:

Union’s 2015/16 Gas Supply Memorandum was filed in EB-2015-0116, Union’s 2016 Rates evidence. Please see Attachment 1.



2015/16 Gas Supply Plan Memorandum

September 2015

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1. INTRODUCTION

This document provides an overview of the 2015/16 Gas Supply Plan (“GSP”) and includes the underpinning assumptions and the market context from which it was formed. This includes future trends that may impact the GSP going forward.

1.1 Overview of the Gas Supply Planning Process

The objective of Union’s GSP is to create an efficient supply portfolio that will meet the demands of sales service and bundled direct purchase (“DP”) customers, while meeting the overall gas supply planning principles.

Union’s GSP provides the strategic direction guiding the Company’s long-term supply acquisition process. The GSP does not commit Union to the acquisition of a specific supply type or facility, nor does it preclude Union from pursuing a particular supply. Rather, the GSP identifies the transportation and supply volume requirements to meet annual, seasonal and design day demand for sales service and bundled DP customers. Union recognizes that the gas supply planning process is dynamic, reflecting changing market forces.

1.2 Summary of Union North and Union South

In Ontario, natural gas is a significant and critical energy source relied on for providing heat and hot water to homes and institutions, fuelling manufacturing plants and generating electricity. Approximately 950 PJ of natural gas is consumed annually in Ontario in residential, commercial, industrial and power generation markets. Approximately 70% of homes in Ontario use natural gas for heating and producing hot water. These applications operate on demand, meaning that consumers expect the energy to be readily available to be used when needed.

Home owners in Ontario depend on a reliable supply of natural gas. The natural gas infrastructure supporting Ontario needs to be robust reflecting the critical role it plays in Ontario, and flexible to allow Ontario to position itself to secure long-term access to economic supply in light of the changing North American supply dynamics.

Union serves approximately 1.4 million customers in northern, eastern and southern Ontario through an integrated network of over 68,000 kilometres of natural gas transmission and distribution pipelines. Total consumption in Union’s franchise areas during 2014 was approximately 569 PJ.

Union operates storage and transmission assets that include 174 PJ of underground natural gas storage at the Dawn Hub and the Dawn Parkway transmission system. Union’s Dawn Parkway system is an integral part of the natural gas delivery system for Ontario, Québec and U.S. Northeast residents, businesses, power plants and industry. The Dawn Parkway system connects these consuming markets to most of North America’s major supply basins, the largest area of underground natural gas storage in North America, and the liquid Dawn Hub.

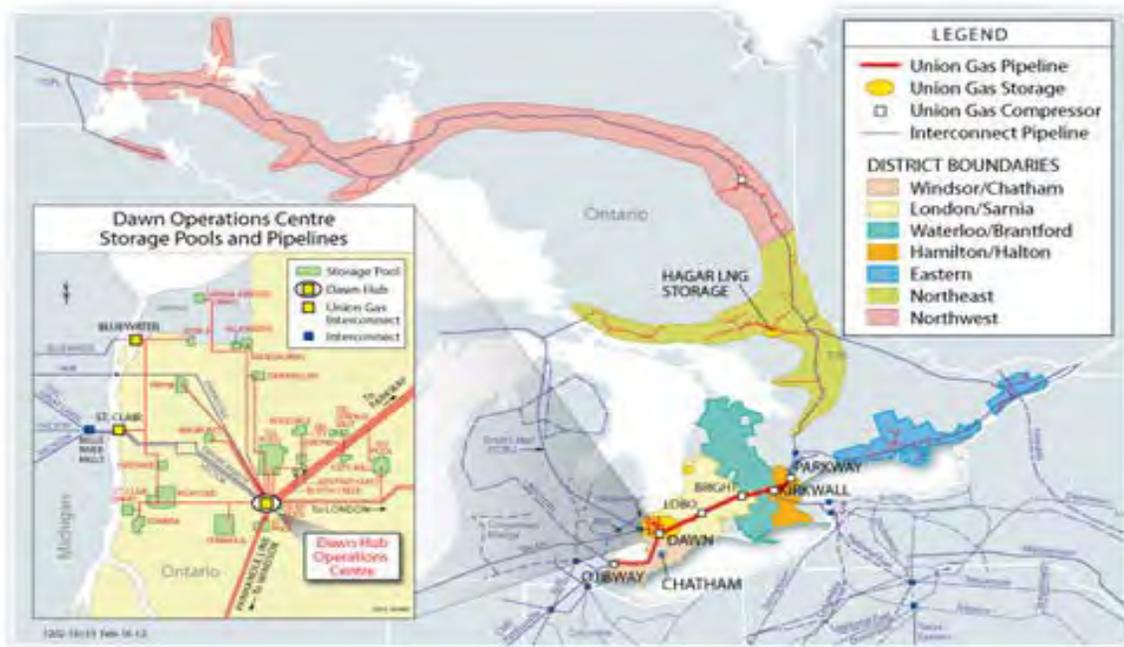
Union’s Dawn Hub has been recognized as a key market hub for the Province of Ontario and the entire Great Lakes region. The growth of Dawn as an energy hub and the availability of competitively and transparently priced natural gas supplies and services that come with an effective and efficient trading hub have benefitted all Ontarians. Dawn is one of the most physically traded, liquid hubs in North America. The liquidity of Dawn is the result of the combination of access to underground storage, interconnections with upstream pipelines, take

away capacity to growth markets, a large number of buyers and sellers of natural gas, and price transparency.

Of the 1.4 million customers that Union serves, approximately 1.3 million are sales service customers that rely on Union to provide their gas supply. These customers are primarily residential and small commercial customers. The remaining customers rely on DP arrangements with marketers and alternate suppliers to meet their gas supply needs. From a volume perspective, sales service customers consumed 189 PJ in 2014, while DP customers consumed 380 PJ.

For gas supply planning purposes, Union is divided into two separate operating areas: Union South and Union North. To serve Union South, Union contracts for transportation capacity on multiple upstream pipelines to access several supply basins or market hubs. These upstream pipelines provide access to supplies in Western Canada, Gulf of Mexico, Chicago, the U.S. mid-continent and the Appalachian shale basins. Union may also serve Union South by purchasing supply at Dawn. Union South includes four Districts; Windsor/Chatham, London/Sarnia, Waterloo/Brantford and Hamilton/Halton shown in Figure 1.

Figure 1



Union North is located throughout Northern and Eastern Ontario, from the Manitoba border in the west, to Cornwall in the east. Union North is depicted by the Eastern, Northeast and Northwest Districts shown in Figure 1 above. Union North is further divided into six delivery areas for gas supply planning purposes. Five of the six delivery areas align with delivery areas on the TransCanada Pipeline Limited (“TransCanada”) Mainline. From West (Manitoba border) to East (Cornwall) these delivery areas are:

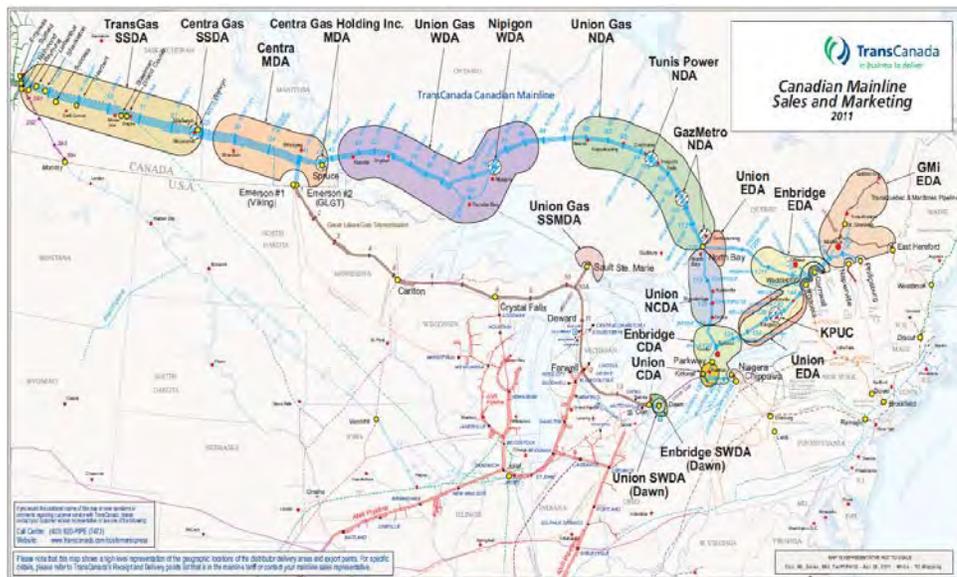
- Manitoba Delivery Area (“MDA”)
- Union Western Delivery Area (“Union WDA”)
- Union North Delivery Area (“Union NDA”)
- Union Sault Ste. Marie Delivery Area (“Union SSMDA”)

- Union North Central Delivery Area (“Union NCDA”)
- Union East Delivery Area (“Union EDA”)

The delivery area that does not align is Union’s Manitoba Delivery Area, which is connected to the TransCanada Mainline at the Spruce interconnect in the Centrat MDA by two additional pipelines (Centra Transmission Holdings and Centra Pipeline Minnesota)

A map of the Union North delivery areas is provided in Figure 2.

Figure 2



Today, all of the customers in Union North are served directly from TransCanada interconnects off of the TransCanada Mainline. Union uses a portfolio of contracted firm assets including TransCanada long-haul firm transportation, TransCanada short-haul firm transportation and TransCanada firm Storage Transportation Service (“STS”) to meet the needs of Union North. In the future, Union will be replacing a portion of the long-haul firm transportation from Empress with short-haul firm transportation from Dawn. Additional details are provided in Section 6.

Union provides distribution services to all customers, however customers continue to have the option to either purchase their supply from the utility or arrange supply through a DP arrangement. Union in-franchise customers fall into four distinct categories.

- Sales Service: Union acquires supply and transportation capacity for these customers in Union North and Union South. Sales service demand requirements are included in the GSP.
- Bundled DP: These customers acquire their own supply. In Union North, Union holds transportation capacity on behalf of bundled DP customers. In Union South, subsequent to the suspension of the vertical slice as of November 1, 2016, bundled DP customers acquire their own transportation. These customers are included in the GSP.
- Unbundled DP: These customers acquire their own supply and transportation from an energy marketer and are not considered within the GSP. This service is available to small residential, commercial and industrial customers in Union South.

- Transportation service (“T-Service”) DP: These customers acquire their own supply and transportation and are not considered within the GSP. This service is available to large contract commercial and industrial customers.

Union performs the role of system operator and supplier of last resort. As system operator, Union manages many operational factors. These include:

- seasonal balancing requirements for sales service customers;
- weather variances outside of checkpoint balancing for bundled DP customers;
- changes in supply and balancing requirements as customers move between sales service and DP;
- differences between daily receipts from TransCanada and the demands of all end users including transportation service customers in the Union North; and,
- unaccounted for gas and compressor fuel variances.

As supplier of last resort, Union is the default supplier to its in-franchise customers. A supplier of last resort must ensure it has the assets or can acquire the assets to serve customers that others choose not to serve or fail to serve (e.g. for reason of financial failure), or any customer who chooses to be a sales service customer and have Union provide gas supply services. DP customers can revert back to sales service on short notice.

2. MARKET CONTEXT

2.1 Emerging Supply Sources

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 3, 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. Since January 2012, natural gas production in the Marcellus and Utica regions has accounted for 85% of the increase in natural gas production as reported in the United States Energy Information Administration Drilling Productivity Report and has driven recent growth in total U.S. natural gas production. 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.

Figure 3
The Appalachian Shale Region



Natural gas utilities frequently look to diversify their natural gas supply portfolio and seek secure, reliable and reasonably priced natural gas. The shift in portfolios by eastern Local Distribution Companies (“LDCs”) reflects the changes in the North American natural gas supply and transportation markets. Market participants (including the Eastern LDC’s) are re-balancing with new supply sources and replacing long-haul transportation contracts from Empress with short-haul transportation contracts from Dawn. For eastern customers that have a choice, these fundamental changes in supply economics will mean that natural gas supply will increasingly be sourced from cost competitive shale gas in closer proximity to the market and less from traditional sources.

Marcellus and Utica shale gas present Ontario consumers, including power, industrial, commercial and residential, with an opportunity to diversify their natural gas supply portfolio and replace declining Western Canadian Sedimentary Basin (“WCSB”) supply. Accessing this new supply will be essential to providing diversity of supply and affordable energy prices to fuel Ontario’s economic competitiveness. With new infrastructure, access to these new, proximate and abundant sources of supply can increase reliability and security for the Ontario natural gas supply portfolio.

2.2 Western Canadian Supply

The majority of Ontario’s natural gas supply needs for the past five decades were met through the large resources of the WCSB. Natural gas from Alberta was supplied to Ontario on the

TransCanada Mainline either across northern Ontario or through the U.S. via Great Lakes Gas Transmission (“GLGT”). Starting in the 1980’s, other pipelines such as the Northern Border Pipeline, the Foothills pipeline and eventually the Vector pipeline (2000), were built to transport WCSB gas to markets east of Alberta, enhancing security of supply and reliability by providing diversity. Over the past ten years, two key trends have been occurring in Alberta: i) Alberta traditional production has matured and is in decline; and ii) domestic use of natural gas in Alberta has increased.

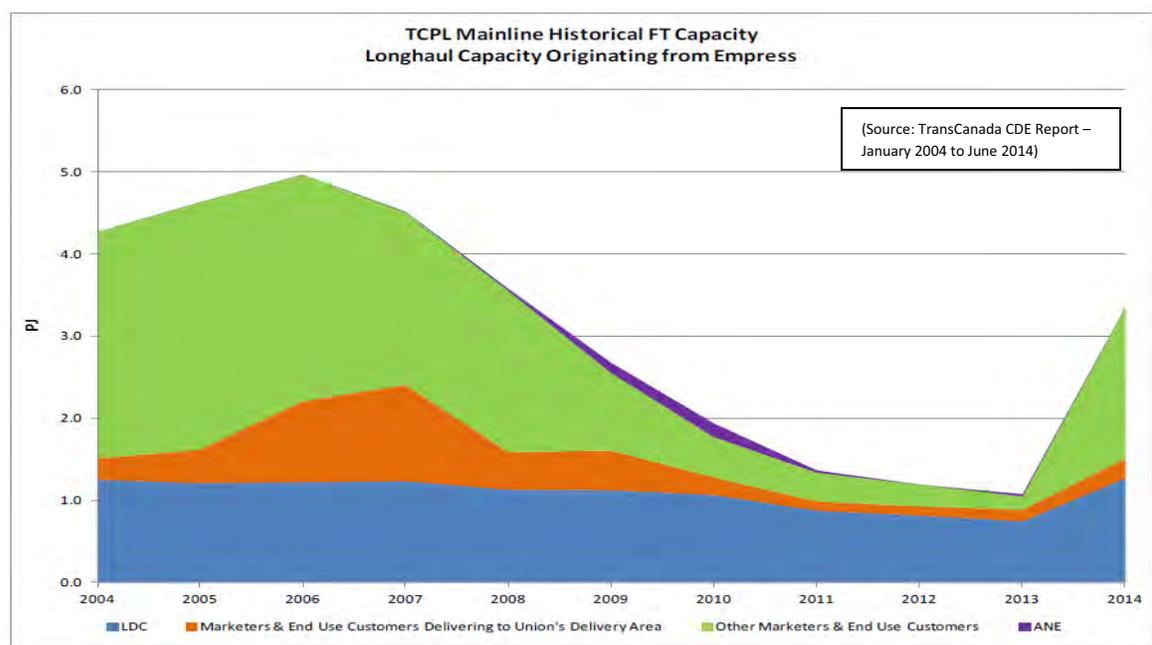
Although shale gas in Alberta and British Columbia is a promising resource with growing production, it is unclear whether these new supplies will be attracted to Eastern markets or LNG export markets.

Western Canadian natural gas has been, and continues to be, an important source of supply for Ontario. However, as a result of the dynamically changing market outlined above, Union, like other eastern LDCs, is proactively looking to diversify its supply portfolio with natural gas sourced from other production basins.

Figure 4 shows the long-haul firm transportation contracts held on TransCanada by customer category starting in 2004. Between 2005 and 2013, there was a continuous decline in the amount of long-haul firm transportation contracts on the TransCanada Mainline. Marketers and end use customers have de-contracted the greatest amount of long-haul firm transportation capacity at almost 4 PJ/d. As tolls from Empress to eastern markets increased above the difference in commodity price between Empress and trading points in eastern markets, marketers de-contracted to seek more economic alternatives.

Since the release of the National Energy Board’s RH-003-2011 Decision, firm long-haul contracts from Empress on the TransCanada Mainline have increased by approximately 2.3 PJ/d (over 2 Bcf/d). These firm long-haul transportation services have largely been secured by shippers on a short-term non-renewable basis as an alternative to contracting for discretionary services (IT and STFT) on the TransCanada Mainline until further short-haul capacity from Dawn to eastern markets is available.

Figure 4



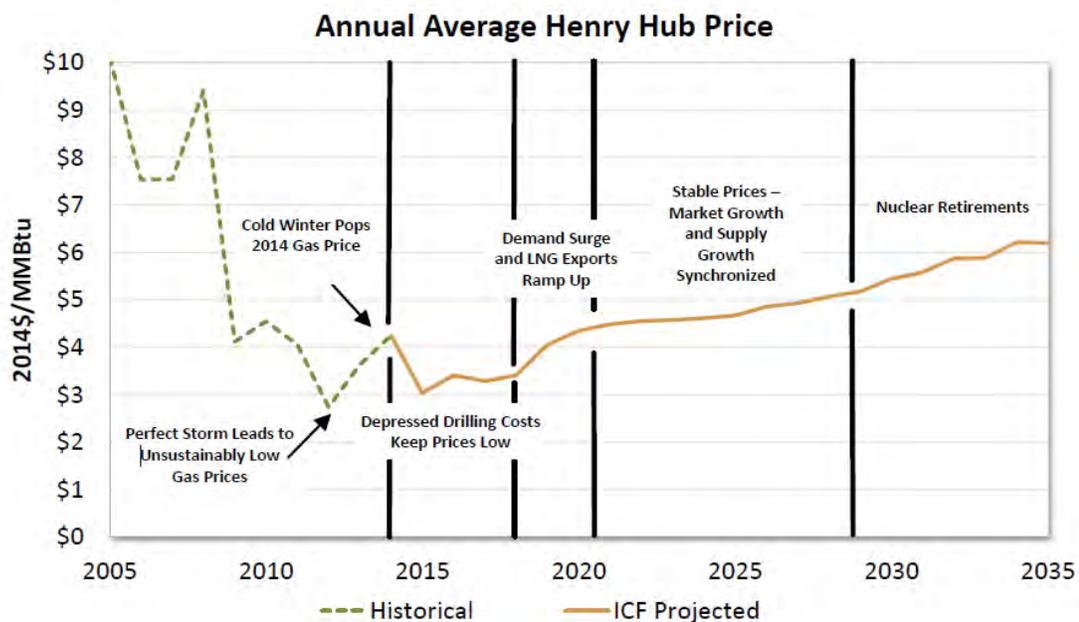
2.3 Natural Gas Price Signals

As the emergence of shale production has increased dramatically since 2007, the increase in available supply has put downward pressure on natural gas prices. As shown in Figure 5, the price of natural gas dropped from a high of nearly \$10 USD/mmbtu in 2005 to current levels under \$4 USD/mmbtu.

In the near term to 2016, prices of natural gas at Henry Hub are expected to continue to range between \$3.00-\$4.00 USD/mmbtu. In the long term, between 2020 and 2030, gas prices at Henry Hub are expected to range between \$4.50-\$6.00 USD/mmbtu. The prices are high enough to foster sufficient supply development, but not so high to reduce demand growth. Beyond 2030, prices are projected to continue a gradual increase, reflecting the increased demand for natural gas from electricity generators and replacement of nuclear facilities.

The projections in Figure 5 were provided by ICF International (“ICF”) in July 2015.

Figure 5



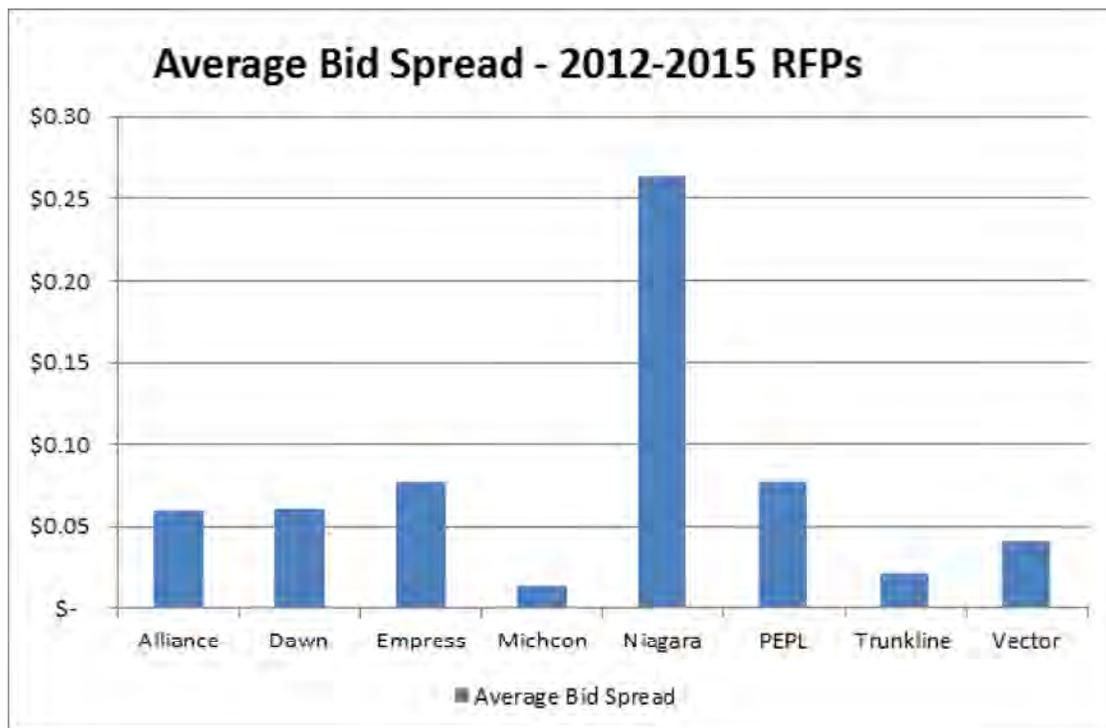
Natural gas supply costs are an important consideration in the GSP and when Union considers new supply basins. However, Union must balance the benefits of all the attributes of the guiding principles and the requirement to ensure customers receive secure, reliable, diverse supplies of natural gas at a prudently incurred cost.

To ensure that gas supplies are acquired at a prudently incurred and reasonable cost, Union follows specific gas procurement policies and procedures, as accepted by the Board¹, to govern commodity purchases including a Request for Proposal (“RFP”) process. Union’s gas commodity purchases are impacted by the characteristics and traits of the specific supply points or basins where Union purchases supplies. Each of these points have different liquidity and supply characteristics. Certain points have a large number of active parties and volume

¹ EB-2011-0210, Exhibit D1, Tab 1, Appendix A.

trading activity and others do not. Having many suppliers being able to supply at a specific point, along with other buyers, creates an environment of higher liquidity and more efficient gas purchases. One measure of efficiency is price transparency. This means that if there is an efficient and competitive market, the variation in prices Union receives through its RFP process will be quite small. For example, you would expect to see a smaller variation between the various offers in a more liquid or effective market than one that isn't. Figure 6, summarizes the average spreads of all offers Union has received at the various basins/points Union purchases supply at, since 2012. The spread of bids is considered to be the price difference between the highest bid and the lowest bid offered in response to the same RFP. As indicated above, a smaller variation between the bid offers signify a more liquid or effective market.

Figure 6



These characteristics and traits can potentially change over time as infrastructure into and out of the various points/basins evolves. The amount of supply relied upon and purchased at each of these points needs to be evaluated from time to time.

2.4 Transportation / Pipeline Changes

As supply and transportation market options change, so does Union's gas supply mix and how gas is transported to Ontario. Unchanged, however, is Union's application of the gas supply planning principles and the requirement to ensure customers receive secure, reliable, diverse supplies of natural gas at a prudently incurred cost. When Union considers a new supply basin, new upstream transportation capacity or existing transportation capacity up for renewal, alternatives are considered. A landed-cost analysis is completed and filed when a new transportation path is contracted for, in accordance with the Board-approved EB-2005-0520 Settlement Agreement. The analysis for new transportation paths included in Union's 2015/16

GSP will be filed as part of Union's 2015 Disposition of Non-Commodity Deferral Account Balances and Earnings Sharing Amount evidence in the spring of 2016.

Until the 1950's, Union sourced its natural gas supplies through local Ontario production, manufactured gas, and imported U.S. supplies. In the late 1950's, the construction of the TransCanada Mainline connected western Canadian supplies to eastern Canadian consuming markets. By the 1990's, up to 90% of Union's system supply portfolio was sourced from western Canada, and was predominantly transported to Ontario via TransCanada. Through the 1990's, Union introduced more supply diversity into the Union South portfolio from U.S. locations (i.e. Panhandle, Vector) to increase security of supply.

North American natural gas markets are undergoing a dramatic change in supply dynamics recently. 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.

Natural gas utilities, through their planning process, look to diversify their natural gas supply portfolio and seek secure, reliable and reasonably priced natural gas. The shift in natural gas supply portfolios by eastern LDCs reflects the changes in the North American natural gas supply and transportation markets. Market participants are re-balancing with new supply sources and replacing long-haul transportation contracts with short-haul transportation contracts.

Union has made considerable changes in its transportation portfolio since 2010 to react to these changing supply dynamics. For example:

- 1) Union committed to a long term short-haul transportation contract from Niagara to Kirkwall for 21,101 GJ/d to gain access to new emerging Marcellus supplies starting November, 2012.
- 2) In Late 2010, Union provided notice to Alliance Pipelines to terminate the transportation agreement that supplied WCSB supplies to Union South, to reduce the reliance on the declining WCSB supplies effective November 30, 2015.
- 3) Since 2012, Union made numerous elections on TransCanada to convert long-haul contracts from Empress to short-haul contracts from Parkway to enhance diversity and security of supply through access to Dawn for Union North. These have been delayed due to the need for the TransCanada Settlement Agreement but will now start to become effective in 2016. This is discussed further in Section 6.
- 4) Union anticipates increasing supply diversity and security of supply through a transportation contract with the NEXUS pipeline to be effective November 1, 2017. The NEXUS project is designed to transport supplies of Appalachian shale gas production to the Dawn Hub. This would create a direct connection of the single largest and fastest growing natural gas supply basin in North America to Ontario. The NEXUS pipeline project is described in more detail in Section 6.
- 5) As discussed in Section 3.3, in anticipation of sourcing supply from the Appalachian shale through the NEXUS contract, Union contracted for a market based transportation service between Dominion South Point (Marcellus) and Dawn for 20,000 Dth/d for one year effective November 1, 2015. This contract will allow Union to develop relationships with potential NEXUS suppliers in Appalachia and gain experience purchasing Marcellus/Utica supply.

3 GAS SUPPLY PLANNING OBJECTIVES AND PRINCIPLES

The GSP defines the gas supply requirements and the necessary upstream transportation capacity and assets to meet customers' annual, seasonal and design day gas delivery. Union's Gas Supply portfolio is guided by a set of principles that are designed to ensure customers receive secure, diverse gas supply at a prudently incurred cost.

The principles are as follows:

- Ensure secure and reliable gas supply to Union's service territory;
- Minimize risk by diversifying contract terms, supply basins and upstream pipelines;
- Encourage new sources of supply as well as new infrastructure to Union's service territory;
- Meet planned peak day and seasonal gas delivery requirements; and,
- Deliver gas to various receipt points on Union's system to maintain system integrity.

These principles have been presented to and accepted by the Board² on a number of occasions. Most recently these principles were presented to the Board in Union's 2014/15 Gas Supply Memorandum filed as part of the 2014 Disposition of Deferral Account Balances and 2014 Earnings Sharing Amount (EB-2015-0010).

A description of each guiding principle and how this balance is achieved, is provided below.

3.1 Ensure secure and reliable gas supply to Union's service territory

Union has an obligation to ensure its firm sales service and bundled DP customers (i.e. residential and commercial customers) have access to secure and reliable gas supply sources. This includes firm upstream transportation contracts to deliver this supply to Union's franchise areas. Union also provides a load balancing function for all sales service and bundled DP customers to manage the seasonal differences between supply and demand. Union's obligation is to provide gas supply and transportation capacity for sales service customers and transportation capacity for bundled DP customers. To meet this obligation Union uses a combination of firm upstream transportation contracts, Dawn sourced supply and storage capacity. Union ensures adequate firm capacity is available on a sustained basis to meet firm design day and annual demands through transportation capacity contractual rights. This includes a combination of long-term transportation contracts with third parties, transportation contracts with guaranteed renewal rights, as well as dedicated Union storage, transmission and distribution assets.

3.2 Minimize risk by diversifying contract terms, supply basins and upstream pipelines

Union's current upstream transportation portfolio and related supply are diversified with respect to supply basin access, gas supply producers and marketers, contract term and transportation service provider. Union's approach to diversifying the portfolio of firm assets is analogous to a prudent investment portfolio where diversity of funds, risk and term are critical to a successful portfolio.

² EB-2013-0109, Decision and Order, p. 8

In Union South, Union utilizes capacity on multiple upstream pipelines to access several supply basins or market hubs. These pipelines provide access to supplies in Western Canada, Gulf of Mexico, Chicago, the U.S. mid-continent and Marcellus through Niagara. The GSP also includes Dawn purchases as part of the Union South supply portfolio. Union purchases gas from suppliers under a North American Energy Standards Board (“NAESB”) contract. Union has NAESB contracts with approximately 90 suppliers. The portfolio of suppliers and upstream transportation contracts provides diversity and reduces the exposure to price volatility for Union South customers. It also provides Union the flexibility to manage to its seasonal inventory targets.

Union also manages risk to customers by diversifying the length of the contract terms to provide flexibility in managing the upstream transportation portfolio. In Union South, contract terms range from one to 15 years. Union holds renewal rights on the majority of these contracts at expiry date. In Union North, Union’s long-haul TransCanada firm contracts renew on a two-year rolling basis. Union is taking steps to introduce Dawn supplies into the Union North portfolio starting as early as November 1, 2015, however, 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 later in 2016 when TransCanada facilities are expected to go into service.

For gas supply purchases, the sales service supply portfolio consists of annual and multi-year terms, seasonal, monthly, and in rare cases, daily purchases. In addition, Dawn delivered service in the Union South supply portfolio can be re-sized monthly and annually to manage changes in demand.

3.3 Encourage new sources of supply as well as new infrastructure to Union’s service territory

Union continues to seek new sources of cost-effective supplies to serve its customer base either through accessing new supply sources with existing infrastructure or participating in longer-term projects to encourage the development of new infrastructure to and through Ontario. The development of new supply sources and the related infrastructure often require long-term commitments. In the Board’s EB-2010-0300 / EB-2010-0333 Decision (p. 7), the Board recognized the role that regulated utilities play in supporting new infrastructure development:

“The Board recognized that the enrolment of regulated utilities for such long term arrangements would be a necessary and desirable element in new infrastructure development...”

Union supports the development required to bring new supply sources to or through Ontario. For example, Union entered into a market based transportation contract providing a market based service between Dominion South Point (Marcellus) and Dawn. This contract will allow Union to develop relationships with potential NEXUS suppliers in Appalachia.

In addition, Union supports the infrastructure required to allow new supply sources to flow to eastern and northern Ontario. In order for all Ontario natural gas customers to access new emerging supply, new infrastructure at Parkway and between Parkway and Maple on the TransCanada Mainline is required. The required infrastructure on Union and Enbridge systems has been approved by the Board (EB-2012-0433 / EB-2013-0074 / EB-2012-0451). In its Decision, the Board stated:

“The project is part of a group of projects, including Enbridge’s GTA Segment A pipeline and TransCanada’s proposed King’s North pipeline that will facilitate greater flows of mid-continent natural gas into Dawn for transportation to downstream markets. The projected benefits of these projects stem from an enhanced diversity of supply, gas costs savings, and enhanced liquidity at Dawn.”(p.22)

This infrastructure will provide additional diversity to Union North starting in 2016 based on the best available expectation of when the TransCanada facilities will go into service. In addition, Union has committed to the NEXUS Transmission Project to provide support for significant infrastructure to bring new supplies and suppliers to Dawn to enhance the liquidity of the Dawn Hub. This is discussed further in Section 6.

3.4 Meet planned peak day and seasonal gas delivery requirements

Inherent in the obligation to meet sales service and bundled DP customers’ gas supply needs is the requirement to construct a gas supply portfolio that will meet:

- Design day requirements – to provide service to sales service and bundled DP customers on the day of highest anticipated design day demand in each delivery area.
- Seasonal/annual requirements – to be able to meet the annual requirements of the markets while balancing the summer / winter load changes.

A further description of how Union meets these requirements is provided in Section 5.

3.5 Deliver gas to various receipt points on Union’s system to maintain system integrity

The Union South transportation portfolio has delivery points at Dawn, Parkway, Kirkwall, St. Clair and Ojibway. In addition to the physical connections Union has with adjoining pipelines, it is also Union’s practice to contractually receive gas at multiple points. This practice provides two benefits.

First, it maintains system integrity as Union is not reliant on one receipt point for all of its gas supplies. A system interruption or upset at one receipt point would not cause a complete supply failure to Union’s system.

Second, delivery to multiple receipt points allows Union to minimize its pipeline facilities in the area. For example, the delivery of gas at Ojibway enables the Dawn Ojibway transmission system to be smaller than would otherwise be necessary to meet design day requirements. In this case, if Union receives gas at Ojibway, Union does not have to ship the equivalent volume from Dawn to Ojibway.

Union needs to balance the value of contracting and relying on 3rd party providers and the continued cost and reasonableness of doing so when compared to physical alternatives. For example, Union has reduced the reliance it had on upstream supplies serving the Sarnia area and replaced that reliance with the Sarnia Expansion Project in early 2015³.

In response to customer’s requests, Union is in the process of moving the Parkway Obligation for DP customers to Dawn⁴. Union is also reducing the reliance on deliveries at the east end of

³ EB-2014-0333.

⁴ EB-2013-0365.

its system on behalf of sales service customers due to the higher relative cost of TransCanada long-haul deliveries to Union into the Union CDA.

This trend is supported by the increased security and reliability and expansion of the Dawn to Parkway system, including Loss of Critical Unit (“LCU”) protection across the entire length of the Dawn to Parkway transmission system as discussed in Section 6.

4 GAS SUPPLY PLANNING PROCESS

Union’s GSP is a five-year rolling plan that is prepared annually, with the primary focus being the first two years. The annual gas supply planning process is summarized at Appendix A. The GSP is finalized and receives executive approval in the third quarter each year.

The GSP identifies the efficient combination of upstream transportation, supply purchases, and storage assets required to serve sales service and bundled DP customers’ annual, seasonal and design day gas delivery requirements, while adhering to the planning principles described earlier. Once the design day demands are calculated, the planning process continues with a monthly forecast by market of total consumption by each delivery area in Union North and Union South. The GSP is then used to generate a forecast of natural gas supplies, transportation and storage services required by Union’s in-franchise sales service and bundled DP customers. The upstream transportation contracts in the GSP, along with storage assets, are managed by Union to provide an integrated service to all sales service and bundled DP customers. The costs for both the supply and the transportation services identified in the GSP are recovered through commodity, transportation and storage charges.

Union’s integrated supply planning is a complex process that incorporates demand related items such as customer growth, normalized weather, design day requirements, customer consumption patterns and economic outlooks. Demands are analyzed relative to Union’s existing system design and gas supply portfolio (supply and transportation). The firm needs of these customers are analyzed to ensure the appropriate level of firm transportation and storage assets are held to meet design day, seasonal and annual demand. The GSP is appropriately sized and there are no assets in the GSP in excess of those necessary to meet firm customer requirements.

To complete the Plan, Union uses gas supply planning software known as SENDOUT. SENDOUT, supplied by ABB, is a widely recognized gas supply planning tool and is used by a number of LDC’s in North America. Union has used this software for 28 years and it has been presented in a number of rate applications since 1987.

Union uses SENDOUT to ensure that the assets incorporated in the GSP meet annual, seasonal, and design day demands. SENDOUT determines the amount of capacity, supply and associated costs required to meet customer demands. Union’s five-year GSP includes the following key inputs and assumptions:

- The design day demand forecast for each Union North delivery area;
- Union’s in-franchise monthly demand forecast based upon customer location, supply arrangement, storage requirement and service type (excludes Transportation Service and Unbundled service);
- A monthly commodity price forecast using the same pricing methodology as the Quarterly Rate Adjustment Mechanism (“QRAM”) process;
- Upstream transportation tolls in effect at the time the forecast was prepared;

- All upstream transportation contracts held by Union plus existing obligated Ontario deliveries for the bundled DP market;
- Sales service and bundled DP storage requirements that are cycled completely each year in the Plan with storage full on November 1 and empty by March 31 assuming normal weather;
- Applicable heating value;
- Sufficient inventory at February 28 to meet the design day requirements for sales service and bundled DP customers;
- No migration between sales service and bundled DP customers for the term of the Plan. Any migration is therefore a risk that needs to be managed by Union.
- 9.5 PJ of system integrity space. This storage space is used in a number of ways to maintain the operational integrity of Union's integrated storage, transmission and distribution systems. The GSP has 6.0 PJ of this space filled with system integrity supply while the remaining 3.5 PJ is left empty as contingency space.

The outcome of the annual planning process is a five-year plan that provides a monthly volumetric forecast of supplies (by transportation path) and demands and a monthly forecast of Union's costs to serve its sales service and bundled DP customers. The key inputs and outputs of the GSP are discussed in more detail below.

5 UNION'S 2015/16 GAS SUPPLY PLAN

The GSP defines the gas supply requirements and the necessary upstream transportation capacity and assets needed to meet customers' annual, seasonal and design day demands. The key inputs and outputs, as well as the changes, are described in more detail below.

5.1 Design Day Demand

Union ensures assets are available to provide firm service to customers on an extreme cold weather day called a design day. A design day is measured in heating degree days ("HDD"). A HDD is a measure of temperature that identifies the need for heating and occurs when the average daily temperature falls below 18 degrees Celsius. An average daily temperature of zero degrees Celsius equals 18 HDD. The main information required to develop the plan to serve design day demand includes weather, firm customer demand, forecast demand growth and required assets.

Weather

Union uses the coldest historically observed degree day for the South and each of the six delivery areas in the North.

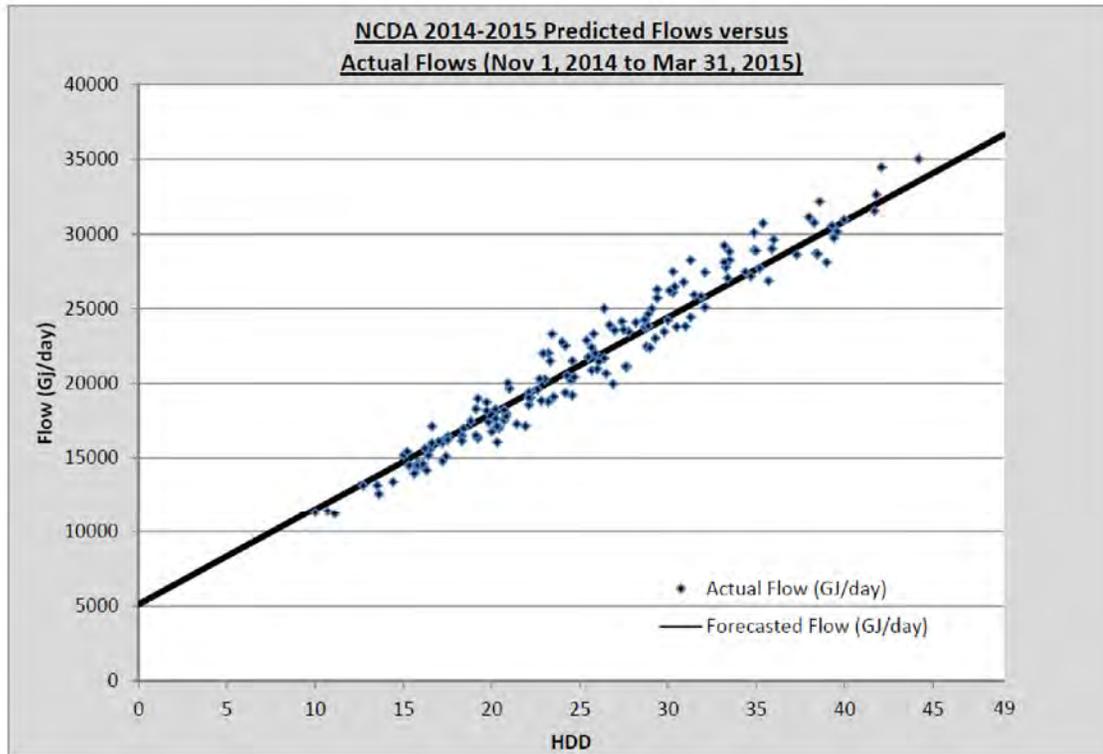
Firm Customer Demand

The firm customer design day demand is forecast by multiplying the firm use per degree day factor with the coldest observed degree day.

Union develops a trend line using the daily firm customer consumption from the prior winter and the associated daily degree day data. Union extrapolates the calculated trend line to the coldest observed degree day resulting in the estimated design day demand for

each delivery area. An illustrative example of the degree day data and the trend line calculation for the NCDA is provided in Figure 7.

Figure 7



Forecast Demand Growth

The design day demand described above is adjusted by the winter season growth factor reflected in the demand forecast. This forward looking forecast growth factor is added to the firm customer demand noted above, to provide a total forecasted design day demand for each delivery area. For winter 2015/16, the growth factor for Union North is an increase of 1.6%.

Required Assets

The design day requirements are met by holding storage and transportation capacity. Design day weather does not occur every year, however, the assets must be available should that design day occur given Union's role as the supplier of last resort for sales service and bundled DP customers.

In order to meet these design day requirements for Union South and Union North, Union uses a combination of contracted upstream transportation capacity, and Union's storage,

transmission, and distribution assets. The use of storage assets is more cost effective than contracting for full, all year firm upstream transportation capacity. Since Union's storage and transmission assets reside within its South franchise area, the role of the gas supply portfolio is different on a design day in Union South than in Union North. The North design day demand is a direct input into the GSP, while Union South design day demand is an input into the Storage and Transmission System Plans.

For March 31, Union assumes that the storage levels will be 0 plus 6 PJ of integrity gas remaining for Union North and Union South combined. Average winter demands are met through a combination of gas flowing on upstream transportation and storage withdrawals.

The differing methodologies are described below. These methodologies are consistent with what was reviewed in the Sussex report in EB-2013-0109 at Exhibit C, Tab 2 and Tab 3.

5.1.1 Union South Design Day

Union South design day demand is the total firm requirement of the in-franchise sales service, bundled, unbundled and transportation service customers.

The design day weather condition for Union South is based on the coldest observed degree day experienced which is 43.1 measured at the London airport.

For Union South, the GSP is focused on purchasing upstream supply and transportation to meet Union's annual demand requirements. The annual volume requirement is divided by 365 days such that the upstream pipe flows at 100% utilization each day of the year. During times when usage is less than the upstream supply, the excess supply is injected into storage at Dawn. When demands are greater than the upstream supply, gas is withdrawn from storage and transported to Union South in-franchise customers.

The role of meeting the entire design day needs for Union South resides within the Storage and Transmission System Plans. The GSP is only a component of this broader exercise and only manages the average day supply needs for Union South sales customers. To meet the design day requirements of Union's south in-franchise customers, Union must have a sufficient volume of gas in storage for the seasonal and design day demand requirements (Storage Plan) and sufficient transportation assets to move the upstream supply and gas out of storage into the transmission pipeline systems and to markets. The Transmission System Plan requires Union to have enough transmission assets to move the design day demand from the systems supply points to its customers on design day. If the transmission or storage assets are not sufficient to meet design day and seasonal requirements, Union will build additional assets or purchase services to meet this shortfall. Union's distribution systems are also designed to meet design day requirements. Design days do not occur every year, however, the assets must be available should the design day occur.

Although the design degree day of 43.1 has not changed in Union South, the customers' demands on a design day have increased. The design day requirements in the south have increased from 2,868 TJ/d to 2,900 TJ/d. The resources available to meet Union's design day in the South are shown in Figure 8.

Figure 8

Winter 2015/2016 Design Day
Union South Design Day Demand and Resources (TJ/day)

Demand	
Union South*	2,900
 Supply	
Storage at Dawn	1,483
Non-obligated (e.g. Power Plants)	210
TCPL Empress to Union CDA	67
Trunkline	21
Panhandle	39
Market Based Transport	21
TCPL Niagara	21
Ontario Parkway	334
Vector	111
MichCon	74
Ontario Dawn	467
Customer Supplied Fuel	52
Total Supply	2,900
* includes Sales Service, Bundled Direct Purchase, T-service, Unbundled	

5.1.2 Union North Design Day

Union North design day demand is the total firm requirement of the in-franchise sales service and bundled DP customers in each of Union’s six Northern delivery areas. Union does not include demand for customers with transportation service contracts as these customers are required to provide their own transportation services on TransCanada to Union to provide Union sufficient supply to meet their design day requirements.

The design day weather condition is based on the coldest observed degree day experienced in each of the six delivery areas. The design degree day for the Northern Delivery areas is as follows:

WDA	56.1	Thunder Bay
MDA	54.7	Fort Frances
SSMDA	48.2	Sault Ste Marie
NCDA	49.0	Muskoka / Gravenhurst
NDA	51.9	Sudbury
EDA	47.1	Kingston

For Union North, the firm design day demand is a direct input into the GSP. Union is required to purchase transportation services to move the firm design day demand from either Parkway, Dawn or Empress to the delivery areas where the gas is consumed.

Union's Northern delivery areas are connected to TransCanada's Mainline and are physically separated from Union's Dawn storage and transmission pipeline assets. Therefore, Union requires firm upstream transportation services to connect each of the six northern delivery areas to a supply source (currently at Empress). From Dawn, additional firm transportation services (primarily STS) are required to move gas from storage to the northern delivery areas.

The Union North gas supply portfolio ensures there is sufficient, but not excess, firm transportation services available to meet the firm design day demand requirements in each delivery area. The full suite of assets is only used in each delivery area when a design day occurs. Since Union is required to contract for transportation services to meet design day demand, there are days when the pipe is not fully utilized. Union currently uses a portfolio of firm services and assets including TransCanada firm transportation, TransCanada STS firm and other TransCanada services to meet its design day demand requirement.

Design day shortfalls in this GSP were identified in Union North (14,300 GJ for the winter of 2015/16). The design day demands for the 2015/16 GSP are based on a trend line using the daily firm customer consumption from the 2014/15 winter and the associated daily degree day data and the forecast anticipated in the 2015/16 demand forecast. The shortfall identified is largely due to actual demands for 2014/15 being higher than what was forecasted in the 2014/15 GSP and forecast growth from 2014/15 actual demands to 2015/16 forecast demands.

Figure 9 illustrates what services and assets are relied on in the GSP to meet design day demand. The design day requirements in the North have increased from 479 TJ/d to 493 TJ/d.

Figure 9

Winter 2015/2016 Northern Firm Design Day Demand in TJ/day

Design Day - Heating Degree Day (HDD)	Delivery Area						Total
	MDA	WDA	SSMDA	NDA	NCDA	EDA	
	54.7	51.6	48.2	51.9	49.0	47.1	
Design Day Demand by Delivery Area	6	103	99	293	41	249	791
Composed of:							
T-Service Firm Contract Demand	-	19	61	128	3	86	297
Union Responsible:							
Bundled Firm General Service Demand	6	84	38	152	39	162	480
T-Service Storage Redelivery Demand	-	-	-	13	-	-	13
Firm Demand - Union Responsible	6	84	38	165	39	162	493
Capacity & Supply to meet Firm Demand - Union Responsible							
Upstream Transportation - Capacity							
TCPL Long Haul from Empress	6	48	8	50	9	59	180
Supply - Upstream Transportation							
Union	5	42	5	40	5	43	141
Direct Purchase	1	6	3	11	4	16	40
	6	48	8	50	9	59	180
Redelivery from Storage							
TCPL STS Withdrawals - contracted	-	31	35	48	14	69	197
TCPL STS Withdrawals - pooled in/(out)	-	-	(5)	(11)	16	(1)	-
TCPL STS Withdrawals - flowed	-	31	30	37	30	68	197
TCPL S/H from Parkway	-	-	-	-	-	35	35
	-	-	-	-	-	35	35
Supply from Upstream Transport & Storage	6	80	38	88	39	162	412
Firm Demand - Union Responsible	6	84	38	165	39	162	493
Supply from Upstream Transport & Storage	6	80	38	88	39	162	412
Excess/(shortfall) by Delivery Area	0	(4)	0	(77)	0	0	(81)
Excess/(shortfall) by delivery area	0	(4)	0	(77)	0	0	(81)
Supply from Other Sources							
Diversions - from Union South transport portfolio							
TCPL Empress - Union CDA		4	-	62	-	-	67
Excess/(shortfall) by Delivery Area			0	(14)	0		(14)

Gas supply flows on the TransCanada long-haul firm transportation to meet Union North customers' seasonal and annual average weather normalized demand requirements. As in Union South, the target is to fill Union North in-franchise storage at November 1 and provide sufficient inventory at February 28 to meet the design day withdrawal requirement.

5.2 Demand Forecast

The GSP for 2015/16 is based upon the 2016-18 weather normalized demand forecast for general service customers and contract rate classes as prepared by Union's demand forecasting team. Total bundled customer forecast volumes, including general service unbundled customers, have increased by 12.8 PJ or 4.9% in Union's 2015/16 GSP from what was reflected in Union's 2014/15 GSP.

The general service forecast has increased by 7.0 PJ in Union South and 3.4 PJ in Union North for a total increase of 10.4 PJ. This is primarily due to:

- Customer growth of approximately 21,000 customers;
- Higher consumption fostered by price elasticity; and,
- Increased use as a result of changes in the weather normalized volumes due to adding the weather from winter 2014/15.

The total contract market has increased by 2.4 PJ consisting of a 0.9 PJ increase in Union South due to expansion projects and a 1.5 PJ increase in Union North due to increased sales service consumption. A comparison of the demand forecast included in the 2015/16 GSP relative to the 2014/15 GSP is provided in Figure 10.

Figure 10

<u>Union Bundled Customer Forecast Demand</u>					
Line No.	Particulars (TJ)	2014/15 Gas Supply Plan	2015/16 Gas Supply Plan	Variance	% change
		(a)	(b)	(c) = (b-a)	(d) = (c/a)
<u>UNION SOUTH</u>					
1	General Service - Sales Service	122,984	128,466	5,481	
2	General Service -BT	10,224	10,644	421	
3	General Service - unbundled	2,586	1,741	-845	
4	General Service -ABC	21,339	23,226	1,887	
5	Sub-total	<u>157,132</u>	<u>164,076</u>	<u>6,944</u>	<u>4.4%</u>
6	Contract - Sales Service	3,554	2,614	-940	
7	Contract - BT & ABC	45,328	47,163	1,835	
8	Sub-total	<u>48,882</u>	<u>49,777</u>	<u>895</u>	<u>1.8%</u>
9	Total Union South (line 5 + line 8)	<u>206,014</u>	<u>213,853</u>	<u>7,839</u>	<u>3.8%</u>
<u>UNION NORTH</u>					
10	General Service - Sales Service	37,340	40,907	3,567	
11	General Service -BT	3,982	3,851	-131	
12	General Service -ABC	7,002	6,986	-15	
13	Sub-total	<u>48,323</u>	<u>51,744</u>	<u>3,421</u>	<u>7.1%</u>
14	Contract - Sales Service	1,344	3,506	2,162	
15	Contract - BT	3,939	3,318	-620	
16	Sub-total	<u>5,283</u>	<u>6,824</u>	<u>1,541</u>	<u>29.2%</u>
17	Total Union North (line 13 + line 16)	<u>53,606</u>	<u>58,568</u>	<u>4,962</u>	<u>9.3%</u>
18	Total Union Forecast Demand (line 9 +line 17)	<u>259,620</u>	<u>272,421</u>	<u>12,801</u>	<u>4.9%</u>

As noted above on lines 1 and 10, sales service demands for the general service market have increased by 5.5 PJ in Union South and 3.6 PJ in Union North. This is driven by customer growth of 14,000 and 7,000 in Union South and Union North, respectively, and an additional 17,000 bundled DP customers that returned to sales service in Union South. A comparison of the number of sales service and DP customers in the 2015/16 GSP relative to the 2014/15 GSP is provided in Figure 11.

Figure 11

Number of Customers by Service classification - Union South

	2014/15	2015/16	Variance
	Forecast	Forecast	
Sales Service	962,627	993,495	30,868
Bundled DP	95,227	87,160	(8,067)
Unbundled DP	25,543	16,615	(8,928)
Total	1,083,397	1,097,270	13,873

For the sales service forecast (the group that Union purchases supply for), the increase in demand due to return to sales service impacts the total supply that Union must purchase for both Union North and Union South. For Union North, Union plans for upstream pipeline transportation capacity for sales service and bundled DP customers so there is no impact to Union's contracted capacity in the north as a result of return to sales service.

For Union South, Union requires additional supply and transportation capacity to meet increased demand as a result of return to sales service supply. The incremental supply requirement is reflected in Union's 2015/16 GSP.

The gas supply/demand balance for sales service customers for the 2015/16 GSP is provided at Appendix B.

5.3 Transportation Portfolio

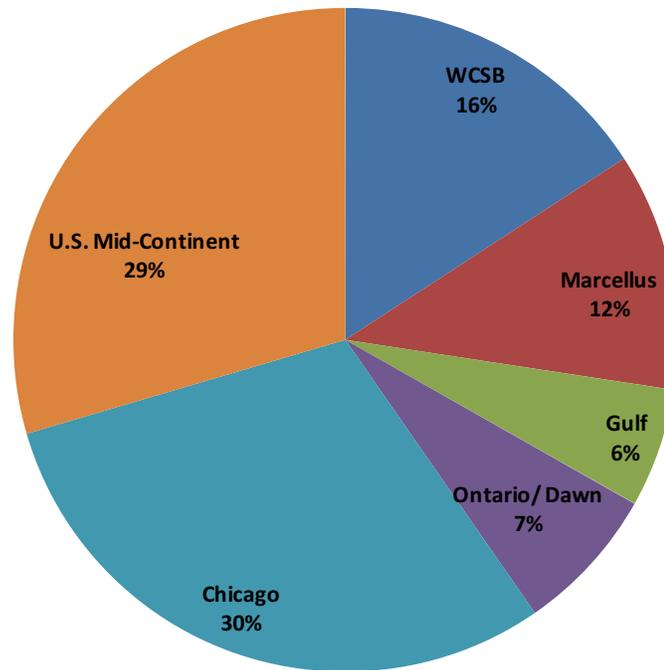
Union holds a combination of firm transportation contracts, Dawn sourced supply and storage capacity to meet the full forecasted annual demand. Firm transportation services provide direct and secure access to a diverse group of supply basins and market hubs in North America.

i) Union South

For Union South, Union holds firm transportation contracts and sources supply at Dawn to meet average annual demand requirements. Union utilizes capacity on multiple upstream pipelines to access several supply basins or market hubs. These pipelines provide access to supplies in Western Canada, Gulf of Mexico, Chicago, the U.S. mid-continent and Marcellus. The GSP also includes Dawn purchases as part of the Union South supply portfolio. Figure 12 demonstrates the sources of supply underpinned by Union's transportation portfolio for Union South sales service customers. (A complete list of the upstream transportation contracts is included as Appendix D).

Figure 12

South System Supply Portfolio
for the period November 2015 to October 2016



ii) Union North

In Union North, Union’s plan uses various transportation services to meet sales service and bundled DP customer annual and design day demands. The transportation capacity necessary to meet design day demands on a firm basis exceeds that required to meet the annual demand requirements.

A detailed listing of the contracts in place to serve Union North annual, seasonal and design day demands for the 2015/16 gas year are provided in Appendix C.

The GSP reflects the effective management of TransCanada capacity by:

- Using TransCanada STS injections, which allow Union to transport excess supply away from Union North to Parkway to be injected into Dawn storage in the summer;
- Using TransCanada STS withdrawals in the winter months to serve weather-driven demands. Gas is withdrawn from Dawn storage throughout the winter and is transported back to Union North via STS withdrawals without the need for contracting additional TransCanada FT capacity to that delivery area; and,
- Using contractual STS pooling rights to group all of Union’s STS rights serving the various Union North delivery areas. This provides Union with the flexibility to serve the individual delivery areas in Union North with gas service in excess of that delivery area’s specific STS rights.

In addition, Union completes the GSP on an integrated basis in order to manage costs for all ratepayers. For example, today Union uses the Union South TransCanada Empress to Union CDA contract to serve two purposes. In addition to meeting average day (annual) requirements for Union South as described above, the Empress to Union CDA contract is also used to meet Union North design day requirements. Historically, Union planned for and utilized diversions of the Union South TransCanada Empress to Union CDA contract to Union North delivery areas for many years without issue. In 2013, TransCanada system operations changed such that upstream diversions were no longer as reliable. Union experienced interruptions of these upstream diversions in December 2013. Union was able to work with TransCanada for a temporary solution that allowed for a delivery point shift to delivery areas in Union North. However, this solution is at the sole discretion of TransCanada and is not guaranteed to be available on an annual basis. As discussed in EB-2014-0261, Exhibit A, Tab 7, in order to ensure a reliable, sustainable, and secure source of supply to Union North markets on design day, Union has committed to 67,000 GJ/d of firm, renewable TransCanada Parkway Belt to Union NDA capacity to meet this requirement, effective November 1, 2016.

5.4 UDC in the Gas Supply Plan

In Union North, the upstream transportation capacity (long-haul, short-haul and STS) is first sized to meet the design day demand requirement. The long-haul capacity is also used to deliver, on each day, the average annual volume to each delivery area. The amount of supply transported on the upstream long-haul capacity needed to meet average annual demand requirements is less than the capacity to meet design day requirements, and therefore, a portion of Union's contract capacity is planned to be unutilized during the year. The difference between total contracted capacity and total demand for both Union North sales service and bundled DP customers results in unutilized capacity or UDC. Subject to finalizing and contracting the transportation capacity required to meet the design day shortfall, the total forecast UDC is 11 PJ in the 2015/16 GSP. If weather is colder than normal and annual consumption is greater, and if it is economical to do so, Union will use this capacity to meet incremental supply requirements in either Union North or Union South subject to TransCanada's authorization of downstream diversions.

Figure 13 shows the total contracted capacity sourcing supply at Empress relative to the annual demand and the resulting UDC in the 2015/16 GSP.

Figure 13

North Transportation Capacity vs Demand
 2015/16 Gas Supply Plan

	<u>PJ</u>
Total Contracted Capacity (179.8 TJ/d)	65.6
Withdrawal from Storage	3.9
less:	
Total Annual System Sales Demand	44.4
Total Annual Bundled DP Demand	14.2
Total UDC	<u><u>11.0</u></u>

In Union South, capacity on multiple different upstream pipelines is utilized to provide service to meet sales service average and seasonal demands. The GSP reflects the effective management of these capacities as there is no unutilized transportation capacity forecast for the 2015/16 gas year as the Plan forecasts a 100% load factor on all the Union South upstream transportation.

5.5 Changes in Upstream Transportation Portfolio

The GSP assumes that all capacity currently contracted with renewal rights will continue to be available in the future. For Union South, the plan excludes the 15-year Alliance/Vector contracts for 80,000 Dth/d (84,405 GJ/d) that will expire November 30, 2015. To replace this capacity, Union contracted for the following:

Capacity	GJ/d
DTE Energy (Michcon)	63,304
Market Based Transport	21,101
Total	<u><u>84,405</u></u>

For Union South, the following contracts which would have expired October 31, 2015 have been renewed for the 2015/16 gas year:

Capacity	GJ/d
Panhandle Eastern Pipeline	10,551
DTE Energy (Michcon)	10,551
Total	<u><u>21,102</u></u>

The GSP has identified approximately 24,500 GJ/d of “uncommitted” supply requirements for Union South. Union will utilize Dawn delivered supplies to meet this supply requirement for the November 1, 2015 to October 31, 2016 period.

The GSP has identified an additional 14,300 GJ/d requirement in Union North to meet design day requirements. Union is currently securing transportation capacity to meet this additional requirement.

A complete listing of the transportation capacity currently contracted for Union North and Union South for the 2015/16 gas year is provided at Appendix C and D.

In addition to the portfolio changes noted above, Union has reflected the Parkway Obligation proposal as filed and approved in EB-2013-0365 and the Vertical Slice changes as contemplated in EB-2014-0145 in the 2015/16 GSP.

5.6 Cost of Gas

The GSP for gas year 2015/16 was finalized in the third quarter of 2015. The transportation tolls and gas prices utilized in the development of the GSP are consistent with those used to set the April 2015 QRAM commodity price. Union then established specific prices for each supply location taking into account the various basis differentials and the foreign exchange rate.

As part of Union’s Incentive Rate Mechanism (“IRM”) Settlement Agreement (EB-2013-0202), Union indicated in Section 4.7.1, that the cost of gas supply, upstream transportation and gas supply balancing would continue to be passed through to customers through the QRAM. Union reflects updated transportation tolls and forecast gas commodity in rates through the QRAM process. Variances in actual gas supply costs and transportation tolls relative to forecast gas supply costs and transportation tolls reflected in rates are captured in Union’s gas supply deferral accounts. Union includes the prospective disposition of gas supply related deferral accounts in the QRAM process.

5.7 Bundled DP Customer Assumptions

The GSP includes all bundled DP demand and contracted Daily Contract Quantities (“DCQ”), and assumes that the number of bundled DP customers remains constant as of January 1, 2015. Union is unable to predict customer migration between sales service and bundled DP. Therefore, for the term of the GSP, customers are assumed to remain with the service they had received effective January 1, 2015.

On an ongoing basis throughout the year, Union continues to monitor the migration between bundled DP and sales service supply. As customers return to sales service supply, Union proactively manages the expected supply requirements by filling any pipe that is returned to Union when the customer returns to sales service supply. In addition, each month, Union purchases incremental supply for demand that is returned without underlying pipe based on forecast activity for the balance of the gas year.

Conversely, for customers that migrate to bundled DP, Union facilitates this movement by displacing planned commodity purchases and allocating upstream transportation capacity, as per the vertical slice allocation methodology approved in the RP-1999-0017 proceeding. As per

EB-2014-0145, the vertical slice program will be suspended through a phased approach, beginning in November 1, 2014 and concluding by November 1, 2016.

5.8 Storage

Union owns 174 PJ of storage. Consistent with the Natural Gas Electricity Interface Review (“NGEIR”) Decision, the allotment of storage space to in-franchise customers is 100 PJ. For the 2015/16 GSP, the in-franchise space requirement is 95 PJ. This leaves 5 PJ of excess in-franchise space which is available for S&T short term sales. This is an increase of 1.4 PJ in the space required for in-franchise needs when compared to 93.6 PJ in the 2014/15 GSP. The increase in in-franchise storage is due primarily to increased demand for Union’s bundled customers.

The in-franchise space of 95 PJ is provided to in-franchise customers to meet the storage requirements of sales service, bundled DP, unbundled and T-service customers. The amount available to in-franchise customers is based on the storage allocation methodologies approved by the Board as part of the Natural Gas Storage Allocation Policies Decision (EB-2007-0724/0725).

The storage space available to sales service and bundled DP customers in Union South and Union North is determined using the Board-approved aggregate excess methodology. This method is defined as the calculation of the difference between total winter demand (November 1 through March 31) and the average annual demand for a 151 day period. This method determines the allocation of storage space based on the following formula:

$$\text{Aggregate Excess} = \text{Total Winter Consumption} - [(151/365) * (\text{Total Annual Consumption})]$$

5.9 Conclusion

Adhering to the gas supply guiding principles, Union continues to establish a GSP that is right sized to meet firm sales service and bundled customer demands with a diverse, flexible, secure, reliable and cost effective portfolio of firm services and assets. Union’s integrated supply planning process incorporates demand related items such as customer growth, normalized weather, design day requirements, customer consumption patterns and economic outlooks. Union plans and contracts for services and assets to provide an efficient combination of upstream transportation, supply purchases, and storage assets to serve sales service and bundled DP customers’ annual, seasonal and design day gas delivery requirements.

As supply and transportation market options change, so does Union’s supply mix and how it is transported to Ontario. Union continues to proactively evaluate new supply and transportation options for Union North and Union South customers. Unchanged, however, is Union’s application of the gas supply planning principles and the requirement to ensure secure, reliable supplies to serve its customers at prudently incurred costs.

6 FUTURE TRENDS THAT MAY IMPACT THE GAS SUPPLY PLAN

Union monitors the North American natural gas industry and identifies how trends may impact Union's future gas supply portfolio. The market context which Union operates is described above and includes the emergence of shale gas, the reduction in available WCSB supplies flowing eastward, and the trend to move from long-haul transportation to short-haul. In addition to these trends, Union also considers recent industry experience particularly that of the extraordinary winter of 2013/14.

6.1 Dawn Parkway System Expansion

Eastern markets, including Union, are seeking to source more supplies from Dawn. This growth at Dawn will need to be supported by increased capacity on the Dawn Parkway System, as well as east of Parkway. In order to identify and serve this requirement, Union held an open season in May, 2012 to solicit customer interest in this path commencing November, 2015. This expansion is part of the Parkway Projects that were approved by the Board in January, 2015 as part of EB-2012-0433 and EB-2013-0074.

Union held a second open season in December 2013/January 2014 for incremental interest on the Dawn Parkway System commencing November, 2016. Union's application for these facilities was filed with the Board on September 30, 2014 under docket EB-2014-0261.

On behalf of the Union sales service, bundled DP customers and T-service, Union has reserved incremental Dawn Parkway System capacity in both the 2015 and 2016 open seasons; the amount of capacity reserved was approximately 70 TJ/d and 169 TJ/d respectively. These transportation capacities, in combination with the incremental TransCanada capacity from Parkway to Union EDA, Union NDA, and Union NCDA will allow Union's northern customers to shift supplies previously sourced from the WCSB to Dawn. Union has executed Precedent Agreements with TransCanada for the 2015 and 2016 TransCanada Parkway to delivery area capacity requirements.

A summary of the transportation portfolio for Union North for 2014-2017, as contemplated in the current GSP, was filed in EB-2015-0181, Tab 1, Section 3.

6.2 Dawn Based Reference Price – EB-2015-0181

Natural 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).

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 Ontario Landed Reference Price is based on the Alberta Border Reference Price (Empress supply) plus transportation tolls and fuel required to ship the supply on TransCanada from Empress to Union CDA.

Union will convert TransCanada long-haul transportation contracts to short-haul transportation contracts, and thereby create access to Dawn for Union North (Union EDA and Union NDA in 2015 and 2016). In addition, Union bid into the 2017 TransCanada open season for 2,000 GJ/day short-haul FT capacity on TransCanada from Union Parkway Belt to the Union NCDA to meet anticipated increases in the design day requirements of the Union NCDA. With these anticipated changes to how Union serves these three Union North delivery areas, supply will predominantly be sourced from Dawn. Union proposes using a Dawn Reference Price to set commodity rates for customers in the new Union North East Zone (Union NDA, Union NCDA and Union EDA) (where approximately 242,000 or 72% of Union North sales service and bundled DP customers reside). The Dawn Reference Price will be a more accurate market price indication of the forecast cost of supply for the Union North East Zone.

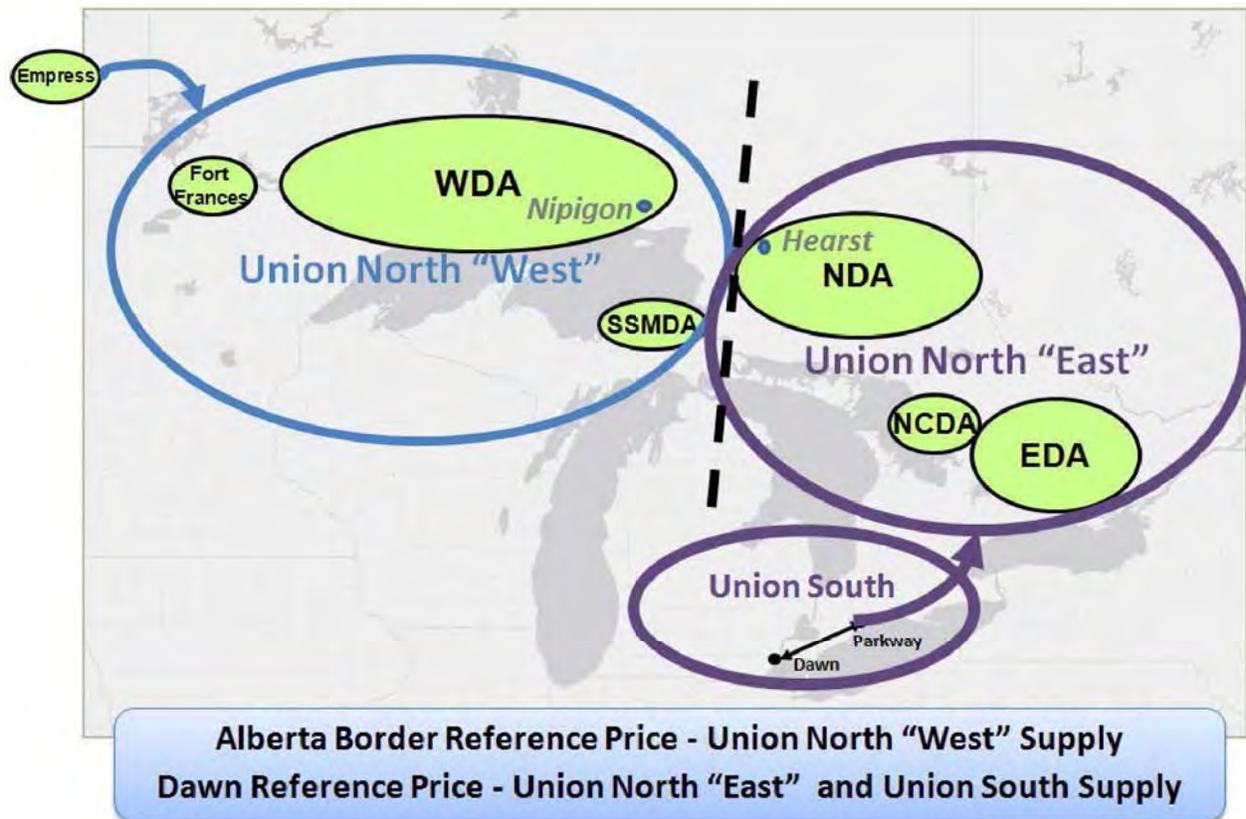
Gas commodity and transportation rates for Union South sales service customers are set based on the Alberta Border Reference Price and the Ontario Landed Reference Price. With less gas being sourced from Alberta for Union South in the future (i.e. the portion of WCSB supply in the Union South portfolio will decrease from 40% today, to approximately 3% by November 1, 2016), the difference between the Ontario Landed Reference Price and the costs of the Union South portfolio will continue to increase. Because more supply is sourced from Dawn or upstream of Dawn, a Dawn Reference Price is a more appropriate market price indicator for Union South customers.

Union proposes to use the same methodology to set the Dawn Reference Price as is used today to set the Alberta Border Reference Price. Union will determine the Dawn Reference Price by applying a forward Dawn 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 will be an average cost per GJ in Canadian dollars that represents the forward market price at Dawn. The reference price will be a rolling 12-month price that is updated quarterly, similar to the process used today to set the Alberta Border Reference Price.

Customers in the new Union North West Zone (Fort Frances, Union WDA and Union SSMDA) (where approximately 92,000 or 28% of Union North sales service and bundled DP customers reside) will continue to be served using Empress-sourced supply. Using the Alberta Border Reference Price to set commodity rates for sales service customers continues to be an accurate reflection of the anticipated cost of gas for Union North West. Union proposes to continue to use the Alberta Border Reference Price to set gas commodity rates for the Union North West Zone.

The Union North West Zone, the Union North East Zone and the Union South Zone are illustrated in Figure 14. Of the 1.3 million Union South sales service customers and Union North sales service and bundled DP customers, approximately 93% of the customers will be served predominately from Dawn in the future.

Figure 14



Union has requested approval for changes in the reference price and associated commodity rates for Union South and Union North in EB-2015-0181. In addition, Union requested approval for changes to Union North transportation and storage rates for the North East and North West Zones to reflect the changes in the gas supply portfolio.

6.3 Access to Dawn for Union North – EB-2015-0181

Union contracts and manages upstream transportation to provide capacity to all Union North bundled customers, both sales service and bundled DP customers. The Settlement Agreement between TransCanada and Enbridge, Gaz Métro and Union results in access to Dawn for shippers downstream of Union’s system. 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.

Union will change the obligated DCQ allocation methodology for Union North bundled DP customers to reflect Union’s transportation portfolio for each respective zone. As indicated in EB-2015-0181, Exhibit A, Tab 1, Section 2.4, the three delivery areas in the Union North East Zone will be served from both Empress and Dawn. Consequently, Union North bundled DP customers in Union North East Zone will have a portion of their obligated DCQ at the Western receipt point (Empress) and a portion of their obligated DCQ at Dawn. The percentage of the

obligated DCQ to be delivered at each receipt point will reflect the percentage of Union's underpinning firm transportation portfolio at Empress and Dawn used to serve the Union North East Zone as of each November 1. By November 1, 2017, 85% of the supply for the North East Zone will be sourced from Dawn.

The three delivery areas in the Union North West Zone will continue to be served 100% from Empress for the foreseeable future. Consequently, Union North bundled DP customers in the Union North West Zone will have their obligated DCQ remain at the Western receipt point (Empress).

A summary of the DCQ allocation based on Union's transportation portfolio is provided at EB-2015-0181, Exhibit A, Tab 1, p. 21, Table 1.

6.4 2014 Natural Gas Market Review - EB-2014-0289

The 2014 Natural Gas Market Review (EB-2014-0289) was conducted by the Board during the last quarter of 2014 and early 2015. The review provided a broad perspective of the North America natural gas markets and the impacts to Ontario gas markets.

6.5 Burlington Oakville Pipeline Project –EB-2014-0182

On the TransCanada Mainline, the Union CDA is a TransCanada domestic delivery area located at the eastern end of Union's Dawn Parkway System. The Union CDA is located entirely within Union South and is comprised of four city gate stations: Bronte, Burlington, Hamilton Gate, and Nanticoke.

Physically, the distribution systems serving the Town of Oakville and the City of Burlington and South Milton are supplied by deliveries from Union's pipelines connected to Union's Dawn Parkway System and with contracted transportation services on the TransCanada Mainline. The transportation services on the TransCanada Mainline are contracted either directly with TransCanada or in the secondary market. The Burlington Oakville System, which provides supply to the Town of Oakville and City of Burlington, therefore relies heavily on natural gas delivered through contracted transportation services.

Additionally, growth in the communities of Oakville and Burlington and the southern portion of Milton is forecast to increase design day demand on the Burlington Oakville System. This increase in design day demand will exceed the capacity to supply the Burlington Oakville System as of November 1, 2016. Growth in Burlington Oakville System demand requires Union to add incremental pipeline capacity. Contracting for incremental third party transportation from TransCanada or the secondary market is not feasible.

Union proposes to meet this growth and address the security of supply needs of the Burlington Oakville System by constructing new pipeline facilities from the Dawn Parkway System to the existing NPS 20 Burlington to Oakville Pipeline at the Bronte Gate Station for November 1, 2016 in-service. The estimated cost of capital is approximately \$119.5 million. The facilities application for Burlington Oakville Pipeline Project was filed with the Board on December 12, 2014 under docket EB-2014-0182.

As a result of this project, Union will no longer require certain TransCanada and secondary market contracts that it currently holds to serve the Union CDA.

The TransCanada Settlement Agreement defines how the Union CDA gate stations will be served once the proposed Burlington Oakville Pipeline is placed into service. Coincident with the in-service date of the Burlington Oakville Pipeline Project, Union will contract with TransCanada to provide service from Kirkwall to Hamilton and Nanticoke (collectively referred to as the Amended Union CDA in the Settlement Agreement) Gate Stations. Union was awarded this capacity (135 TJ/d) in TransCanada's 2016 open season.

6.6 Pre-Approval of the Cost Consequences of the NEXUS Long-Term Contract - EB-2015-0166

Union has entered into an agreement to contract, subject to certain conditions precedent, for long-term transportation capacity for 15 years with the NEXUS Gas Transmission ("NEXUS") Pipeline commencing November 1, 2017. The total volume of the contract is 150,000 Dth/day (158,258 GJ/d), which qualifies Union as an anchor shipper. Union has requested pre-approval of the cost consequences of the NEXUS contract in EB-2015-0166.

The NEXUS project is designed to transport supplies of Appalachian shale gas production, including Marcellus and Utica shale gas production, from the single largest and fastest growing supply basin in North America to customers in Ohio, Michigan, and ultimately the Dawn Hub in Ontario, Canada; creating a direct connection from the largest source of natural gas on the continent to Ontario.

To facilitate and take advantage of Union North having access to Dawn, Union recognized the importance of supporting the NEXUS project to introduce growing Appalachian supplies into Dawn and ultimately into the northern portfolio. Approximately 50,000 Dth/day of supply transported on NEXUS will be used to serve a portion of the Union North sales service customers' requirements from Dawn.

The balance of the supply transported on NEXUS (100,000 Dth/day) will allow the Union South portfolio to further diversify and introduce additional security and exposure to more stable pricing in the Appalachian shale region. In addition to 100,000 Dth/d of transportation on NEXUS for Union South, Union anticipates in excess of 100,000 GJ/day of "uncommitted" pipe in 2016 and 2017. Union will evaluate and analyze potential pipeline paths and supply sources in the context of its Gas Supply Planning Principles. These principles ensure customers consistently receive secure, diverse natural gas supply at a prudently incurred cost and minimal risk.

As a major natural gas utility in Ontario, Union must encourage and support new infrastructure projects such as NEXUS to connect and bring new supplies to Ontario. The Board has recognized the role that an LDC plays in encouraging these new, large-scale infrastructure projects⁵. The NEXUS Project, and Union's commitment as an anchor shipper, will increase security of supply through diversification, enhance liquidity at Dawn, ensure competitive energy prices for customers and create supply competition and opportunities that benefit all Ontario consumers.

Attracting more supplies to Dawn is critical to maintain and grow Dawn's liquidity and overall competitiveness in the surrounding market. Given declining Vector volumes and the decrease in natural gas flowing from the WCSB to the Ontario market as well as the increasing take

⁵ EB-2010-0300/EB-2010-0333 Decision and Order, page 7

away capacity from Dawn, Ontario needs supply projects from the growing Appalachian Basin, such as NEXUS, to maintain and increase supply and liquidity.

The NEXUS project offers approximately 0.8 PJ/d of transportation capacity contracted to Dawn. Niagara is anticipated to grow to between 1 to 1.4 PJ/d by the end of 2016. The implementation of both of these projects provides Ontario with balanced access to the Utica and Marcellus basins from two distinct points. This type of balance provides diversity and security of supply to the benefit of all Ontario consumers.

6.7 TransCanada Energy East Project

As part of the Energy East project, TransCanada proposes to convert an existing natural gas line to oil service between Alberta and Ottawa. Union Gas supports the project in principle, but was initially concerned that there may be negative impacts on natural gas consumers in Eastern Ontario and Quebec (based on the conversion of a portion of the Natural Gas Mainline between North Bay and Ottawa, being converted to oil service).

On August 24, 2015, TransCanada, Union Gas, Enbridge Gas Distribution and Gaz Métro announced that an agreement in principle was reached that resolves the concerns about the potential negative impacts the proposed Energy East project may have had on natural gas consumers in Ontario and Québec.

The agreement includes a commitment that:

- that there will be sufficient capacity to meet the firm natural gas transportation requirements of Ontario and Quebec (includes all firm known demands out to 2017) plus additional capacity for future growth;
- that natural gas shippers are not required to financially backstop the development of the Eastern Mainline Project in the event it is terminated by TransCanada;
- that gas consumers will not assume the risk of capital cost overruns for the Eastern Mainline Project; and
- natural gas consumers will have a net toll benefit of \$100 M over the project life to 2050.

7 APPENDICES

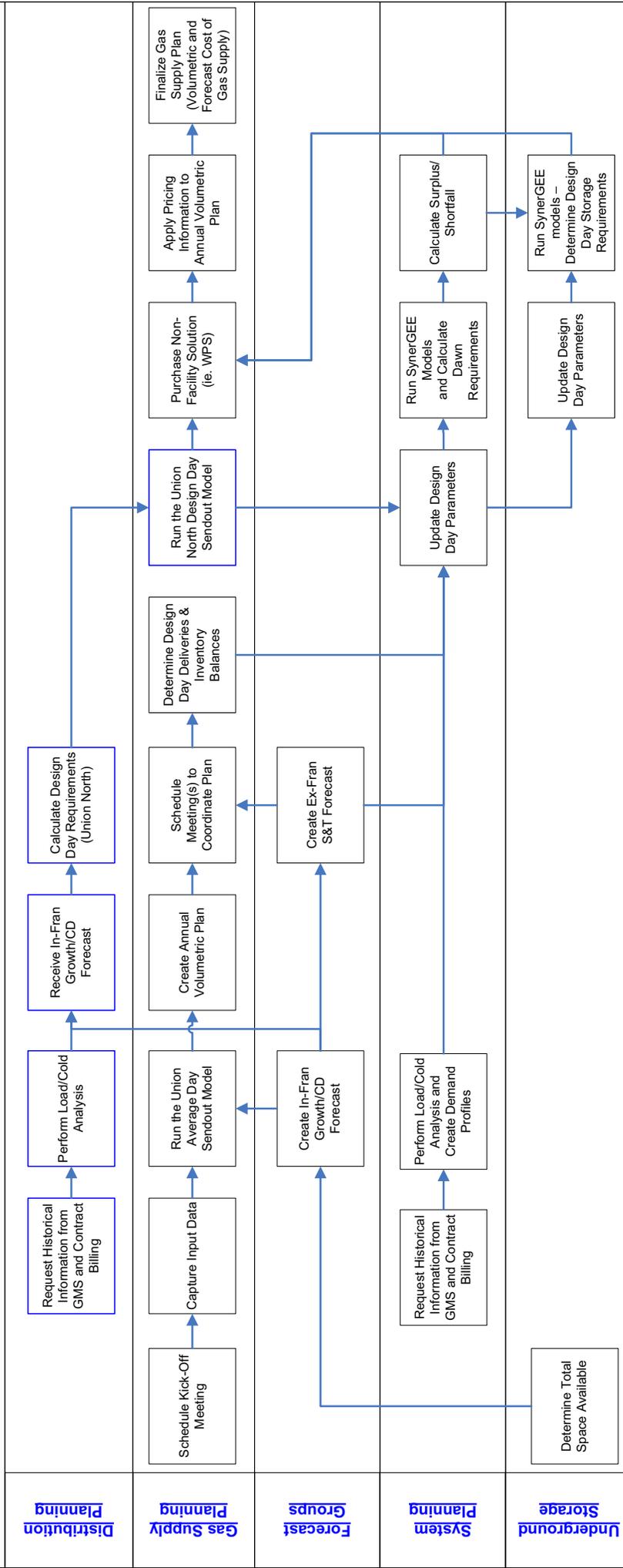
Appendix A - Gas Supply Planning Process

Appendix B - Sales Service Gas Supply Demand Balance

Appendix C - Union North Detailed List of Transportation Contracts

Appendix D - Union South Detailed List of Transportation Contracts

Annual Gas Supply Planning Process



**2015/16 Gas Supply Plan Memorandum
 Appendix B
 Union Gas Limited - System Sales Supply Demand Balance - November 2015 to October 2016**

Particulars (TU)	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Total
South													
Demands													
System Sales	13,010	19,341	22,219	20,568	17,372	10,956	6,132	3,004	3,171	3,073	4,347	7,886	131,079
South Co. Use, UFG, Comp. Fuel	874	1,017	1,416	1,587	1,010	646	330	357	472	488	696	651	9,543
Less: Customer Supplied Fuel	(795)	(691)	(1,041)	(735)	(647)	(429)	(216)	(341)	(334)	(278)	(477)	(786)	(6,770)
Total Demands	13,089	19,667	22,594	21,419	17,735	11,174	6,246	3,021	3,309	3,282	4,566	7,749	133,853
Supplies													
TCPL Express-Union CDA	1,506	1,556	1,556	1,455	1,555	1,509	1,560	1,509	1,560	1,560	1,509	1,560	18,394
Alliance/Vector	2,242	-	-	-	3,434	3,323	3,434	3,323	3,434	3,434	3,323	3,434	2,242
Vector	3,346	3,434	3,434	3,213	3,434	3,323	3,434	3,323	3,434	3,434	3,323	3,434	40,568
TCPL Niagara-Kirkwall	633	654	654	612	654	633	654	633	654	654	633	654	7,723
Trunkline	633	654	654	612	654	633	654	633	654	654	633	654	7,723
Panhandle	1,171	1,210	1,210	1,132	1,210	1,171	1,210	1,171	1,210	1,210	1,171	1,210	14,288
Local Production	44	45	45	42	45	44	45	44	45	45	44	45	533
DTE	317	2,289	2,289	2,142	2,289	2,216	2,289	2,216	2,289	2,289	2,216	2,289	25,131
Market Based Transport	633	654	654	612	654	633	654	633	654	654	633	654	7,723
Dawn	671	693	693	649	693	687	693	687	693	693	687	693	8,972
Total Supplies	11,195	11,190	11,190	10,468	11,190	10,943	11,308	10,943	11,308	11,308	10,943	11,308	133,297
Change in Inventory - wd/(ini)	1,895	8,476	11,404	10,951	6,545	231	(5,062)	(7,922)	(7,989)	(8,026)	(6,377)	(3,559)	555
Total Supplies + Inventory Change	13,089	19,667	22,594	21,419	17,735	11,174	6,246	3,021	3,309	3,282	4,566	7,749	133,853
North													
Demands													
System Sales	361	505	634	529	442	284	173	78	77	73	120	219	3,494
Union NCDA	1,263	1,751	2,172	1,819	1,560	1,013	612	276	278	268	424	762	12,189
Union EDA	52	75	93	66	79	42	24	11	10	10	15	31	508
Union MDA	1,468	2,084	2,720	2,152	1,817	1,162	699	360	323	300	482	944	14,511
Union NDA	644	668	887	615	571	360	229	169	263	153	263	380	5,389
Union SSM/DA	838	1,177	1,546	1,249	1,030	680	421	217	208	186	279	491	8,322
Union WDA	9	2	7	5	3	14	32	30	31	31	30	31	225
North Comp Fuel	4,636	6,262	8,059	6,448	5,479	3,556	2,190	1,141	1,354	1,022	1,634	2,858	44,639
Supplies													
TCPL Express-Union NCDA	159	164	163	152	-	65	67	65	67	67	65	67	1,100
TCPL Express-Union EDA	1,298	1,342	1,342	1,256	-	30	31	30	31	31	30	31	5,452
TCPL Express-Union MDA	55	82	103	85	70	43	21	5	3	3	9	28	508
TCPL Express-Union NDA	1,194	1,233	1,237	1,156	1,216	1,084	1,120	1,084	1,120	1,120	1,084	1,120	13,770
TCPL Express-Union SSM/DA	151	156	156	146	-	152	109	109	157	81	152	157	1,572
TCPL Express-Union WDA	980	1,304	1,304	1,220	126	784	470	211	190	171	284	552	7,593
TCPL Parkway-Union EDA	-	-	-	-	-	1,402	1,448	1,402	1,448	1,448	1,402	1,448	9,998
TCPL Parkway-Union NDA	-	-	-	-	-	108	112	108	112	112	108	112	772
Dawn North	-	-	-	-	-	514	531	514	531	531	514	531	3,666
Total Supplies	3,837	4,281	4,305	4,015	1,412	4,181	3,957	3,528	3,660	3,564	3,647	4,046	44,432
Change in Inventory - wd/(ini)	799	1,981	3,754	2,433	4,067	(626)	(1,766)	(2,387)	(2,306)	(2,542)	(2,013)	(1,188)	206
Total Supplies + Inventory Change	4,636	6,262	8,059	6,448	5,479	3,556	2,190	1,141	1,354	1,022	1,634	2,858	44,639
Total Demands													
South	13,089	19,667	22,594	21,419	17,735	11,174	6,246	3,021	3,309	3,282	4,566	7,749	133,853
North	4,636	6,262	8,059	6,448	5,479	3,556	2,190	1,141	1,354	1,022	1,634	2,858	44,639
Total Supplies	17,725	25,928	30,653	27,868	23,214	14,730	8,437	4,162	4,663	4,304	6,200	10,607	178,491
Change in Inventory - wd/(ini)													
South	11,195	11,190	11,190	10,468	11,190	10,943	11,308	10,943	11,308	11,308	10,943	11,308	133,297
North	3,837	4,281	4,305	4,015	1,412	4,181	3,957	3,528	3,660	3,564	3,647	4,046	44,432
Total Supplies + Inventory Change	15,032	15,471	15,495	14,483	12,602	15,125	15,265	14,471	14,968	14,872	15,591	15,354	177,729
Change in Inventory - wd/(ini)													
South	1,895	8,476	11,404	10,951	6,545	231	(5,062)	(7,922)	(7,989)	(8,026)	(6,377)	(3,559)	555
North	799	1,981	3,754	2,433	4,067	(626)	(1,766)	(2,387)	(2,306)	(2,542)	(2,013)	(1,188)	206
Total Supplies + Inventory Change	2,694	10,457	15,157	13,384	10,611	(395)	(6,828)	(10,310)	(10,305)	(10,567)	(8,390)	(4,747)	762
Total Supplies + Inventory Change	17,725	25,928	30,653	27,868	23,214	14,730	8,437	4,162	4,663	4,304	6,200	10,607	178,491

**Gas Supply Plan Memorandum
 Appendix C**

UNION GAS LIMITED

Summary of November 1, 2015 Upstream Transportation Contracts
 as at September 2015

Northern and Eastern Operations Areas

Line No.	Upstream Pipeline	Primary Receipt Point (a)	Primary Delivery Point (b)	Contract Quantity (c)	Contract Units (d)	Contract Termination Date (e)	Unitized Demand Charge (\$Cdn/GJ) (f)	Commodity Charge (\$Cdn/GJ) (g)	100% LF Toll (\$Cdn/GJ) (h=f+g)	Rate Type
TransCanada Pipeline										
1	Empress to Union NCDA FT	Empress	Union NCDA	10,756	GJ	31-Oct-2017	1.882		1.882	Tariff
2	Empress to Union EDA FT	Empress	Union EDA	59,101	GJ	31-Oct-2022	2.078		2.078	Tariff
3	Empress to Union NDA FT	Empress	Union NDA	63,445	GJ	31-Oct-2017	1.551		1.551	Tariff
4	Empress to Union WDA FT	Empress	Union WDA	51,407	GJ	31-Oct-2017	1.006		1.006	Tariff
5	Empress to Union SSMDA FT	Empress	Union SSMDA	8,843	GJ	31-Oct-2017	1.406		1.406	Tariff
6	Empress to Union MDA FT	Empress	Union MDA	5,565	GJ	31-Oct-2017	0.700		0.700	Tariff
7	Parkway to Union EDA FT	Parkway	Union EDA	35,000	GJ	31-Oct-2022	0.407		0.407	Tariff
8	Parkway to Union CDA FT	Parkway	Union CDA	16,000	GJ	31-Oct-2017	0.159		0.159	Tariff
9	Parkway to Union CDA FT	Parkway	Union CDA	61,888	GJ	31-Oct-2016	0.159		0.159	Tariff
10	Dawn to Union CDA FT	Dawn	Union CDA	8,000	GJ	31-Oct-2017	0.330		0.330	Tariff
11	TCPL FT - Total			320,005	GJ					
TransCanada Storage Transportation Service Firm Withdrawal										
12	NCDA	Parkway	Union NCDA	13,704	GJ	31-Oct-2022				
13	WDA	Parkway	Union WDA	31,420	GJ	31-Oct-2022				
14	SSMDA	Dawn	Union SSMDA	35,022	GJ	31-Oct-2022				
15	NDA	Parkway	Union NDA	48,375	GJ	31-Oct-2022				
16	EDA	Parkway	Union EDA	68,520	GJ	31-Oct-2022	0.407		0.407	Tariff
17	TCPL Firm STS Withdrawal - Total			197,041	GJ					
TransCanada Storage Transportation Service Firm Injection										
18	WDA	Union WDA	Parkway	3,150	GJ	31-Oct-2022	1.381		1.381	Tariff
19	EDA	Union EDA	Parkway	47,571	GJ	31-Oct-2022				
20	NDA	Union NDA	Parkway	49,100	GJ	31-Oct-2022	0.584		0.584	Tariff
21	TCPL Firm STS Injection - Total			99,821	GJ					
Centra Transmission Holdings Inc.										
22	Centra Transmission Holdings Inc.	Spruce	Union MDA	149.6	10 ³ m ³	31-Oct-2016	0.479		0.479	Tariff
23	Centra Pipelines Minnesota Inc.	Sprague	Baudette	5,281	MCF	31-Oct-2016	0.131		0.131	Tariff
24	CTHI FT - Total			5,680	GJ		0.610		0.610	

Exchange Rate 1 US = 1.3157 CAD
 Conversion Factor 1.055056
 Heat Content (as of April 1/15) 37.97
 Bank of Canada USD Close August 31, 2015

**Gas Supply Plan Memorandum
 Appendix D**

UNION GAS LIMITED

Summary of November 1, 2015 Upstream Transportation Contracts
 as at September 2015

Southern Operations Areas

Line No.	Upstream Pipeline	Primary Receipt Point	Primary Delivery Point	Contract Quantity	Contract Units	Contract Termination Date	Unitized Demand Charge (\$Cdn/GJ)	Commodity Charge (\$Cdn/GJ)	100% LF Toll (\$Cdn/GJ)	Rate Type
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h=f+g)	
TransCanada Pipeline										
1	Dawn to Union CDA FT	Dawn	Union CDA	60,000	GJ	31-Oct-2017	0.330		0.330	Tariff
2	Empress to Union CDA FT	Empress	Union CDA	46,682	GJ	31-Oct-2017	1.939		1.939	Tariff
3	Empress to Union CDA FT	Empress	Union CDA	20,645	GJ	31-Dec-2017	1.939		1.939	Tariff
4	Niagara to Kirkwall	Niagara	Kirkwall	21,101	GJ	31-Oct-2022	0.228		0.228	Tariff
5	TCPL FT - Total			148,428	GJ					
Alliance Pipelines/Vector Pipelines										
6	Alliance	Northern Alberta	Cdn/US Interconnect	2,266.2	103M3	30-Nov-2015	0.939		0.939	Tariff
7	Alliance (L.P.)	Cdn/US Interconnect	Vector	80,000	MCF	30-Nov-2015	0.692		0.692	Tariff
8	Vector (L.P.) FT1	Chicago	Cdn/US Interconnect	80,000	DTH	30-Nov-2018	0.287	0.002	0.289	Fixed
9	Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	84,405	GJ	30-Nov-2018	0.019	0.000	0.019	Fixed
10	Alliance/Vector - Total			84,405	GJ		1.936	0.002	1.939	
Panhandle Eastern Pipe Line Field Zone										
11	PEPL FT	Panhandle Field Zone	Ojibway (Union)	25,000	DTH	31-Oct-2017	0.529	0.054	0.584	Tariff
12	PEPL EFT	Panhandle Field Zone	Ojibway (Union)	2,000	DTH	31-Oct-2017	0.399	0.054	0.454	Fixed
13	PEPL FT	Panhandle Field Zone	Ojibway (Union)	10,000	DTH	31-Oct-2016	0.529	0.054	0.584	Tariff
14	PEPL - Total			39,037	GJ					
Trunkline Gas Company/Panhandle Eastern Pipe Line										
15	Trunkline FT	East Louisiana	Bourbon	20,467	DTH	31-Oct-2017	0.144	0.018	0.161	Fixed
16	PEPL EFT	Bourbon	Ojibway (Union)	20,000	DTH	31-Oct-2017	0.093	0.015	0.108	Fixed
17	TGC/PEPL FT - Total			21,101	GJ		0.237	0.033	0.270	
Vector Pipelines										
18	Vector (L.P.) FT1	Chicago	Cdn/US Interconnect	81,000	DTH	30-Nov-2015	0.312	0.002	0.314	Fixed
19	Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	85,460	GJ	30-Nov-2015	0.000	0.000	0.000	Fixed
20	Vector - Total			85,460	GJ		0.312	0.002	0.314	
21	Vector (L.P.) FT1	Chicago	Cdn/US Interconnect	25,000	DTH	31-Oct-2017	0.225	0.002	0.227	Fixed
22	Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	26,376	GJ	31-Oct-2017	0.010	0.000	0.010	Fixed
23	Vector - Total			26,376	GJ		0.235	0.002	0.237	
Michigan Consolidated Gas Company (MichCon)										
24	MichCon	MichCon Generic	St. Clair (Union)	10,000	DTH	31-Oct-2016	0.004		0.004	Fixed
25	MichCon	MichCon Generic	St. Clair (Union)	60,000 *	DTH	31-Oct-2018	0.006		0.006	Fixed
26	MichCon - Total			73,854	GJ					
27	Market Based Transportation	Dominion South Point	Union Dawn	20,000	DTH	31-Oct-2016	1.568		1.568	Fixed
28	Market Based Transportation - Total			21,101	GJ					
Other:										
29	St.Clair Pipelines L.P. (St.Clair Pipeline)	St. Clair/Intl Border	St. Clair/Intl Border	214,000	GJ	31-Oct-2023	0.004		0.004	Fixed
30	St.Clair Pipelines L.P. (Bluewater Pipeline)	Bluewater/Intl Border	Bluewater/Intl Border	127,000	GJ	31-Oct-2023	0.022		0.022	Fixed

* Contract start date is December 1, 2015

Exchange Rate 1 US = 1.3157 CAD
 Conversion Factor 1.055056
 Heat Content (as of April 1/15) 38.55

Bank of Canada USD Close August 31, 2015

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Exhibit A, Tab 3 pp. 1-2

Does the recent August 2015 settlement agreement between Union, Enbridge, Gaz Metro and TransCanada, affect Union’s view on the potential changes in the secondary market due to the Energy East project? If so, please explain.

Response:

Please see the response at Exhibit B.APPrO.1 b).

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Exhibit A, Tab 3 p. 2, Appendix A

Please provide any presentations, meeting notes, agenda, and any other documents that were provided to customers during the discussions regarding the service design and customer needs.

Response:

Please see Attachment 1 for documents associated with the Union North T-Service Transportation from Dawn service design. The names of customers have been redacted.

**North T-service Transportation from Dawn
History of Stakeholder Consultations and Notes Addressing Service Design Changes**

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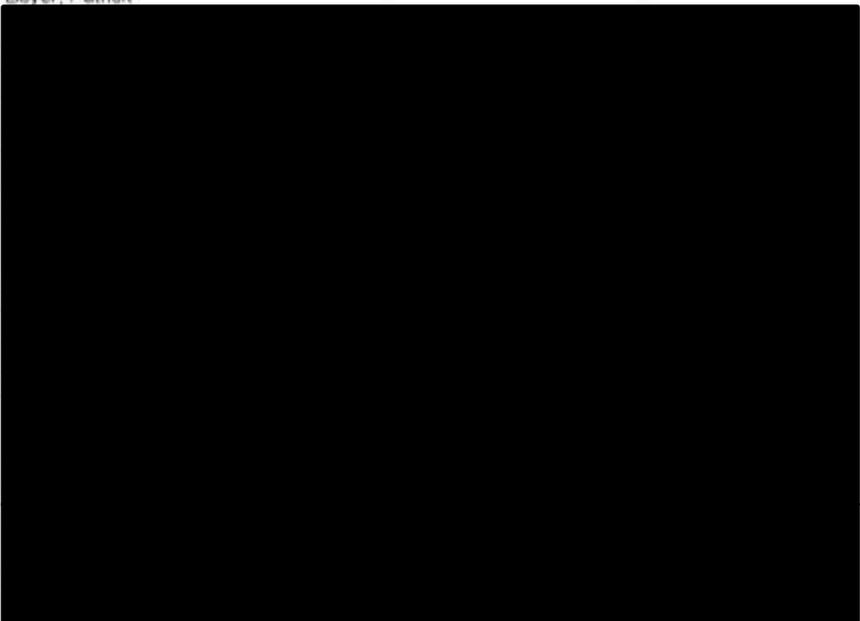
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Invitation to all Firm North T-service customers to the April 18, 2013 web-ex meeting

Passmore, Wayne

Subject: Northern T-Service Customer Working Group Session
Location: Webex and Conference Call
Start: Thu 18/04/2013 10:00 AM
End: Thu 18/04/2013 12:00 PM
Recurrence: (none)
Meeting Status: Accepted
Organizer: Boyer, Patrick
Required Attendees:

Optional Attendees:



When: April-18-13 10:00 AM-12:00 PM (UTC-05:00) Eastern Time (US & Canada),
Where: Webex and Conference Call

Note: The GMT offset above does not reflect daylight saving time adjustments.

Northern T-Service Customer Working Group Session

Attached is the presentation that will be discussed during the working group session. Should you not be able to connect through the web-ex service, please print this off to allow you to follow the discussion.

Also, if you have not yet responded with your ability to attend this working group, please do so, as we are looking forward to sharing with you this exciting opportunity.



North T Service
Supply at Dawn...

Union Gas invites you to participate in a customer working group session to discuss a potential new service that will provide Union Gas Northern T-Service customers greater access to the benefits of the Dawn Hub.

Acquiring supply at Dawn and moving it, on a firm basis, to the Union Gas Northern delivery areas will require new transportation capacity on both the Union Gas and TransCanada systems. Union Gas is developing a new service option to help Northern T-Service customers to access Dawn supply and take advantage of the economic benefits of the Dawn Hub.

Meeting logistics:

Participants: Union Gas Northern T-Service customers and their authorized representatives and agents

Date: Thursday, April 18th 2013

Location: Web-Ex and Conference Call: 1-866-826-8611; Conference Code: 231591



Northern
T-Service Working Gr-

Time: 10:00am – noon

Agenda:

Union Gas will introduce a potential service option for discussion and customer feedback ("Northern T-Service at Dawn"). This proposed service will provide Northern T-Service customers with a firm Dawn supply option that will address the long term commitment required for facilities expansion through the constrained Parkway to Maple path. The potential service would be available to all Northern T-Service customers however, the service is likely to be of most benefit to customers in the Union Gas NDA, NEDA and EDA delivery areas.

Anticipated customer benefits include:

- Access to diverse, competitively priced supplies at Dawn
- Firm transportation capacity to delivery area
- Access to pipeline expansion capacity
- Reduced exposure to transportation toll volatility

As part of developing this potential Dawn supply option, we are interested in hearing our customer's perspectives. This customer working group session is intended to provide a forum where we will share our current thinking related to the "Northern T-Service at Dawn" proposed option and where customers can share their views and comments for Union Gas to consider in the design of this potential option.

Please reply to this email to confirm whether or not you are able to attend.

Thank you

Slides used for Web-ex on April 18, 2013 – 10:00 am to 12:00 pm



Northern T Service Supply at Dawn
 Customer Working Group
 Consultation & Collaboration Session

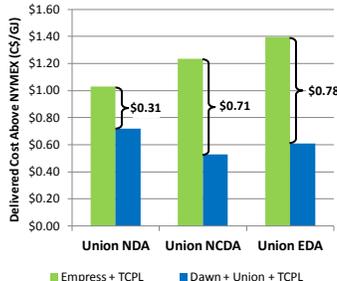
18 April 2013




Northern T Service Supply at Dawn

Background:

- Dawn supplies are lower cost than Western Canadian supplies into many of our northern delivery areas, when using FT service



Delivery Area	Empress + TCPL (CS/GJ)	Dawn + Union + TCPL (CS/GJ)	Cost Difference (CS/GJ)
Union NDA	~\$1.00	~\$0.69	\$0.31
Union NCDA	~\$1.20	~\$0.49	\$0.71
Union EDA	~\$1.40	~\$0.62	\$0.78

Long term, firm, Dawn deliveries are expected to be very competitive with deliveries from Empress

Assumptions:
 Basis-Dawn@CS0.26/GJ & Empress@-CS0.44/GJ, for 1 yr. from 2 fwd. quotes on Mar. 22, 2013

Spectra Energy Corp | 3



Northern T Service Supply at Dawn

- Access to Dawn is limited by TCPL's Maple bottleneck making it hard for customers to economically benefit from the Dawn Hub:
 - Long term commitments required to under-pin expansion capacity
 - TCPL undergoing significant change
- The proposed "Northern T-Service Supply at Dawn" service:
 - Provides customers with a firm Dawn supply option
 - Bridges the long term commitment required for a facilities expansion
- Customer benefits include:
 - Access to diverse, competitively priced supplies at Dawn
 - Firm, renewable transportation capacity to delivery area
 - Access to pipeline expansion capacity with a 3-year term
 - Reduced exposure to transportation toll volatility

Spectra Energy Corp | 5

Northern T Service Supply at Dawn

Proposed Capacity Allocation & Renewal Policy :

- Customers in each delivery area form a pool of committed participants (ie. EDA Pool and NDA Pool), with each participant electing service up to 50% of their firm T-service CD
- Based on customer commitments, Union Gas acquires long term firm TCPL capacity and allocates Union Gas Dawn - Parkway capacity
 - Expected to drive a new facilities build
- Initial contract term is 3 years, with annual renewal thereafter
 - With distribution service renewal, customer MUST renew this service until expiry of the TCPL capacity (15 years)
- If distribution services ceases (eg. 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 capacity, after re-allocation, reverts to Union Gas

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Northern T Service Supply at Dawn 

Customer Feedback

Spectra Energy Corp | 8

Northern T Service Supply at Dawn 

Next Steps & Timing:

- Customer/stakeholder consultations and service refinement – by April 30, 2013
- Customer binding commitments – by May 31, 2013
- Union Gas bid into TCPL New Capacity Open Season – anticipated in June 2013
- Service expected to commence November 1, 2016 subject to availability of capacity

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Northern T Service Supply at Dawn 

Questions



Spectra Energy Corp | 10



Northern T Service Supply at Dawn

Summary:

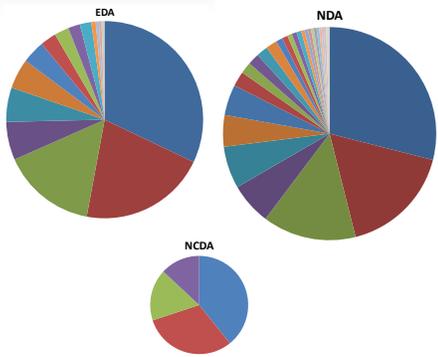
- Lower costs with increased reliability
- Sharing risk
- We want your input
- Prepare to act quickly

Spectra Energy Corp | 11



Contract Demand of Firm T-service in EDA, NDA and NCDA (GJ/d)

#	EDA	NDA	NCDA
1	32,113	37,780	1,133
2	20,892	22,290	888
3	15,490	18,546	491
4	6,256	8,312	378
5	5,647	8,312	
6	4,911	6,234	
7	3,778	6,045	
8	2,645	2,947	
9	2,380	2,267	
10	1,965	2,267	
11	1,889	2,267	
12	718	2,267	
13	510	1,285	
14	453	1,133	
15	317	945	
16	189	945	
17		945	
18		680	
19		680	
20		604	
21		567	
22		529	
23		529	
24		453	
25		453	
26		453	
27		416	
28		264	
Sum =	100,154	130,413	2,890
Avg =	6,260	4,658	723
Med =	2,512	1,039	689



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Indicative Potential Pipeline Tolling

Pipeline Path	Monthly Demand Charge (\$/GJ/d per month)	Equivalent Daily Demand Charge (\$/GJ/d)
Union Dawn to Parkway	\$2.77	\$0.09
TCPL Parkway to U-EDA	\$7.08	\$0.23
Parkway to U-NDA	\$10.59	\$0.35
Parkway to U-NCDA	\$4.82	\$0.16
Example: 2,000 GJ/d from Dawn to Union-EDA		
Union Dawn to Parkway	\$5,536	
TCPL Parkway to U-EDA	\$14,166	
Total Monthly Demand Charge =	\$19,702	
Average Daily Demand cost per GJ =		\$0.32

Note: Actual tolls will be different and will change over time, subject to OEB & NEB approvals

Spectra Energy Corp | 13

Minutes and Q&A from April 18, 2013 web-ex and, Invitation to Web-ex on April 23, 2013

Passmore, Wayne

Subject: FW: Northern T-Service Supply at Dawn
Location: Union Gas Ltd. - Webex and Conference Call

Start: Tue 23/04/2013 2:00 PM
End: Tue 23/04/2013 4:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Organizer: Boyer, Patrick

Thank you again for your interest in the Northern T-Service Supply at Dawn Service and for participating in the April 18th webinar.

Please find the meeting notes and a copy of the presentation, and webex instructions below. In these notes we have identified the observations, comments, and questions "as we heard them" during the WebEx. We hope you can attend the upcoming follow up meeting on Tuesday, April 23 at 2:00PM as indicated in this meeting invitation.

The purpose of the April 23rd meeting is to address the following:

- Briefly highlight the key features of the Northern T-Service at Dawn
- Provide feedback on the questions raised at the webinar and those submitted to us following the meeting
- Provide an opportunity for you to ask additional questions and offer your feedback on the service

In addition, Union's ask of you at this meeting is this: "What additional information or changes to the service do you require in order for you to participate in and potentially commit to this proposed service (so that Union can enter the expected open season on your behalf)?"

We look forward to you joining us next Tuesday, April 23 to discuss this opportunity further. In the meantime if you have any additional questions or suggestions regarding the service, please direct them to me and I will ensure they are included in Tuesday's discussion.

Thank you.
Patrick Boyer
On behalf of the Union Gas – Northern T-Service Supply at Dawn – Project Team



To start this Webex meeting

1. Go to <https://spectraenergy.webex.com/spectraenergy/j.php?i=808288495>
2. If you are not logged in, log in to your account.

Audio conference information

Conf dial in = 866-826-8611
Code = 231591

Minutes from the April 18, 2013 meeting

Northern T service Supply at Dawn Web-X – Meeting Minutes - As We Have Heard It

Thursday, April 18, 2013

Attendees: Union Gas Ltd. – Dave Dent, Stan Somers and Wayne Passmore

Customer invitees: all Union's Northern T-Service distribution Customers

Meeting Purpose: Customer working group session to discuss a potential new service that will provide Union Gas Northern T-service customers greater access to the benefits of the Dawn Hub.

Union Gas opened the meeting with a safety message.

Union communicated that minutes will be sent out for the Tuesday April 23 at 2:00 PM follow up session Union will address questions from the web-ex session and will also be seeking feedback.

As it Was Heard

- The graph on slide 3 illustrates one of the main reasons why the service is being offered. The graph is demonstrating the cost differential between two different ways to deliver gas to the NDA, EDA and NCDA delivery areas.
- The y axis of the graph is the sum of the basis and estimated tolls, delivered to each delivery area. It is not the gas cost, nor the cost of transport. The blue bar is the basis +tolls if the gas was delivered from Dawn to the delivery area.
- Long term firm supply delivered from Dawn, using firm transportation capacity, is expected to be very competitive.

Question – How was the basis value determined for the Empress to EDA transportation in the graph?

Answer – The basis for each location reflects a forward looking snap shot in time based upon current market intelligence.

- The average customer in the NDA has a CD of 4000 GJ/day.
- The average customer in the EDA has a CD of 6000 GJ/day.

Question – Is the 70 cents toll based on current TCPL tolls?

Answer: The graph is not showing tolls – it shows basis + tolls to each delivery area. The tolls are estimates of what the Union and TCPL tolls will be in the future. Actual tolls will be reviewed and approved by the OEB and NEB and will change from time to time.

- The TCPL system has a bottle neck between Parkway and Maple making it difficult to economically get gas from Parkway to the other delivery areas

- If TCPL's Energy East oil conversion project moves forward, it will remove significant capacity into the EDA. TCPL has indicated that they would be short by 300,000 GJ into the EDA if today's FT demands remained once they convert one line to oil.

- Union sees a potential opportunity to help customers gain access to pipeline capacity that would help to solve the bottle neck
- Union expects TCPL to have an open season for capacity in June of 2013 and this service proposal is to provide an opportunity for customers and Union to participate in the TCPL open season and gain access to Dawn for the Northern Delivery areas.
- The proposed service would be a supplement for Northern T service customers with firm distribution service under Rates 10, 20, 100.
- Anticipated Customer Benefits:
 - Access to diverse, competitively priced Dawn supplies
 - Firm, renewable transportation capacity to the delivery area
 - Access to pipeline expansion capacity with a 3-year term
 - Reduced exposure to transportation toll volatility
- Current pricing suggests EDA, NDA, NCDA have the best economic options for this proposed service. Union will consider development of something similar to other delivery areas, if customers are interested.
- The proposed service will provide customers with transportation capacity from Dawn to their delivery area.
- The proposed service will use existing nomination windows.
- The new service proposal would have a capacity limit of up to 50 % of the firm T-Service CD for each customer.
- The proposed service term would be 3 years to 15 years. TCPL would likely require a 15 year term commitment to build any expansion facilities required.
- Balancing for this service will not change - customers continue to use the existing CBS service.
- To help customers manage the capacity when they are not using it, assignments and diversions would be allowed as part of the service.
- The service would be contracted within the distribution contract (R10/20/100) and charges for the capacity would appear on the customer's invoice as a separate section within the invoice. The charges for the capacity would be at posted and approved tolls (eg. the Dawn to Parkway component of the service would be charged at Union's cost of service OEB approved C1 toll from Dawn to Parkway. Similarly, Union proposes to charge the TCPL approved tolls from Parkway to the delivery areas.
- The customer could potentially assign the capacity their marketer on a temporary basis.
 - Invoicing under this scenario would need to be determined.
- Since the proposed service would be on the rate schedules, the offering is subject to OEB approval.
- Customers in each delivery will be grouped into a pool for that area. Each customer would have their own capacity, but if any one customer stopped taking Union's distribution service, the capacity would then be re-allocated to the remaining customers in the pool, subject to a proposed policy.

- Union is asking for a minimum of a 3 year initial term. The service would renew annually for the duration of the underpinning transportation contract, as long as the customer has a distribution service.
 - If the distribution service for one or more customers ceases, then the capacity from this customer would be offered to others in the pool. If not all of the capacity was wanted, it would be re-allocated to others in the pool (all customers would be forced to take a pro-rata share of the remaining capacity – up to the level of their Firm T-service CD.
 - If there is still capacity that is not allocated, Union would assume and take the capacity and would be responsible for it.

Questions

- 1) If a customer has transportation from Dawn to Parkway, can a customer still participate in this service? Can this service also be from Parkway to the Delivery Area?

Answer: We will entertain it –we would like to see some incremental Dawn to Parkway capacity. This will be discussed in the next meeting.

- 2) One of the benefits is to remove toll uncertainty. How does Union guarantee toll uncertainty if TCPL increases toll uncertainty? How would Union guarantee TCPL tolls from spiking?

Answer: Union is not guaranteeing toll uncertainty; Union is looking at reducing the pipe distance on TCPL which should minimize the exposure to future toll volatility.

- 3) Heard rumors TCPL is looking at 20 year commitments instead of 15. What has Union heard?

Answer: Union has not heard this.

- 4) Union is asking for May 31 now, but if TCPL does its open season in June and asks for 20 years how do we address Union's service where 15 years of commitment was requested?

Answer: If this is a concern, then customers can make this a condition precedent as part of any contractual commitment.

- 5) If a Rate 100 customer takes this service, will these cost be shared with all rate 100?

Answer: No. Union is not proposing to roll any facilities costs associated with this service into the distribution rates.

- 6) The average CD for the NDA is 4,000 GJ/day. If a 30,000 GJ/day customer participates then there are not enough customers to pick up the capacity if the big customer leaves.

Answer: Union and customers need to agree on a capacity allocation methodology that works for all that want to participate in the pool.

- 7) If everyone in the pool is at 50 % and a large customer left, will the remaining customers be asked to pick up the additional capacity?

Answer: Yes, but only up to the limit of their Firm T-service CD – then Union would be allocated any excess capacity beyond that. This was one of the reasons for the 50 % limit.

- 8) For this service, a customer with a CD of 30,000 GJ would have 15,000 GJ under this service and therefore would have to get another 15,000 GJ service for the remaining service. Are there two separate contracts required?

Answer: Presently, the customer is getting 30,000 GJ/d to the delivery area. The proposed service is offering an alternative to current supply methods for up to 50% of the firm T-service CD. This service would not prohibit other supply alternatives; this service is designed to be complimentary to other services.

- 9) Can this service be incorporate IT service?

Answer: Union is proposing a Firm Transportation service from TCPL.

- 10) Will this service be imbedded into the Distribution service? Will this service streamline the service or add complication?

Answer: The service would be embedded in the R10/20/100 contract. It is intended to simplify the way of getting gas from Dawn to the delivery area. It is expected that it will be shown as a separate line item on your distribution bill. Whether this is viewed as streamlining or complicating your contracting arrangement perhaps this should be discussed on a customer by customer basis. A discussion with your account manager is recommended.

- 11) What sorts of things are negotiable?

Answer: This capacity would be assigned like existing assignment of capacity. Therefore the customer would be managing the capacity by assignment or diversions similar to the way it is currently done with the upstream capacity assignment.

- 12) If this capacity is contracted, does Union have the ability to manage this capacity to generate revenue and, if so, what is Union doing with the revenue made by this capacity?

Answer: After the capacity is acquired, it will be in the hands of the customer, or their agent/marketer. This capacity is assigned to the customer and as a result, Union does not have the ability to manage the assigned capacity.

13) If Union signs up for excess capacity will the cost and revenue return to the pool customers or stay with Union Gas.

Answer: Union will not be signing up for excess capacity. Union would only end up with capacity as part of this service if the pool was not able to absorb it all. Under that scenario, would be risk for the cost recovery of that capacity.

14) How did Union come up with a 3 year term?

Answer: Union heard, from our customers, that 10 - 15 year terms are not viable options. Three years was a proposal that Union has made trying to find a balance and hopes it will work for customers...

15) How would fuel be accounted for?

Answer: There would be fuel from Dawn to Parkway, and TCPL would have fuel from Parkway to the Delivery Zone. Union is intending to pass on the costs, based on the rates in Union's and TCPL's tariff.

16) Does the customer need to make 2 nominations or 1 nomination?

Answer: Union is open to receiving 1 nomination from the customer and would in turn nominate to TCPL for the 2nd part of the path. Union would like to hear how customers would like to nominate.

17) Does this impact the CBS account?

Answer: This has no impact to the CBS.

18) If a customer expands in the future how does the customer get more capacity?

Answer: Union can only speculate if TCPL would have another open season, Union will be open to work with customers who may need additional capacity in the future. If you think you will require capacity beyond 2016, please let us know via the expression of interest. However, capacity is expected to be limited based upon availability from TCPL.

19) Explain the pool composition?

Answer: Union is open to discuss with customers what the pool composition would be.

20) If Customer saves 31 cents, it is expected that TCPL will lose 31 cents. Does Union see TCPL creating obstacles for this to happen?

Answer: The 31 cents is made up of basis and toll differences, derived using an estimate of FT rates. Not all loads are currently being served by FT, so it is not a 1:1 relationship. There is currently an opportunity available that Union wants to offer customers.

21) Is this a service to plant or to the delivery area?

Answer: This is a service to the delivery area that would support delivery to the plant.

22) The next meeting is scheduled for April 23, and then another for April 30 is expected to refine the service. TCPL is then expected to file after April 30. Is Union expecting that on April 30 you are going to finalize the service or is there still a chance to refine the service after TCPL files?

Answer: Union will work with customers either as a group or one on one. We will also consider larger feedback sessions and meetings with potential pool customers in each delivery area.

23) An agent advising customers on gas purchases. Can agents participate in the April 23 meeting?

Answer: Please send the e-mail contact to Patrick Boyer and they will be included in the next meeting.

- There is a tight timeline to get into TCPL's open season. Union needs customer input to develop this service. Union will need to send documents that quantify the customers' commitment. The expected In-Service date for this service would be to start November 2016.
- There will be a follow up meeting next week to discuss further. Union would like to hear sooner rather than later if there needs to be modifications to the service and what conditions precedence customers see for this service.
- This service is subject to TCPL offering the open season.

Slides used for Web-ex on April 23, 2013



Northern T Service Supply at Dawn
Customer Working Group
Consultation & Collaboration Session #2

23 April 2013



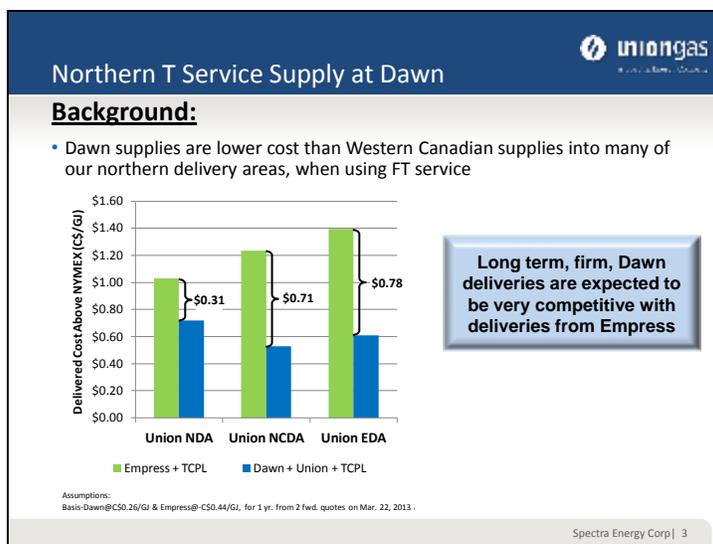
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Agenda

- Introductions – Dave MacEacheron
- Safety message – Dave MacEacheron
- Review Previous Presentation – Wayne Passmore
- Customer Feedback – All
- Next Steps & Timing – Wayne Passmore
- Questions -

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Northern T Service Supply at Dawn

- Access to Dawn is limited by TCPL's Maple bottleneck making it hard for customers to economically benefit from the Dawn Hub:
 - Long term commitments required to under-pin expansion capacity
 - TCPL undergoing significant change
- The proposed "Northern T-Service Supply at Dawn" service:
 - Provides customers with a firm Dawn supply option
 - Bridges the long term commitment required for a facilities expansion
- Customer benefits include:
 - Access to diverse, competitively priced supplies at Dawn
 - Firm, renewable transportation capacity to delivery area
 - Access to pipeline expansion capacity with a 3-year term
 - Reduced exposure to transportation toll volatility

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Northern T Service Supply at Dawn

Proposed Service Description:

- Eligibility: All Firm T-Service customers (R10, 20 and/or 100)
- Service: Union Gas transports gas from Dawn to the Delivery Area
 - using firm transportation services on Union Gas' Dawn to Parkway and TCPL to the delivery area
 - access to 4 non-bumping NAESB nomination windows (same as today)
- Capacity: Customers elect a Firm Daily Quantity, up to 50% of their Firm T Service CD
- Innovative Term – November 1, 2016 for 3 to 15* years (subject to new Capacity Allocation & Renewal Policy)
- Balancing:
 - All supplies and consumption balanced in CBS account (same as today)
 - Access to diversions, assignments and/or agents to manage costs and value
- Contracting: using new distinct & separate rate within Rate 10, 20 and 100 rate schedules reflecting actual tolls (demand, commodity, fuel) on Union Gas (C1) and on TCPL (short haul FT)

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Northern T Service Supply at Dawn

Proposed Capacity Allocation & Renewal Policy :

- Customers in each delivery area form a pool of committed participants (ie. EDA Pool and NDA Pool), with each participant electing service up to 50% of their firm T-service CD
- Based on customer commitments, Union Gas acquires long term firm TCPL capacity and allocates Union Gas Dawn - Parkway capacity
 - Expected to drive a new facilities build
- Initial contract term is 3 years, with annual renewal thereafter
 - With distribution service renewal, customer MUST renew this service until expiry of the TCPL capacity (15 years)
- If distribution services ceases (eg. 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 capacity, after re-allocation, reverts to Union Gas

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Northern T Service Supply at Dawn

Customer Feedback

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Northern T Service Supply at Dawn 

Next Steps & Timing:

- Customer/stakeholder consultations and service refinement – by April 30, 2013
- Customer binding commitments – by May 31, 2013
- Union Gas bid into TCPL New Capacity Open Season – anticipated in June 2013
- Service expected to commence November 1, 2016 subject to availability of capacity

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Northern T Service Supply at Dawn 

Questions



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Northern T Service Supply at Dawn 

Summary:

- Lower costs with increased reliability
- Sharing risk
- We want your input
- Prepare to act quickly

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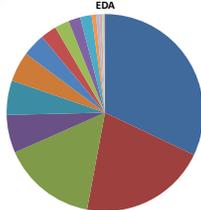
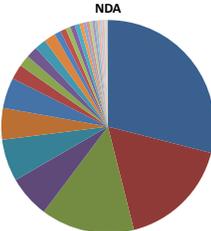
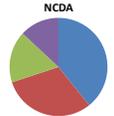
- Customer mix
- Example calculation
- Customer Feedback
- Next Steps

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Contract Demand of Firm T-service in EDA, NDA and NCDA (GJ/d)

#	EDA	NDA	NCDA
1	32,000	38,000	1,100
2	21,000	22,000	900
3	16,000	19,000	491
4	6,256	8,312	378
5	5,647	8,312	
6	4,911	6,234	
7	3,778	6,045	
8	2,645	2,947	
9	2,380	2,267	
10	1,965	2,267	
11	1,889	2,267	
12	718	2,267	
13	510	1,285	
14	453	1,133	
15	317	945	
16	189	945	
17		945	
18		680	
19		680	
20		604	
21		567	
22		529	
23		529	
24		453	
25		453	
26		453	
27		416	
28		264	
Sum =	100,154	130,413	2,890
Avg =	6,260	4,658	723
Med =	2,512	1,039	688

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Indicative Potential Pipeline Tolling

Pipeline Path	Monthly Demand Charge (\$/GJ/d per month)	Equivalent Daily Demand Charge (\$/GJ/d)
Union Dawn to Parkway	\$2.77	\$0.09
TCPL Parkway to U-EDA*	\$7.30	\$0.23 - 0.25
Parkway to U-NDA*	\$10.80	\$0.34 - 0.37
Parkway to U-NCDA*	\$4.87	\$0.15 - 0.17
* - midpoint of range		
Example: 2,000 GJ/d from Dawn to Union-EDA		
Union Dawn to Parkway	\$5,536	
TCPL Parkway to U-EDA*	\$14,600	
Total Demand Charge =	\$20,136	
Average Daily Demand cost per GJ =	\$0.33	

Note: Actual tolls will be different and will change over time, subject to OEB & NEB approvals

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Northern T Service Supply at Dawn 

Customer Feedback

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Northern T Service Supply at Dawn 

Next Steps

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Invitation to April 30, 2013 web-ex and Copy of minutes and Q&A from April 23, 2013 meeting

Passmore, Wayne

Subject: FW: Northern T-Service Supply at Dawn - WEBEX UPDATE
Location: Union Gas Ltd. - Webex and Conference Call

Start: Tue 30/04/2013 1:30 PM
End: Tue 30/04/2013 3:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

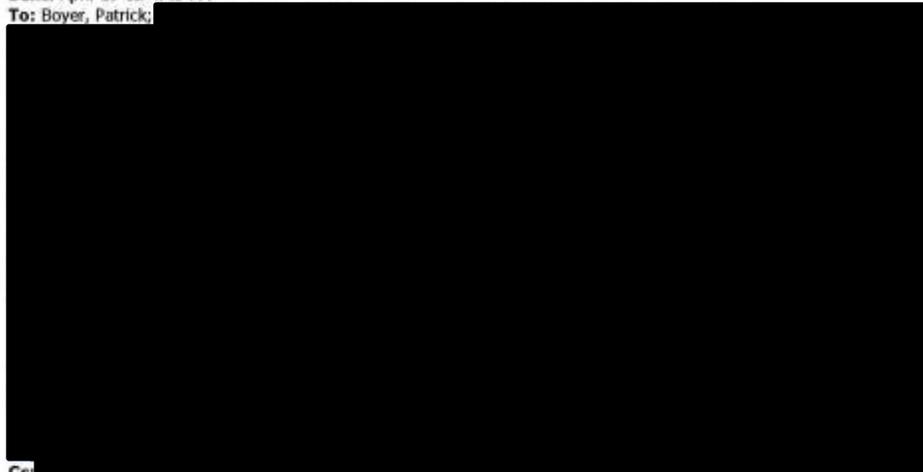
Organizer: Boyer, Patrick

FYI,

Wp,

-----Original Appointment-----

From: Boyer, Patrick
Sent: April-19-13 4:45 PM
To: Boyer, Patrick;



Cc:
Subject: Northern T-Service Supply at Dawn - WEBEX UPDATE
When: April-30-13 1:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Union Gas Ltd. - Webex and Conference Call

When: April-30-13 1:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Union Gas Ltd. - Webex and Conference Call

Note: The GMT offset above does not reflect daylight saving time adjustments.

The previous information sent for Webex access was not correct, please use the following webex link for the presentation at 1:30PM today.

To start this Webex meeting

You scheduled this meeting.

Meeting Number: 806 759 656

Meeting Password: This meeting does not require a password.

To start this meeting

1. Go to <https://spectraenergy.webex.com/spectraenergy/j.php?j=806759656>
2. If you are not logged in, log in to your account.

Audio conference information

Conference Call = 866-826-8611

Code# = 231591

<http://www.webex.com>

Thank you again for your interest in the Northern T-Service Supply at Dawn Service and for participating in the April 23rd webinar.

Please find the meeting notes and a copy of the presentation, and webex instructions below. In these notes we have identified the observations, comments, and questions "as we heard them" during the WebEx. We hope you can attend the upcoming follow up meeting on Tuesday, April 30 at 2:00PM as indicated in this meeting invitation.

The purpose of the April 30th meeting is to address the following:

- Briefly highlight the key features of the Northern T-Service at Dawn
- Provide feedback on the questions raised at the webinar and those submitted to us following the meeting
- Provide an opportunity for you to ask additional questions and offer your feedback on the service

In addition, Union's ask of you at this meeting is this: 'What additional information or changes to the service do you require in order for you to participate in and potentially commit to this proposed service (so that Union can enter the expected open season on your behalf)?

We look forward to you joining us next Tuesday, April 23 to discuss this opportunity further. In the meantime if you have any additional questions or suggestions regarding the service, please direct them to me and I will ensure they are included in Tuesday's discussion.

Thank you.

Patrick Boyer

On behalf of the Union Gas – Northern T-Service Supply at Dawn – Project Team



Meeting notes and follow-up Q&A from the April 23, 2013 meeting **Northern T service Supply at Dawn Customer Consultation Session #2**

WebEx – Meeting Minutes - As We Have Heard It, with Supplemental information

Tuesday, April 23, 2013

Presenters: Union Gas Ltd. – Dave MacEacheron and Wayne Passmore

Customer invitees: all Union’s Northern T-Service distribution Customers

Meeting Open – Dave MacEacheron – safety message

- Emphasized the need for feedback and questions

April 18 presentation review - Wayne Passmore

- Review of the target transportation/delivery zones & routes
- Map of the NA supply/transport routes
- Slide 5 – summary of the service/highlights
- Slide 6 – service description review
- Slide 7 – explanation of the pooling concept
 - o Term was also explained again – 3 year with an annual renewal as long as the distribution contract remains, up to expiry date of the underlying transport contract
- Slide 9 – Next Steps and Timing
 - o Customer consultation would continue at least until April 30 – perhaps beyond
- Slide 11 – summary of presentation
 - o Lower cost
 - o Share risk
 - o UG needs input
 - o Looking for customers to act quickly to meet May 31 date
- New Slide 13 – current firm contract demand of each T-service customer in EDA, NDA and NCDA
- New Slide 14 – indicative potential pipeline tolling (Union Gas, and TCPL to each delivery area)
 - o Target is the higher load factor portion of the demands
 - o The market is getting more complex and dynamic all the time – TCPL NEB decisions, new gas supply sources etc.
 - o TCPL Oil Line proposal would make Eastern Canada short by 300,000 GJ/d based on current FT contracts. (this reference is from a public posting by TCPL at http://www.nrgexpressway.com/servlet/nrginfo.ew.notices.ShowNotice?bulletin_id=282746401 , which says “However, current firm requirements exceed the capacity that would be available after the transfer by approximately 300 TJ/d (300,000 GJ/d) to the EDA and export points east of and including Iroquois.”)

Group Discussion, Questions and Answers:

Q: How much capacity does Union have from Empress?

A: This can be found on the TCPL website under the CDE report. Union's capacity on TCPL is dedicated to serving the system and Bundled T Service customers.

Q: Would the capacity of the proposed Northern T Service Supply at Dawn assignable?

A: Yes, permanent and temporary assignments would be tools available to customers to shift capacity from one pool participant (either permanently or temporarily) to others either in the pool or not.

Q: How does the 50% CD work if someone drops out of the pool and I am already at 100% firm to the plant?

A: If you have already locked into firm transportation service to the delivery area to meet 100% of your requirements, on a long term basis – this service may not be for you. If you are able to keep a portion of your transportation service to the delivery area rolling on a year to year basis, so that you could make adjustments each year, then the proposed service would work well. Targeting some portion of the Firm T Service CD (50%) allows for diversity of supply options and provides flexibility.

Q: Please clarify the "customer MUST renew" clause. Is there flexibility to not renew other than a force majeure event such as us shutting down our plant?

A: Perhaps. This service will be underpinned by long term firm contracting on TCPL. If you contracted directly with them, you'd have a 10-15 year term. We're trying to provide some flexibility for our customers by taking on the contract, asking for an initial 3 year term with annual extensions and taking on some of the term risk if a customer ceases distribution service. Assuming that the pipeline capacity from Dawn to the delivery area stays economically attractive, there will be other customers /demands that will want the capacity and by using an assignment from the customer that wants to shed the capacity to the customer that wants the capacity, the first customer could reduce their commitment to the capacity. .

Q: After 3 years do we have the ability to opt out?

A: It would depend. Union wants to help, to the extent we can, however, we need to find a balance with respect to the capacity and term and the risks that the capacity is "out of the money". If a customer could find another customer to take assignment of the capacity on a permanent basis (or just year to year), then you could "opt out" – either permanently or for the year, depending on the parameters of the assignment. We are proposing to facilitate "redistribution of capacity" between customers in the same delivery area, at least once each year. Assuming that the capacity is economically valuable, you should have no trouble finding another customer to take the capacity. If for some reason the capacity becomes economically unattractive and you are no longer able to realize the full value of the capacity, you could assign the capacity to a 3rd party to manage, to mitigate your costs, but the customer would still be

responsible for the capacity. (in effect you would be buying yourself out of the obligations of the capacity)

If you ceased to burn natural gas, your obligation to the service would end outright at the end of the current term of the contract; otherwise this contract and service would renew each year. When the underlying TransCanada contract is up for renewal, then an annual renewal option (in whole or in part) would be provided to the customers, just like Union's current turnback policy. The TCPL contract between Union and TCPL could be as long as 10 to 15 years (TCPL history was 10 year terms, but likely moving to 15 year commitment).

Q: So, if a big customer goes out of business, and you said you'd reallocate their capacity among the remaining customers in the pool, just how much would I have to take?

A: Union proposes to offer any capacity that a customer wants to shed or any capacity associated with a customer that left the pool due to plant closure to the others in the pool or other customers in the delivery area that are not yet in the pool, at least once per year. Only if there was not other customers that wanted the capacity, would Union initiate the process to force a re-allocation and even under that scenario, a customer would never have to take more than 100% of their initial Firm T-service CD.

Q: I'd like to see a one-stop service, Dawn to my door, would like to see that option move forward as a service.

A: We're looking at customer needs, thanks for the input. What you have described is more like the current Bundled T service.

Q: Is the assignment to the plant in the EDA or only the EDA?

A: The proposed Northern T service Supply at Dawn service moves gas from Dawn to the Delivery Area. The remaining component of the R10/20/100 distribution contract gets the gas from the Delivery Area to the plant. Under the proposed service the customer would give gas to Union at Dawn and Union would give it back to the customer in the delivery area. The customer could then take that gas to their plant or they could trade or give it to another customer in the delivery area.

Q: What is the tie in, if any, to the Parkway Obligation group?

A: They're completely separate initiatives. The Parkway Obligation working group is with intervenors from our 2013 rate case, and is looking at the southern operations area and what options are available to customers obligated at Parkway.

Q: Off ramp provision if only one customer in a zone is left to take on the capacity?

A: Capacity reallocation is only up to 100% of your initial firm T service CD. The assignability proposal also helps you manage, eg., if you had 50% of your capacity through this service, and 50% contracted some other way, the other capacity could be dialled back if you get some

additional allocation under this proposed service policy, and notice dates would be needed in the policy. That's one of the provisions that would need to be detailed in the policy.

Q: Could the service be available for R25 customers?

A: Since R25 is an interruptible rate, this would not be eligible. With possible capacity restrictions expected in the east, interruptible services may not be readily available in the future, and pricing and availability should be expected to become more volatile and less available.

Q: If the plant becomes more efficient and the allocated CD was 100 units, but the new CD is 80, then can the 20 be given back to Union?

A: That is not the current proposal. If the plant Firm T-Service CD was 100 units, then only a portion of that would be eligible for the service (50%), so that if the plant demands decreased to 80 units, the 50 units still "works". What ever other method is delivery gas to the delivery area would then need to be decreased under this scenario. Once you are allocated the capacity, you have that capacity to manage (using tools previously discussed) and it remains yours (unless permanently assigned to another customers) until the plant does not burn gas, or the underlying TCPL contract ends. The potential for efficiency gains and the corresponding decrease that is mentioned above is one reason why Union is proposing the 50% number. By going with something less than 100% of the capacity (which implies that the customer must continue with some of their current upstream arrangements), there is flexibility for the customer to reduce the other method of getting gas to the delivery Area.

Q: Re. Costs on slide 3, can you provide the costs that built up to the blue and green bars. What are the working assumptions?

A: The basis was from market data gathered on March 22, 2013 looking forward to the Nov 2013 to Oct 2014 period. It was from 2 market participants and averaged, Dawn was +\$0.26/GJ and Empress was -\$0.44/GJ. The tolling was based on an estimate of the TCPL tolls coming out of the recent NEB decision and the Union tolls that will be in effect once Union's proposed facilities are completed. The indicative Dawn to Parkway toll on Union Gas provided in evidence with the EB-2013-0074 filing is \$0.091/GJ/d (after the Parkway West project and the Brantford to Kirkwall and Parkway D project are completed). The estimate of the TCPL tolls was provided in the slide deck used on 23 April and is attached to these notes.

Q: What would the Dawn plus transportation costs to the zones?

A: TCPL hasn't released their new tolls yet, so slide 14 uses indicative pricing estimates and ranges

Q: What about assigning to the Montreal or Gaz Metro gate?

A: We could try to facilitate it, as a discretionary service, through diversions, on a short term basis. To facilitate it on a firm or long term basis, we would need TCPL to agree to alter the

primary delivery point from the original Delivery Area (Union-EDA, NDA or NCDA) to the new delivery area. If done on a “day to day” and non-firm basis, Union would need to recover the TCPL costs that are associated with diverting TCPL capacity. Our main focus for this service is firm service for Union’s in-franchise T-Service customers.

Q: Could we economically use this service to bring gas to the Gaz Metro EDA?

A: Please see the Q&A above.

Q: Is Union’s intention to have all Western Bundled T currently delivered at Empress changed to delivery Dawn delivery point so can flow through this North T-service Supply?

A: Union has contracted for 100,000 GJ/d from Parkway to the EDA and 10,000 GJ/d from Parkway to the NDA to serve system and BT customers in those areas (filed with OEB in EB-2013-0074 here: http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/search/rec&sm_udf10=eb-2013-0074&sortd1=rs_dateregistered&rows=200). If Union’s proposal is approved as filed, it would result in these two delivery areas having a mix of Empress and Dawn. The North T service Supply at Dawn is unrelated to System and BT requirements and it is designed to help T Service customers in these same areas get access to Dawn.

Q: What if someone wanted to move gas further on TCPL, would this be an upstream or downstream diversion?

A: Dependent on what TCPL looks like at the time and what direction they are flowing. Moving gas further could happen with assistance from Union.

Q: Nominations – would we require 1 or 2 noms? Would parties have the option of having only one nom?

A: Default is to have this service be as simple as possible, eg., Dawn to the Delivery Area. We could work with you, for example if you need to nom separately or different quantities on the two segments of capacity. (eg Dawn-Parkway and Dawn-NDA) Union is looking for input on what service attributes like nominations, the customers want. We want to find a way to make it work. That’s the type of input we’re looking for, to identify what you need in this service.

Q: If I already have some Dawn to Parkway capacity, could the gas just be given at Parkway then to the zone?

A: We are prepared to work with the customer to understand how this might be facilitated. To the extent there’s incremental Dawn-Parkway business, we’re more open to that than if the requests involves no incremental Dawn to Parkway capacity.

Q: After the Parkway/maple bottleneck is resolved, does this then suggest another bottleneck?

A: Currently, the bottleneck is getting gas from Parkway through to Maple. Once TCPL's proposed 2013 Expansion project is completed at Maple, Union anticipates no additional bottlenecks unless TCPL removes additional capacity from gas service - which could occur either through conversion to oil or due to de-rating the pipeline.

Q: How do these costs compare to a TCPL only short-haul option?

A: We should know by the end of the month when TCPL releases that information, but we anticipate that using TCPL for the entire service (from Dawn to the Delivery area) will be a bit more expensive than using Union to Parkway and then TCPL from Parkway to the Delivery area. You could contract directly with TCPL for Dawn to the EDA, but it would be subject to TCPL's term requirement.

Q: Slide #3 – savings based on one year going forward information. Would Union be able to provide a forward looking analysis for this service – beyond 2016? Union should be able to provide some analysis of the various basis pricing?

A: Since Union does not know what the tolls would be for 2016, it would be difficult at this time to forecast what these costs would be. Customers will need to do their own analysis to determine the value of the service. Union will take this away to see what information related to the basis can be provided to customers. This is a dynamic market, with available information changing daily, so we're at a real crossroads trying to quantify costs.

Note – Union has filed a Supply & Demand outlook, including gas pricing study as determined by ICF in EB-2013-0074 – available here:

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/search/rec&sm_udf10=eb-2013-0074&sortd1=rs_dateregistered&rows=200. Schedule 11-3 contains long term forward looking basis for Dawn and Empress. It was prepared in 2012, so it is a bit out of date, but it suggests that the longer term basis at Dawn would be +US\$0.58 and Empress would be -US\$0.40/mmbtu. This is on page 429 of 488 in the original filing.

Q: Is it Union's intention to have all BT delivery to Union at Dawn?

A: No, these are separate initiatives. Union has contracted for capacity for the NDA and EDA and would then switch some, not all, of the BT obligation to Dawn. T-Service requirements were NOT included in Union's previous request for TCPL capacity. T service customers are responsible for making their own arrangements for transportation capacity to the Delivery Area.

Q: Still trying to figure out the loss of capacity you referred to... How did you come up with those numbers?

A: We got it from the TCPL web site (non-critical notices, non-renewable capacity), where they have proposals to convert parts of their pipeline from natural gas to oil. They show an offering

for non-renewable capacity until 2015 and will then be taking 967,000 GJ/day off to the EDA, under non-critical notice. On the same notice board, TCPL explains the oil line again, current firm requirement would be 300,000 GJ/day shortfall at time of transfer. However, this could be offset by gas brought in through eastern points.

The notices are available here: <http://www.transcanada.com/customerexpress/mainline.html> under “Non-critical” Notices. In particular, the existing capacity Open Season is available here: http://www.transcanada.com/customerexpress/docs/ml_capacity/Existing_Open_Season.pdf and on April 18th it was amended, so the numbers changed a bit from what was quoted at the time of the webex. The current notice says that 924,000 GJ/d to the EDA may be removed from service starting Nov 1, 2015 and that as of June 2013, there is no more FT available to the EDA from Empress.

In a separate posting available here:

http://www.nrgexpressway.com/servlet/nrginfo.ew.notices.ShowNotice?bulletin_id=282746401 regarding the gas capacity impacts of TCPL’s proposed Oil conversion project, TCPL states: “However, current firm requirements exceed the capacity that would be available after the transfer by approximately 300 TJ/d (or 300,000 GJ/d) to the EDA and export points east of and including Iroquois.”

Q: On slide 13, are you suggesting the service is 100,000 in EDA and 130,000 in NDA is the amount to be offered?

A: Union is simply stating what the current firm contract T-Service demand is in each delivery area. At the 50% of CD amounts we have proposed for the service, it would be 50,000 and 65,000 respectively. Again, we welcome your input into what you need. We suggested 50% to give you freedom to manage the remaining capacity outside of this service.

Q: I’m not on the webex – could you forward the CD graph you’re talking about?

A: Yes –it will be in the attached slide deck.

Other discussion & next steps:

- Review of the amount of CD in the three pools and the offer to look at different ways to provide customers with options as to how much capacity would be available – floor/max; customer percent of total available, other?
- Look at other pool grouping options, eg., small customers as a pool, to reduce impact of a large customer going out of business and having to allocate their large capacity to remaining small customers in a delivery area.
- Next opportunity would be to talk to customers to gather input as to how to make this service work for customers. Next opportunity would be April 30th, another meeting session similar to this session.

- Idea of booking a meeting for each delivery area would be an excellent idea as customer can think about their own area and the impact directly to them and their operations.

Supplemental Questions, received after the WebEx:

Q: Will electing this service (or not) in any way affect my CBS account or the parameters of the CBS account?

A: NO.

Q: • 50% of firm transport CD is a very low volume, which still leaves me to make delivery arrangements for most of my daily volume. So why wouldn't I just lump all my volume together and deliver by other means?

A: that is an option for you to consider, however, Union would recommend considering a portfolio approach – to provide diversity of sourcing arrangements. Also, the “other means” may be more expensive and less reliable in terms of availability going forward. If 50% is “very low” what percentage makes sense to customers?

Q: • Unsure how the pooling aspect is going to work if a larger pool member stops taking volume and Union looks at re-assigning volume, is it a must take scenario up to 100% of the rate 20 transport CD

A: Union is proposing to cap the amount of capacity that a customer would have to take under a “forced” re-allocation at 100% of their Firm Tservice CD. If customers would sign up for more capacity under a different scenario, Union would like to know what that scenario would have to be.

Q: Will the Northern T Service supply give me options for suspending volume into EDA and potentially using at my Union South location and vice versa?

A: Once the customer has the capacity under this service, it is up to the customer (or their agents_ to decide how to best manage that capacity on any given day. Customers could use the service as primarily contemplated – to get gas from Dawn to their Delivery Area. They could also use the service to get gas to Parkway to meet a Parkway Obligation, or they could provide a Dawn to Delivery Area transportation service to another customer in their Delivery Area or any other location on the TCPL system (via a diversion).

Q: Yesterday it sounded like in the pool you would take other pool members Dawn until you were at capacity and if production was reduced you were still on the hook for your portion. Effectively meaning you might end up with unneeded capacity.

A: that is possible, however, tools like assigning the capacity to another customer that needs it would be a way for a customer to avoid being “on the hook”.

Q: Can I assign the capacity to others in different delivery areas?

A: An assignment is usually done from one party to another, while maintain the parameters of the contract (and not changing the receipt or delivery point). Diversions from the primary Delivery Point or Area to another are a discretionary service, offered by TCPL. They would be another “tool” in the tool box to help manage the capacity. A permanent, full time, Firm change in delivery area could only be completed if TCPL agreed to an amendment to the underlying contract. If TCPL were to offer a service that included multiple firm delivery points or areas, then the options for mitigating the capacity in the future are greater.

Q: Corporately my company has issues entering into contracts for longer than 5 years. How can we make this work?

A: Union is proposing a contract that would last 3 years, with annual automatic renewal thereafter. Our current thinking is to add a clause to the R10/20 & 100 Rate schedule that would say that the Northern T-Service Supply at Dawn service is subject to the Capacity Allocation & Renewal Policy (which is what the Rate schedules currently say about the T Service being subject to the TCPL Turnback policy). The proposed policy would mention that if the customer has the Northern Tservice Supply at Dawn service, that their CD for the service would remain constant, unless:

- 1) They assigned away or acquired (by assignment) capacity from another customer
- 2) Another customer in the pool ceased taking gas distribution service from Union and any excess capacity not picked up by other customers on a voluntary basis, was re-allocated to the customer, on a forced basis, pro-rata to their initial Firm Tservice CD, up to the maximum of 100% of their initial Tservice Firm CD.
- 3) The primary term of the underlying transportation contract was up for a renewal option and the customer had elected to reduce, in whole or in part, their CD under this service.

Slides used for Web-ex on April 30, 2013 – 1:30 to 3:00 pm



Northern T Service Supply at Dawn
Customer Working Group
Consultation & Collaboration Session #3

30 April 2013



A Spectra Energy Company



Agenda

- Introductions – Dave MacEacheron
- Safety message – Dave MacEacheron
- Follow up to previous sessions – Wayne Passmore
- Customer feedback – All
- Next steps & timing – Wayne Passmore
- Questions

Spectra Energy Corp | 2

 Previous meeting follow-ups

- Thank you for your feedback and questions – please keep them coming via your Account Manager or directly to us
- Please review the minutes as we have added supplemental information to several of the Q&As
- A summary of questions received and answers follow

Spectra Energy Corp | 3

 When does the service start and when do I have to express interest?

- Start date estimated to be Nov 1, 2016
 - If you have needs that are earlier or later, it would be beneficial to articulate them as the project may have some flexibility
- The proposed service would be subject to OEB approvals, which would not occur until later in 2013
- Customers should expect to express interest in May of 2013 to allow Union to bid into TCPL's anticipated Open Season
 - Commitment to the service would be subject to Customer's Conditions Precedent (for example management approvals, etc.)
- Union Gas will have several Conditions Precedent as well (OEB approvals, management approvals, facilities required are approved and in-service, etc.)

Spectra Energy Corp | 4

 What is in it for me as a customer?

- Reliable access to lower cost gas supplies
 - Firm Service, with renewal rights and certainty vs. shorter term interruptible services or non-renewable services
- The ability to buy gas at the liquid Dawn Hub
- Term Risk Mitigation - Ability to contract for 3 years on a path that would otherwise require a longer term commitment (10 – to 15 years), due to building new capacity
- Transportation costs linked to “Cost of Service” approved tolls – not volatile, day to day, market pricing in the Delivery Area

Spectra Energy Corp | 5



- ### Why is Union Gas contemplating this service?
- Enable our customers to access lower cost gas supplies at Dawn
 - To help ensure long term economic competitiveness of our distribution customers
 - Maintain and enhance the value of Dawn to Parkway transportation capacity
 - Enhance Dawn liquidity – benefits all customers
 - Demand for this service will likely drive facilities expansion from Dawn to the northern delivery areas
 - Facilitate expansion and debottleneck the Parkway to Maple path
- Spectra Energy Corp | 7

- ### What is the potential risk of not participating?
- Current non-utility FT capacity on TCPL to the north is insufficient to meet the Firm T-service Contract Demands*:
 - EDA TCPL capacity is 62,568 GJ/d vs. Firm T Service CD of 100,000 GJ/d
 - NDA TCPL capacity is 40,112 GJ/d vs. Firm T Service CD of 130,000 GJ/d
 - Historic excess capacity from Empress on TCPL being significantly reduced with TransCanada's proposed Energy East project (gas line conversion to oil)
 - Current [TCPL Existing Capacity Open Season](#) shows no existing FT long haul being available to the EDA as of Nov 1, 2015
 - Potential for greater reliance on interruptible and/or non-renewable and biddable transportation services
- * Source: TCPL CDE report or [Index of Customers](#)
- Spectra Energy Corp | 8

Will there be other opportunities to participate at a later time? 

- Possibly – The future probability of another opportunity is likely dependent on the success of this initial service
- Likely requires expansion capacity
- TCPL is “not compelled by statute to provide service to customers in any area” – NEB RH-003-2011, page 38

Spectra Energy Corp | 9

What options do I have to manage the capacity obligation? 

- If a customer finds another customer that wants the capacity, they can assign that capacity (permanent or temp) to them
- At least once per year, Union Gas will facilitate an option for customers to voluntarily assign capacity between customers
 - Customers express interest in shedding or acquiring & Union Gas can facilitate assignments between willing parties
- If a customer ceases distribution service, the capacity would first be offered to other customers on a voluntary basis (awarded as per the proposed Policy)
 - If capacity remains, it would be allocated as per the proposed Policy (pro-rata based on Firm T-service CD, up to a limit of 100% of customer’s Firm CD and any remaining after that would be retained by Union)
- Buy out option

Spectra Energy Corp | 10

How do I get more capacity in the future? 

- If a customer finds another customer that is prepared to shed capacity, they can take assignment of that capacity (permanent or temp)
- At least once per year, Union Gas will facilitate an option for customers to voluntarily assign capacity between customers
 - Customers express interest in shedding or acquiring & Union Gas can facilitate assignments between willing parties
- In the future, there MAY be an opportunity to acquire incremental capacity, if this initial service is successful

Spectra Energy Corp | 11

Contracting Options 

- Embed Service and parameters in a Schedule of the distribution service contract
 - Similar to CBS today

OR

- Add the Service option to standard Rate 10/20/100 distribution contract, like T-service option today, include initial parameters in a schedule
- Add new section to R10/20/100 Rate Schedule, with a link to the proposed Policy
- Create and share the proposed policy
 - Policy would describe initial allocation and how to acquire or shed capacity and any limits or thresholds related to capacity

Spectra Energy Corp | 12

Next steps 

- Expression of Interest form
- Meetings with smaller groups, or 1 on 1
 - Contact your Account Manager to set up
- Pro-forma contracting

Spectra Energy Corp | 13

Email sharing April 30, 2013 slide deck and Invitation to Bid form

Passmore, Wayne

From: Boyer, Patrick
Sent: May-01-13 10:17 AM
Subject: Northern T-Service Supply at Dawn
Attachments: North T Service Supply at Dawn - External stakeholder presentation_30Apr2013.pdf;
Union's Northern T-service Supply at Dawn Service - Expression of Interest_2013Apr30.pdf

For those of you who were able to participate in yesterday's webex presentation, thank you for doing so. For those who were unable to attend, we hope to connect with you shortly.

Attached please find a copy of the presentation and the Expression of Interest Form that was reviewed on the April 30th WebEx call. Please review both documents and should you have any questions, about these, or any of the previous materials distributed, please do not hesitate to contact your Account Manager.

All customers should expect a follow up call from their Account Manager to discuss their particular requirements and the next steps. Union is looking for you to complete the Expression of Interest form, including any special requirements you may have and **returning this to Union on or before 2:00 pm on May 16th, 2013.**

Regards,
Patrick Boyer
On behalf of The North T-Service Transportation at Dawn Project Team

Attached Bid form - due May 16, 2013



Union Gas Limited Firm Northern T-service Supply at Dawn Service Request

Union Gas Limited ("Union") is pleased to announce an opportunity for customers in Union's Northern and Eastern Operation Areas to express interest and request access to a new proposed "Firm Northern T-service Supply at Dawn Service". The proposed service would provide T-service customers a firm method of moving gas purchased at the Dawn Hub to the Point of Receipt in their T-service natural gas distribution contract. The proposed service could commence as early as late 2016.

Proposed Service:

Firm Northern T-service Supply at Dawn service, from Dawn to the Point of Receipt in the customers natural gas distribution service contract (TCPL Delivery Area), subject to the proposed Capacity Allocation and Renewal Policy.

1. Service Description and Details:

Firm Northern T-service Supply at Dawn Service Parameters

- Firm transportation service enhancement to northern T-service customers
- Receipt Point is **Union Dawn**
- Delivery Point is the TransCanada Delivery Area within Union's Northern and Eastern Operations Areas stipulated on the customer's T-service distribution contract – defined in the distribution contract as the **Point of Receipt** for distribution service.
- Initial term will be a **minimum term of 3 years**, followed by automatic annual rolling renewal for 1 year at a time, subject to the proposed Capacity Allocation and Renewal Policy.
- Service is proposed to be subject to and in accordance with Union's OEB approved Rate Schedules.
- Service is subject to availability of transportation capacity between Dawn and Parkway on Union's system and firm capacity from Parkway to the appropriate delivery area.
- Demand and fuel rates will be subject to Union tolls between Dawn and Parkway and TCPL tolls between Parkway and the appropriate delivery area and are subject to change from time to time, as approved by the OEB and NEB



2. Submitting an Expression of Interest for Service

Questions about the Northern T-service Supply at Dawn Service should be directed to: Stan Somers (519) 436-4623; ssomers@uniongas.com or your Account Manager. Please complete, sign and return the Firm Northern T-service Supply at Dawn Service Expression of Interest via email to:

ATTN: Stan Somers
Email: ssomers@uniongas.com

Completed forms must be returned on or before 2:00pm eastern on May 16th, 2013
Union will acknowledge Customer's expression of interest in writing on or before 4:00 p.m. on the same day. Union in its sole discretion reserves the right to reject any and all proposals received.

Conditions Precedent:

This service includes several standard Preconditions to Service in Union's favour, including:

- Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and third party approvals, consents, orders and authorizations, that are required to construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn service; and
- Union shall have obtained all internal approvals that are necessary or appropriate to acquire or construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn service; and
- Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "Initial Financial Assurances"). The Initial Financial Assurances, if required, will be as determined solely by Union; and
- Customer shall, as required, have entered into the necessary Contracts with Union and/or others to facilitate the Firm Northern T-service Supply at Dawn service contemplated herein; and
- Union shall have acquired or constructed any necessary transportation capacity required by Union to provide the Service; and
- Union shall have acquired and/or completed and placed into service any new capacity or facilities required to provide the Firm Northern T-Service at Dawn service; and
- Customer shall have executed the Firm Northern T-Service to Dawn service agreement.

Page 2



This Service includes an option for the Customer to include several Preconditions to Service in Customer's favour:

- Customer shall have obtained all internal approvals necessary for the Customer to execute the Contract, by _____ (a certain date).
- In addition to the above, any Conditions Precedent that the Customer proposes should be attached to the expression of interest, including the proposed date for each.



FIRM NORTHERN T-SERVICE SUPPLY AT DAWN SERVICE EXPRESSION OF INTEREST

Please complete, sign and return this Firm Northern T-service Supply at Dawn Service Expression of Interest on or before 2:00 pm eastern, May 16th, 2013, via email to:

ATTN: Stan Somers
Email: ssomers@uniongas.com

This is an expression of interest in a new firm Northern T-service supply at Dawn service, subject to specified conditions precedent. The purpose of the Firm Northern T-service Supply at Dawn Service Expression of Interest is to gauge the interest of Northern T-service customers for Union to provide transportation service from the Dawn Hub to the customer's TCPL Delivery Area ("Point of Receipt" in the Distribution Contract). By signing and returning this Firm Northern T-service Supply at Dawn Service Expression of Interest, Customer may be contacted directly to transition to a related Contract, containing Conditions Precedent.

Customers may submit more than one bid form. Please indicate your requirements below:

Firm Northern T-service Supply at Dawn Service Expression of Interest:

Distribution Contract Reference: SA _____

Capacity Requested: Up to: _____ (GJ/d)

Delivery Point Union EDA Union NCDA Union SSMDA

Union NDA Union WDA CentraT MDA

Start Date Nov 1, 2016 Nov 1, 2017 _____

TERM (3 year minimum ending October 31) _____ (yrs)

Is the expression of interest subject to any additional Conditions Precedent, in favour of the customer?

Yes* No (circle one) *If yes, please articulate those proposed conditions in an attachment, with a proposed date for each.

Dated this _____ day of _____ 2013

CUSTOMER LEGAL NAME _____

By: _____

Signature: _____

E-mail: _____

Name: _____

Phone: _____

Email from Patrick Boyer to extend bid form due date to May 24, 2013

Passmore, Wayne

From: Boyer, Patrick
Sent: May-21-13 8:58 AM
Subject: Northern T-Service Supply at Dawn
Attachments: Updated Bid Form - Union's Northern T-service Supply at Dawn Service-17may2013.pdf

Based on feedback from several customers and recent industry events, Union Gas has decided to extend the deadline for expressions of interest in the proposed North T-service Supply at Dawn service. We have also added clarity around the proposed service offering by including the high level points of the proposed Capacity Allocation and Renewal Policy in the document. We have specifically asked customers to identify both:

- 1) What pre-conditions does the customer have to take the service and when might the customer expect to meet or waive those conditions and
- 2) If the customer can't support the service as proposed, what aspects of the service would have to change, in order for the customer to support the service through a contract – please be specific?

The deadline for the extension is May 24th at 2 pm. Once we have received all of the customer input and expressions of interest and assessed the level of support for the proposed service and reviewed any proposed alterations of the service, we will circle back with the customers that have submitted an Expression of Interest with a definitive offering and move to the next steps. You can expect a follow up phone call or meeting with your Account Manager to further discuss this opportunity and address any questions or issues you may have.

Thanks for your interest.
Northern T-Service Supply at Dawn Project Team

Updated Bid form due back May 24, 2013



Updated May 17, 2013

Union Gas Limited Firm Northern T-service Supply at Dawn Service Request

Union Gas Limited ("Union") is pleased to announce an opportunity for customers in Union's Northern and Eastern Operation Areas to express interest and request access to a new proposed "Firm Northern T-service Supply at Dawn Service". The proposed service would provide T-service customers a firm method of moving gas purchased at the Dawn Hub to the Point of Receipt in their T-service natural gas distribution contract. The proposed service could commence as early as late 2016.

Proposed Service:

Firm Northern T-service Supply at Dawn service, from Dawn to the Point of Receipt in the customers natural gas distribution service contract (TCPL Delivery Area), subject to the proposed Capacity Allocation and Renewal Policy.

1. Service Description and Details:

Firm Northern T-service Supply at Dawn Service Parameters

- o Firm transportation service enhancement to northern T-service customers
- o Receipt Point is **Union Dawn**
- o Delivery Point is the TransCanada Delivery Area within Union's Northern and Eastern Operations Areas stipulated on the customer's T-service distribution contract – defined in the distribution contract as the **Point of Receipt** for distribution service.
- o Initial term will be a **minimum term of 3 years**, followed by automatic annual rolling renewal for 1 year at a time, subject to the proposed Capacity Allocation and Renewal Policy.
- o Service is proposed to be subject to and in accordance with Union's OEB approved Rate Schedules.
- o Service is subject to availability of transportation capacity between Dawn and Parkway on Union's system and firm capacity from Parkway to the appropriate delivery area.
- o Demand and fuel rates will be subject to Union tolls between Dawn and Parkway and TCPL tolls between Parkway and the appropriate delivery area and are subject to change from time to time, as approved by the OEB and NEB

Proposed Capacity Allocation & Renewal Policy

- Initial contract term is 3 years, with annual renewal thereafter
 - With distribution service renewal, customer **MUST** renew this service until expiry of the underlying TCPL contract (up to 15 years)
- Customers in each delivery area form a pool of committed participants (i.e. EDA Pool and NDA Pool), with each participant electing service up to a percentage of



Updated May 17, 2013

- their firm T-service CD
- Based on customer commitments, Union Gas acquires long term firm TCPL capacity and allocates Union Gas Dawn - Parkway capacity
 - Expected to drive a new facilities build
- If distribution services ceases (eg. 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 capacity, after re-allocation, reverts to Union Gas

2. Submitting an Expression of Interest for Service

Questions about the Northern T-service Supply at Dawn Service should be directed to: Stan Somers (519) 436-4623; ssomers@uniongas.com or your Account Manager. Please complete, sign and return the Firm Northern T-service Supply at Dawn Service Expression of Interest via email to:

ATTN: Stan Somers
Email: ssomers@uniongas.com

Completed forms must be returned on or before 2:00pm eastern on **May 24th, 2013**. Union will acknowledge Customer's expression of interest in writing on or before 4:00 p.m. on the same day. Union in its sole discretion reserves the right to reject any and all proposals received.

Conditions Precedent:

This service includes several standard Preconditions to Service in Union's favour, including:

- Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and third party approvals, consents, orders and authorizations, that are required to construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn service; and
- Union shall have obtained all internal approvals that are necessary or appropriate to acquire or construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn service; and
- Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "Initial Financial Assurances"). The Initial Financial Assurances, if required, will be as determined solely by Union; and
- Customer shall, as required, have entered into the necessary Contracts with Union and/or others to facilitate the Firm Northern T-service Supply at Dawn service contemplated herein; and



Updated May 17, 2013

- Union shall have acquired or constructed any necessary transportation capacity required by Union to provide the Service; and
- Union shall have acquired and/or completed and placed into service any new capacity or facilities required to provide the Firm Northern T-Service at Dawn service; and
- Customer shall have executed the Firm Northern T-Service to Dawn service agreement.

This Service includes an option for the Customer to include several Pre-conditions to Service in Customer's favour.

- Customer shall have obtained all internal approvals necessary for the Customer to execute the Contract, by _____ (a certain date).
- Any other Conditions Precedent that the Customer proposes as a Pre-condition to the commencement of service should be attached to the expression of interest, including the proposed date for each.
- **In addition, if the Customer's interest in the proposed service is conditional on a modification of the service as proposed, please articulate the Customer's proposed modifications.**



Updated May 17, 2013

FIRM NORTHERN T-SERVICE SUPPLY AT DAWN SERVICE EXPRESSION OF INTEREST

Please complete, sign and return this Firm Northern T-service Supply at Dawn Service Expression of Interest on or before 2:00 pm eastern, May 24th, 2013, via email to:

ATTN: Stan Somers
Email: ssomers@uniongas.com

This is an expression of interest in a new firm Northern T-service supply at Dawn service, subject to specified conditions precedent. The purpose of the Firm Northern T-service Supply at Dawn Service Expression of Interest is to gauge the interest of Northern T-service customers for Union to provide transportation service from the Dawn Hub to the customer's TCPL Delivery Area ("Point of Receipt" in the Distribution Contract). By signing and returning this Firm Northern T-service Supply at Dawn Service Expression of Interest, Customer may be contacted directly to transition to a related Contract, containing Conditions Precedent.

Customers may submit more than one bid form. Please indicate your requirements below:

Firm Northern T-service Supply at Dawn Service Expression of Interest:

Distribution Contract Reference: SA _____

Capacity Requested: Up to: _____ (GJ/d)

Delivery Point Union EDA Union NCDA Union SSMDA
 Union NDA Union WDA CentraT MDA

Start Date Nov 1, 2016 Nov 1, 2017 _____

TERM (3-year minimum ending October 31) _____ (yrs)

Is the expression of interest subject to any additional Conditions Precedent, in favour of the customer?

Yes* **No** (circle one) *If yes, please articulate those proposed conditions in an attachment, with a proposed date for each.

Dated this _____ day of _____ 2013

CUSTOMER LEGAL NAME _____

By: _____

Signature: _____

E-mail: _____

Name: _____

Phone: _____

Email to customers inviting them to the July 3, 2013 Web-ex meeting

Passmore, Wayne

From: Passmore, Wayne
Sent: June-27-13 4:00 PM
Subject: Union Gas proposed changes to the North T-service Supply at Dawn Service - web-ex on Wed July 3rd at 2:00 pm
Attachments: Union Gas Updated Proposal for North T-service Supply at Dawn

Union Gas Ltd. is proposing several changes to the North T-service Supply at Dawn service. We would like to invite you to participate in a web-ex meeting on **Wednesday, July 3rd, at 2:00 pm** to review the proposed changes and receive your feedback on the changes. Attached is a meeting invite for your calendars.

The revisions to the service address many of the concerns raised by customers. Watch for an email with a presentation that will be reviewed on the Web-ex.

We would like to thank all those North T-service customers that participated in the Expressions of Interest and follow up meetings and gave us input to the proposed changes.

We're excited about the chance to serve your requirements with Dawn based services and hope you can join us for this presentation. If you or a delegate cannot make this meeting and would like to discuss this at another time, please let us know.

Web-ex & conference call details:

To start this meeting:

1. Go to <https://spectraenergy.webex.com/spectraenergy/j.php?J=800154440>
2. If you are not logged in, log in to your account.

Audio conference information:

Conference Call = 866-826-8611
Code# = 231591

On behalf of the entire team,

Wayne Passmore, P.Eng.

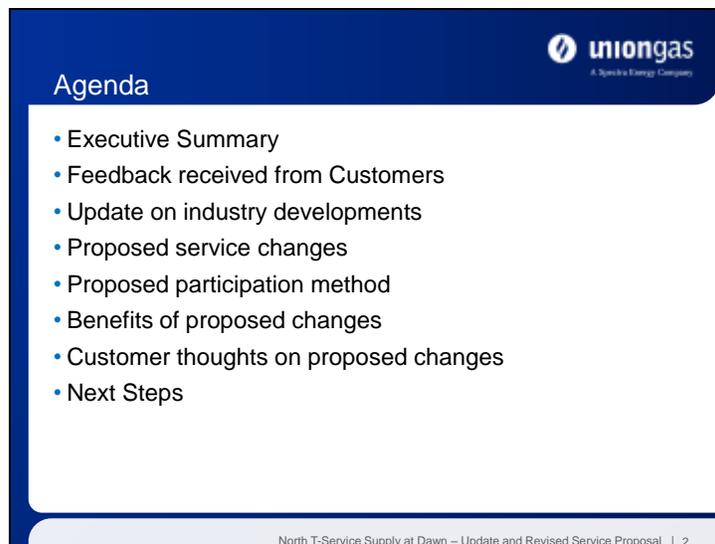
Manager, Strategic Product Development,
Union Gas Limited 50 Keil Drive North P.O. Box 2001
Chatham, ON N7M 5M1
uniongas.com wpassmore@uniongas.com
519 436-5356 direct 800 571-8446 x5005356# toll free
519 436-4643 fax 519 365-0776 mobile
AOL/AIM: WaynePssmr

Don't Learn Safety by Accident!

Web-ex slides emailed to customers on June 28, 2013 for web-ex on July 3, 2013



The slide features the Union Gas logo (a blue circle with a white lightning bolt) and the text "uniongas A Spectra Energy Company" in the top right corner. On the left side, there is a photograph of a worker in a blue hard hat and safety vest working on a large orange industrial valve. The main content area has a dark blue background with white text. The text reads: "North T-service Customer Web-ex – July 3rd, 2013", "An updated service proposal for: North T-service Supply at Dawn", and "Union Gas Limited" in the bottom right corner.



The slide features the Union Gas logo (a blue circle with a white lightning bolt) and the text "uniongas A Spectra Energy Company" in the top right corner. The word "Agenda" is written in white on a dark blue background. Below it, a list of agenda items is presented in a white box with a blue border. The items are: "Executive Summary", "Feedback received from Customers", "Update on industry developments", "Proposed service changes", "Proposed participation method", "Benefits of proposed changes", "Customer thoughts on proposed changes", and "Next Steps". At the bottom of the slide, the text "North T-Service Supply at Dawn – Update and Revised Service Proposal | 2" is visible.

Executive Summary of Proposed Changes to North T-service at Dawn 

- Term: 1 year – then rolling year to year
- Contracting: implement service via OEB approval to Rate Schedules and embed service within distribution contract
- Quantity: 0 to 3,000 GJ/d – customer choice
- Eligibility: all T-service in EDA, NCDA & NDA
- Pooling: capped at 3,000 GJ per customer to min impact
 - New deferral account to manage any revenue shortfall
 - Clears to all Eligible T-service customers
- Flexibility: Ability to reduce FDQ if plant Contract Demand drops materially after 1st year of service

North T-Service Supply at Dawn – Update and Revised Service Proposal | 3

Feedback received from customers 

- ✓ 1. Customers want the service to help lower their delivered gas costs
- ✓ 2. Small customers prefer a solution that meets majority of their needs.
- ✓ 3. Large customers prefer supply diversity
- ✓ 4. Concerns with the “pooling” concept and bankruptcy impact on others
- ✓ 5. Customers want a service that is easy to manage
- ✓ 6. Long term contract approvals are onerous
- ✓ 7. Customers like Union Gas helping to secure capacity.

The updated proposal addresses the feedback received

North T-Service Supply at Dawn – Update and Revised Service Proposal | 4

Update on Industry developments 

- NEB decisions regarding TCPL
- TCPL & Enbridge MOU
- Union motion to OEB regarding the MOU
- TCPL service change proposals
 - Term extensions or lose renewal rights
 - Biddable discretionary services
- Potential Impacts of Energy East on gas markets
- Open Seasons

North T-Service Supply at Dawn – Update and Revised Service Proposal | 5


A Spectra Energy Company

Proposed Service changes

- With customer support and OEB approval, enhance T-service in Union North to embed the North T-service Supply at Dawn service in the R10, R20 & R100 tariff
- Eligible customers: all Firm T-service in EDA, NDA & NCDA
- Firm Daily Quantity (FDQ), with “rolling 1 year contract” =
 - Min: 0 GJ/d
 - Max: customer option to request quantity, up to
 - i. 100% of current Firm T-service CD, or
 - ii. max daily consumption in last 12 months
 - iii. But no more than 3,000 GJ/d if i) or ii) are above 3,000 GJ/d
- If Customer wants more capacity than Max., then a 15 yr commitment required for any capacity above 3,000 GJ/d

North T-Service Supply at Dawn – Update and Revised Service Proposal | 6


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Proposed Service changes

- Customers encouraged to consider future needs in 2016 and beyond when electing Firm Daily Quantity
- FDQ will be allowed to reduce if plant Contract Demand materially changes after the first year of service
- If any capacity becomes excess, Union would re-market to mitigate costs to the deferral account
 - Offer capacity first to T-service customers in the delivery area
- Create a new “North T-service TCPL Capacity” deferral account to capture any differences between costs for North T-service TCPL services and revenue received from North T-service customer for TCPL capacity associated with the service – clear deferral account annually across all Eligible Customers
- Union at risk for Dawn to Parkway component of service

North T-Service Supply at Dawn – Update and Revised Service Proposal | 7


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Unchanged Concepts

- Once FDQ set, pricing set at regulated and approved posted tolls, which will change from time to time
- Customers will nominate the usage of the capacity
- Capacity will be managed / optimized by the customer
- Any optimization benefits or UDC to the sole account of each T-service customer
- CBS operation & parameters unchanged
- Union will facilitate trading capacity between customers
- Diversions etc. will be facilitated, to the extent the underlying TCPL contracts allow

North T-Service Supply at Dawn – Update and Revised Service Proposal | 8



Proposed Participation Method

- Union to send form to each Eligible customer asking for their election and opinion on the proposal in next few days
- Form due back July 17, 2013
- Each customer will be presented with their specific options (Min. & Max. Quantities) for rolling 1 year contract
 - Elected Quantity will be used for 1st year of service, if/when the service is approved by the OEB and capacity is in place
- Customer can opt for more capacity (above Max.)
 - Incremental capacity will require new 15 yr contract, to lock FDQ above 3,000 GJ/d with R10/20/100 contract
 - Customers could still vary their distribution service quantities, at end of current distribution contract term

North T-Service Supply at Dawn – Update and Revised Service Proposal | 9



Benefits of Proposed changes

- With customer consultation & support and OEB approval, simplified contracting – can use rolling 1 year contract – no new long term contract required
- Customers presented with an option for capacity
- All similarly situated customers treated fairly
- Limiting base FDQ to 3,000 GJ/d per customer minimizes the impact of any one large customer closing
- Deferral account spreads any costs over all T-service customers in EDA, NDA & NCDA (“pool” of 48 - not just those in each delivery area)
- Approach facilitates Open Season timing requirements

North T-Service Supply at Dawn – Update and Revised Service Proposal | 10



Customer thoughts?

- What do you think?
- Can you be “supportive” or at least “neutral”?
- If against, what would have to change for you to be:
 - Neutral
 - Supportive
- Other feedback

North T-Service Supply at Dawn – Update and Revised Service Proposal | 11



Next Steps

- Union Gas to send form and consumption history to each customer with options – early July
- Customers send form back to Union by July 17
- Receive contracts back for any capacity above Max. FDQ
- Acquire necessary capacity – bid / build – July 2013
- OEB filing / approvals – early 2014

North T-Service Supply at Dawn – Update and Revised Service Proposal | 12

Email to Customers on July 10, 2013

Passmore, Wayne

From: Passmore, Wayne
Sent: July-10-13 6:23 PM
To: Passmore, Wayne
Cc: Bastedo, Douglas; Bessette, Gaetan; Bruyns, Ron; Chan, Richard; Dent, Dave; Jones, Mark; Laforest, Gerald; Lee, Joe; Owen, Stuart; Pagee, Tim; Plotzke, Lutz; Ries, Frank; Boyer, Patrick; Glasier, Mark; Vandenbrink, Harry; McFarland, Vicki
Subject: Union Gas North T-service Supply at Dawn - Follow ups
Attachments: North Tservice Supply at Dawn - Invitation to Bid -updated 10jul2013.pdf; North T-service Supply at Dawn Update for 3 Jul 2013 - with Appendix-as presented.pdf; North T-service Supply at Dawn - Meeting Summary for customers of web-ex from 3 July 2013.pdf

This note is to follow-up on Union's July 3rd web-ex & conference call regarding the proposed changes to the North T-service Supply at Dawn Service.

Thank you to those of you that were able to participate. We appreciate you taking the time and sharing your thoughts & input. We would like to again extend an offer to discuss the proposal in more detail. To arrange a follow up discussion, please contact your Account Manager.

Attached are the documents discussed in the meeting:

- 1) The updated presentation – as reviewed during the July 3rd call – includes new appendices
- 2) A Meeting Summary of the July 3rd call
- 3) Request for Service Form – a package describing the proposal in more detail and an invitation to bid – note, the date that the form is due back is **now July 24th**.

Subsequent to the meeting there have been several regulatory developments that may be relevant to the proposed service, including a letter of complaint from Union, Enbridge and Gaz Métro recently submitted to the NEB. It is available [here](#).

On behalf of the entire team, thank you for continued participation.

Wayne Passmore, P.Eng.

Manager, Strategic Product Development,
Union Gas Limited | A Spectra Energy Company
50 Keil Drive North P.O. Box 2001
Chatham, ON N7M 5M1
uniongas.com wpassmore@uniongas.com
519 436-5356 direct 800 571-8446 x5005356# toll free
519 436-4643 fax 519 365-0776 mobile
AOL/AIM: WaynePssmr

Don't Learn Safety by Accident!



North T-service Customer Web-ex – July 3rd, 2013

An updated service proposal for: North T-service Supply at Dawn

Union Gas Limited



Agenda

- Executive Summary
- Feedback received from Customers
- Update on industry developments
- Proposed service changes
- Proposed participation method
- Benefits of proposed changes
- Customer thoughts on proposed changes
- Next Steps

North T-Service Supply at Dawn – Update and Revised Service Proposal | 2



Executive Summary of Proposed Changes to North T-service at Dawn

- Term: 1 year – then rolling year to year
- Contracting: implement service via OEB approval to Rate Schedules and embed service within distribution contract
- Quantity: 0 to 3,000 GJ/d – customer choice
- Eligibility: all T-service in EDA, NCD & NDA
- Pooling: capped at 3,000 GJ per customer to min impact
 - New deferral account to manage any revenue shortfall
 - Clears to all Eligible T-service customers
- Flexibility: Ability to reduce FDQ if plant Contract Demand drops materially after 1st year of service

North T-Service Supply at Dawn – Update and Revised Service Proposal | 3

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Feedback received from customers

- ✓ 1. Customers want the service to help lower their delivered gas costs
- ✓ 2. Small customers prefer a solution that meets majority of their needs.
- ✓ 3. Large customers prefer supply diversity
- ✓ 4. Concerns with the “pooling” concept and bankruptcy impact on others
- ✓ 5. Customers want a service that is easy to manage
- ✓ 6. Long term contract approvals are onerous
- ✓ 7. Customers like Union Gas helping to secure capacity.

The updated proposal addresses the feedback received

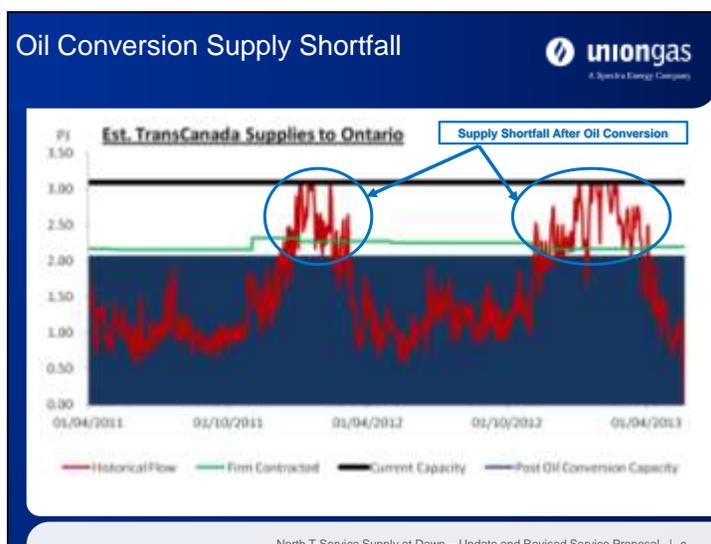
North T-Service Supply at Dawn – Update and Revised Service Proposal | 4

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Update on Industry developments

- NEB decisions regarding TCPL
- TCPL & Enbridge MOU
- Union motion to OEB regarding the MOU
- TCPL service change proposals
 - Term extensions or lose renewal rights
 - Biddable discretionary services
- Potential Impacts of Energy East on gas markets
- Open Seasons

North T-Service Supply at Dawn – Update and Revised Service Proposal | 5




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Proposed Service changes

- With customer support and OEB approval, enhance T-service in Union North to embed the North T-service Supply at Dawn service in the R10, R20 & R100 tariff
- Eligible customers: all Firm T-service in EDA, NDA & NCDA
- Firm Daily Quantity (FDQ), with “rolling 1 year contract” =
 - Min: 0 GJ/d
 - Max: customer option to request quantity, up to
 - i. 100% of current Firm T-service CD, or
 - ii. max daily consumption in last 12 months
 - iii. But no more than 3,000 GJ/d if i) or ii) are above 3,000 GJ/d
- If Customer wants more capacity than Max., then a 15 yr commitment required for any capacity above 3,000 GJ/d

North T-Service Supply at Dawn – Update and Revised Service Proposal | 7


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Proposed Service changes

- Customers encouraged to consider future needs in 2016 and beyond when electing Firm Daily Quantity
- FDQ will be allowed to reduce if plant Contract Demand materially changes after the first year of service
- If any capacity becomes excess, Union would re-market to mitigate costs to the deferral account
 - Offer capacity first to T-service customers in the delivery area
- Create a new “North T-service TCPL Capacity” deferral account to capture any differences between costs for North T-service TCPL services and revenue received from North T-service customer for TCPL capacity associated with the service – clear deferral account annually across all Eligible Customers
- Union at risk for Dawn to Parkway component of service

North T-Service Supply at Dawn – Update and Revised Service Proposal | 8


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Unchanged Concepts

- Once FDQ set, pricing set at regulated and approved posted tolls, which will change from time to time
- Customers will nominate the usage of the capacity
- Capacity will be managed / optimized by the customer
- Any optimization benefits or UDC to the sole account of each T-service customer
- CBS operation & parameters unchanged
- Union will facilitate trading capacity between customers
- Diversions etc. will be facilitated, to the extent the underlying TCPL contracts allow

North T-Service Supply at Dawn – Update and Revised Service Proposal | 9



Proposed Participation Method

- Union to send form to each Eligible customer asking for their election and opinion on the proposal in next few days
- Form due back July 17, 2013
- Each customer will be presented with their specific options (Min. & Max. Quantities) for rolling 1 year contract
 - Elected Quantity will be used for 1st year of service, if/when the service is approved by the OEB and capacity is in place
- Customer can opt for more capacity (above Max.)
 - Incremental capacity will require new 15 yr contract, to lock FDQ above 3,000 GJ/d with R10/20/100 contract
 - Customers could still vary their distribution service quantities, at end of current distribution contract term

North T-Service Supply at Dawn – Update and Revised Service Proposal | 10



Benefits of Proposed changes

- With customer consultation & support and OEB approval, simplified contracting – can use rolling 1 year contract – no new long term contract required
- Customers presented with an option for capacity
- All similarly situated customers treated fairly
- Limiting base FDQ to 3,000 GJ/d per customer minimizes the impact of any one large customer closing
- Deferral account spreads any costs over all T-service customers in EDA, NDA & NCDA (“pool” of 48 - not just those in each delivery area)
- Approach facilitates Open Season timing requirements

North T-Service Supply at Dawn – Update and Revised Service Proposal | 11



Customer thoughts?

- What do you think?
- Can you be “supportive” or at least “neutral”?
- If against, what would have to change for you to be:
 - Neutral
 - Supportive
- Other feedback

North T-Service Supply at Dawn – Update and Revised Service Proposal | 12


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Next Steps

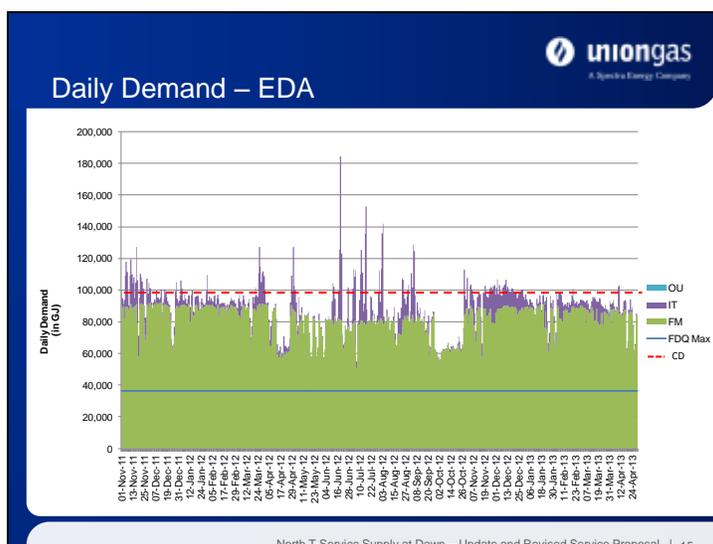
- Union Gas to send form and consumption history to each customer with options – early July
- Customers send form back to Union by July 17
- Receive contracts back for any capacity above Max. FDQ
- Acquire necessary capacity – bid / build – July 2013
- OEB filing / approvals – early 2014

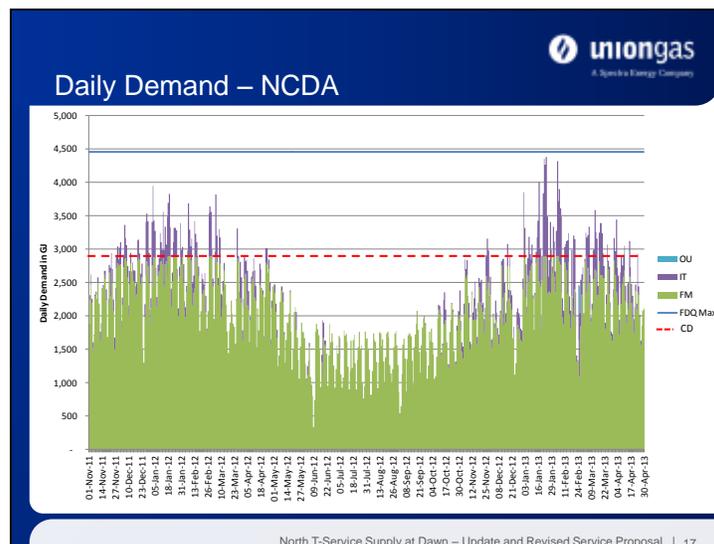
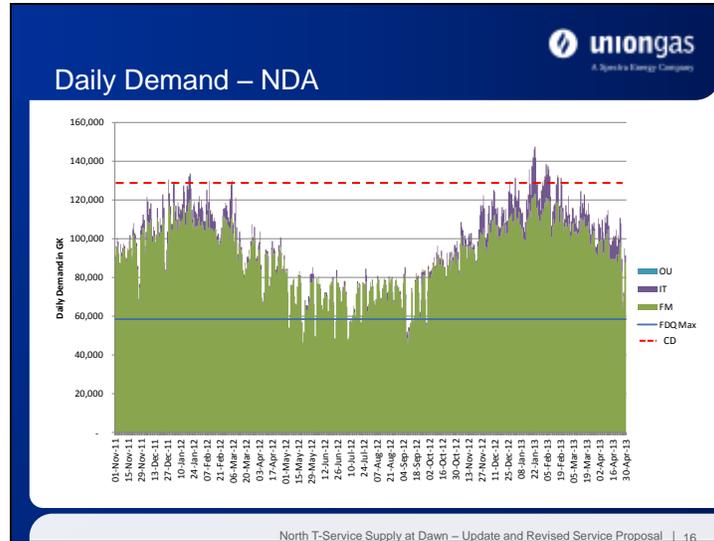
North T-Service Supply at Dawn – Update and Revised Service Proposal | 13



Appendix

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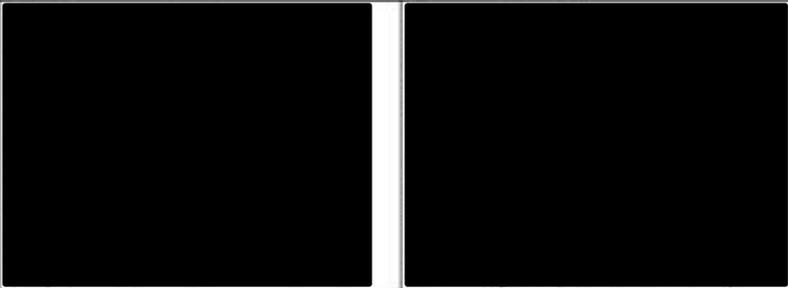




Tolling Update

Path	Tolling Method	Union-EDA	Union-NDA	Union-NCDA
Union:Dawn to Parkway + TCPL: Parkway to DDA	Union: Estimated, after Parkway Projects TCPL: 2013 - 2017 Approved	\$0.09 + \$0.25 = \$0.34	\$0.09 + \$0.358 = \$0.45	\$0.09 + \$0.18 = \$0.27

North T-Service Supply at Dawn – Update and Revised Service Proposal | 18

North T-service Supply at Dawn: Customer Input & Feedback Session		July 3 rd , 2013 2:00 – 3:30 pm	
Meeting called by:	Wayne Passmore	Type of meeting:	Web-ex with Conference Call
Facilitator:	Dave Dent	Meeting Hosts	D. Dent, S. Somers, W. Passmore
Purpose of the Meeting:	Present and receive customer feedback on proposed changes to the North T-service Supply at Dawn Service.		
Documentation:	A slide deck was sent to all T-service customers on Friday, June 28th		
Customer Attendees: (only captures those that logged in via Web-ex – several others participated anonymously via the conference call)			
Union Gas Attendees:	Dave Dent, Wayne Passmore, Stan Somers, Steve Kay, Mark Glasier, Lutz Plotzke, Patrick Boyer, Dave MacEacheron, Gerald Laforest, Harry Vandenbrink, Joe Lee, Mark Jones, Ron Bruyns, Stuart Owen, Tim Pagee		
Background:	This was the fourth time Union conducted a web-ex and conference call to review the proposed North T-service Supply at Dawn Service with the T-service customers and their consultants and advisors. Previous calls occurred Apr 18, 23 & 30 th .		
Summary of Feedback, Questions and Discussions			
<p><u>Dave Dent</u> provided introductions and a safety message</p> <p><u>Stan Somers and Wayne Passmore</u> walked all attendees through the power point slide deck and answered questions from participants throughout the presentation. Specific questions and feedback received is captured below:</p> <p><u>Capacity discussion:</u> One customer expressed concern about the availability of cost effective capacity from Parkway to the EDA/NDA given TCPL's latest open season pricing proposal. Also given that he represents a large facility, expressed concern about the 3,000 GJ/day limit on capacity given that this only gives him about 10% of his needs. We explained the need to balance the needs of the many small customers with the needs of the few larger customers with respect to the impact of bankruptcy on the deferral account. There was discussion around how was 3,000 GJ/d selected – large enough to cover the needs of many, without being so large that a single customer could have a large impact on other customers. With about 4 dozen T-service customers, and a 3,000 GJ/d cap, any one customer bankruptcy could only have a ~2-3% impact on the deferral account. Concern was raised that larger customers could be exposed to a large portion of the deferral costs even if they don't participate in the service. One customer asked what tolls and assumptions we used to establish that there was a landed cost benefit. We identified the tolls used (Union ~\$0.09/GJ plus TCPL compliance filing tolls) and stated that each customer should use their own pricing or basis assumptions for each of Empress and Dawn in evaluating the benefits of the service. Union was asked if we would be sharing the results of our Request for Service with customers. We replied that, at a minimum, this would be shared via our OEB filing.</p> <p><u>Deferral Account:</u> A customer asked for clarity on the proposed deferral account regarding stranded costs for capacity beyond 3,000 GJ's per day if a party with this capacity went bankrupt. We clarified that only the stranded costs for the amount at or below 3,000 GJ's per day would be proposed to flow to the deferral account, since capacity above 3,000 GJ/d would be subject to a 15 year contract. They also asked if the Service is contingent on</p>			

Union acquiring capacity through to the delivery areas AND doing so at tolls that are consistent with the TCPL compliance filing tolls. We answered that yes that is our goal.

Implementation timing: A customer asked if they would be given sufficient time to make changes to their existing supply portfolio (eg TCPL capacity assignments) to accommodate the start date of this new capacity. We answered that we see there being sufficient time for this to occur.

Impacts to those customers not electing Service: A customer asked if there would be any benefit to T-service customers that opt not to take any capacity via this service. We answered that there could be a future opportunity for such a customer to take an assignment from another customer that did opt for the service and had a reduction in plant needs. We also provided clarity that the proposed deferral account would apply to all T-service customers in the 3 participating delivery areas (EDA, NDA and NCDA), even if they opted not to take any capacity through the service.

Timing of Approvals: A customer expressed high support for the service and mentioned that he will need to get government approvals that may take longer than the 2 weeks that we proposed. We advised that if he can't get the approvals within the timeline then he could submit with a condition precedent subject to senior mgmt approval.

Eligibility: A customer asked for clarification that this is only being offered to existing T-service customers. We advised that this is true for the initial proposal, but that over time, if excess capacity becomes available (such as a bankruptcy or plant CD reduction) that it would be offered incrementally to T-service customers or other market participants (eg. Marketers) as available.

Term: A customer asked if he would be signing a 15 year contract for this service. We clarified that Union would likely have to sign a 15 year contract with TCPL. A customer would not be signing a long term contract with Union, however, after signing a binding Request for Service form, and subject to OEB approvals and several other conditions like acquiring the TCPL capacity; that upon implementation, he would receive an updated "Schedule 1" for his R20 contract. That update would include the capacity and the service parameters and that the capacity would be subject to the TCPL turnback policy and that he would have that obligation for 15 years or as long as the customer remained a distribution service customer, whichever is shorter.

Reduction in FDQ: A customer asked about how a drop in plant needs would impact the service. We responded that if his plant needs were to materially drop, then he would have the ability to reduce his FDQ. We clarified that this could create "excess capacity" which might result in an impact to the deferral account.

Conditions Precedent related to tolling: A customer asked if we could add a reference within the Request for Service form for pricing that is reflective of the TCPL compliance filing tolls to protect customers from something similar to the current open season tolls. We advised that we will consider this wording in the form. Another customer stated that this could be one of the Conditions Precedent that they include with their submission.

Union's drivers: A customer asked "what is in this for Union?" We stated that we are trying to preserve the underlying viability of our end use customers by ensuring they have access to competitively price supply and that we will earn a regulated rate of return on any Dawn to Parkway capacity committed to this service.

Conclusions:	While there were questions about the specifics of how some aspects of the service would work – especially around how to get TCPL to offer reasonable short haul tolls and how the deferral account would work, there appears to be sufficient support for the service concept that Union should proceed to the next steps.
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Next Steps & Action items	Person responsible	Timing
✓ Circulate final version of slide deck to customers	W. Passmore	9 July
✓ Finalize & Distribute "Request for Service" Form, including updates for feedback received via the meeting	S. Somers & D. Jones	9 July
✓ Sales reps meet with North T-service customers to review the service and the Service Request Form	Account Managers	

Invitation to bid form sent out July 10, 2013



Updated July 10, 2013

Union Gas Limited Firm Northern T-service Supply at Dawn Service Invitation to Bid

Union Gas Limited (“Union”) hereby invites Customers in Union’s Northern and Eastern Operation Areas to submit binding bids for a new proposed “Firm Northern T-service Supply at Dawn Service” (also referred to as the “Service”). The proposed Service would provide T-service customers a firm method of moving gas purchased at the Dawn Hub to the Point of Receipt in their T-service natural gas distribution contract. The proposed Service could commence as early as late 2016. This “Invitation to Bid” replaces and supersedes any previous expressions of interest that were distributed by Union or submitted by a customer in relation to the Service.

Proposed Service:

Firm Northern T-service Supply at Dawn Service, from Dawn to the Point of Receipt in the customers natural gas distribution service contract (TCPL Delivery Area), subject to the proposed Capacity Allocation and Renewal Policy.

1. Service Description and Details:

Parameters

- Eligibility: Firm transportation service customers in the Union-EDA, NDA and NCDA on Rate 10, 20 and 100
- Receipt Point: **Union Dawn**
- Delivery Point: the TCPL Delivery Area stipulated on the customer’s T-service distribution contract – defined in the distribution contract as the **Point of Receipt** for distribution service.
- Quantity: Initial Election, by customer, of up to 3,000 GJ/d, subject to the proposed Capacity Allocation and Renewal Policy, details of which are enclosed.
- Term: a **minimum term of 1 year**, followed by automatic annual rolling renewal for 1 year at a time, subject to the proposed Capacity Allocation and Renewal Policy.
- Start Date: as early as Nov 1, 2016, or when Service approved and capacity is available
- Demand and fuel rates: subject to the specified and approved tolls on Union and TCPL between Dawn and the specified delivery area. They will be subject to change from time to time, as approved by the OEB and NEB respectively. Using the proposed Union toll from Dawn to Parkway of \$0.09/GJ and the currently approved TCPL tolls from Parkway to the 3 delivery areas, the expected tolls for the Service are approximately:
 - Dawn to Union-NCDA ~ \$0.27/GJ/d + fuel
 - Dawn to Union-EDA ~ \$0.34/GJ/d + fuel



Updated July 10, 2013

- Dawn to Union-NDA ~ \$0.45/GJ/d + fuel
- Service is proposed to be subject to and in accordance with Union's OEB approved Rate Schedules.
- Service is subject to availability of transportation capacity between Dawn and the specified TCPL Delivery area.

Proposed Capacity Allocation & Renewal Policy

- Initial Customer Election for Firm Daily Quantity:
 - Base Service:
 - Minimum: 0 GJ/day
 - Maximum: Customer option to request quantity, up to the greater of:
 - i. 100% of Firm T-service Contract Demand; or
 - ii. The customer's maximum daily consumption over the past 12 months;

But in no event more than 3,000 GJ/day.

 - Supplemental Service – for any quantities greater than 3,000 GJ/day
 - Customers requesting more than 3,000 GJ/day will be required to enter into a 15 year commitment for the capacity above 3,000 GJ/day
- Base Service Renewal Requirement: With distribution service renewal, customer MUST renew this Service until expiry of the underlying TCPL contract (up to 15 years) as per Union's TCPL Turnback Policy.
- Renewal Quantity: If plant requirements reduce materially after the first year of Service, the Customer will be allowed to reduce the FDQ in the same proportion as the Firm Contract Demand is reduced. If the customer's plant needs increase, increased participation in this Service will be subject to the availability of capacity.
- A new "North T-service TCPL Capacity" deferral account will be created to capture any differences between costs for North T-service TCPL services and revenue received from North T-service customers for TCPL capacity inclusive of mitigation efforts. Any capacity reserved on the Union system for the Service will be excluded from the deferral account.
 - Union will use reasonable efforts to re-market any excess TCPL capacity that results from a customer reducing their Firm Daily Quantity to mitigate potential costs to the deferral account. Any excess capacity would first be offered to T-service customers in the delivery area and then to any other market participant.
 - Reductions in FDQ can occur either through a plant closure or a reduction in plant needs.
 - The Deferral Account will not be used to capture costs associated with any excess capacity arising from the default or bankruptcy of any customer contracting for Supplemental Service above 3,000 GJ/d. (e.g. for a customer who has elected 3,000 GJ/day of base service plus 2,000 GJ/day of



Updated July 10, 2013

supplemental service, only the 3,000 GJ/day base service would be subject to the deferral account).

- The Deferral Account will be cleared annually across all Eligible Customers, being all T-service customers in the NDA, EDA and NCDA in a manner consistent with the way the service is being offered and as approved by the OEB.
- Based on customer commitments, through this Invitation to Bid process, Union Gas will attempt to acquire and/or build the capacity required to facilitate the Service.

2. Questions and Submitting a Bid Form

Questions about the Firm Northern T-service Supply at Dawn Service should be directed to: Stan Somers (519) 436-4623; ssomers@uniongas.com or your Account Manager. Please complete, sign and return the Firm Northern T-service Supply at Dawn Service Bid Form via email to:

ATTN: Stan Somers
Email: ssomers@uniongas.com

Completed forms must be returned on or before 2:00pm eastern on July 24th, 2013. Union will acknowledge receipt of Customer's Bid Form on or before 4:00 p.m. on the same day. Union in its sole discretion reserves the right to reject any and all proposals received.

Conditions Precedent:

This Service includes several standard Preconditions to Service in Union's favour, including:

- Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and third party approvals, consents, orders and authorizations, that are required to construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn Service as proposed; and
- Union shall have obtained all internal approvals that are necessary or appropriate to acquire or construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn Service; and
- Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "Initial Financial Assurances"). The Initial Financial Assurances, if required, will be as determined solely by Union; and
- If requesting Supplemental Service under the Firm Northern T-service at Dawn Service, Customer shall have entered into the necessary Contracts with Union and/or others to facilitate the Northern T-service at Dawn Service contemplated herein; and
- Union shall have acquired or constructed any necessary transportation capacity required by Union to provide the Service; and



Updated July 10, 2013

- Union shall have acquired and/or completed and placed into service any new capacity or facilities required to provide the Firm Northern T-Service at Dawn Service; and
- Union shall be able to acquire any capacity required from TransCanada at tolls that are consistent with the tolling methodology used in the "Compliance Filing and Application for Review and Variance of NEB Decision RH-003-2011 - Part B - Compliance Filing to RH-003-2011 Decision" or as otherwise deemed reasonable and appropriate by Union.

This Service includes an option for the Customer to include several Pre-conditions to Service in Customer's favour:

- Customer shall have obtained all internal approvals necessary for the Customer to commit to the Service, by August 17, 2013 or _____ (a certain date).
- Any other Conditions Precedent that the Customer proposes as a Pre-condition to the commencement of Service should be attached to the bid form, including the proposed date for each.



Updated July 10, 2013

FIRM NORTHERN T-SERVICE SUPPLY AT DAWN SERVICE
BID FORM

Please complete, sign and return this Firm Northern T-service Supply at Dawn Service Bid Form on or before 2:00 pm eastern, July 24th, 2013, via email to:

ATTN: Stan Somers

Email: ssomers@uniongas.com

This is a legally binding bid. By submitting this bid form, subject to Union's acceptance of quantities elected and allocated to Customer, and Union's acceptance of any Customer Conditions Precedent, Customer becomes legally bound. Customer hereby irrevocably commits to accept the Firm Northern T-Service at Dawn Service on the terms outlined in the Invitation to Bid and in this Bid Form, and to execute any further documentation required by Union to give effect to this commitment. By signing and returning this Bid Form, Customer authorizes Union to acquire and/or build the capacity required to provide this Service, and agrees to be bound to the quantities elected as per the terms and condition of the service as approved by the OEB.

Customers should submit one bid form per Service Agreement (SA). Please indicate your request and level of support for the proposed Service below:

Firm Northern T-service Supply at Dawn Service

Bid:

Distribution Contract Reference: SA _____ for _____ (Customer name)

1) Base Service: Initial Election of Firm Daily Quantity (in GJ/d) for up to 3,000 GJ/d:

- i. 100% of Firm T-service CD = _____
- ii. Maximum daily consumption in last 12 months = _____
- iii. But no more than 3,000 GJ/day if (i) or (ii) are above 3,000 GJ/day = _____

Capacity Requested (between 0 GJ/d and the max. from above – up to): _____ (GJ/d)

Delivery Point Union EDA Union NCDA Union NDA
 Start Date Nov 1, 2016 Nov 1, 2017 _____

2) Supplemental Service – for any quantity greater than 3,000 GJ/day

This requires a 15 year commitment for quantities above 3,000 GJ/day. A separate contract will be created and delivered to the customer

Capacity Requested in excess of 3,000 GJ/d: _____ (GJ/d)
 Start Date Nov 1, 2016 Nov 1, 2017 _____

Conditions Precedent:

Is this request subject to any attached Conditions Precedent? (Yes or No) If so please attach details.



Updated July 10, 2013

This "Invitation to Bid" replaces and supersedes any previous expressions of interest that were distributed by Union or submitted by a customer in relation to the Service.

Dated this _____ day of _____ 2013

CUSTOMER LEGAL NAME _____

By: _____
Signature: _____ E-mail: _____
Name: _____ Phone: _____

Union is very interested in the customer perceptions of the proposed service, and would very much welcome customer feedback on the service, regardless of the quantities elected under the proposed service.

Please use the space below to indicate your level of Support for the Service as proposed (please pick one):

- support this Service as proposed and request the capacity elected as above.
- neither support nor oppose the proposed Service and request the capacity elected as above.
- do not support this Service as proposed.

(Please feel free to provide and attach any comments about your reasons for your level of support.)

Meeting invitation to customers that bid – Sept. 11, 2013

Passmore, Wayne

Subject: North T-service Supply at Dawn - Customer Update Meeting
Location: UGL Corp Ground Room 119 - Max 14

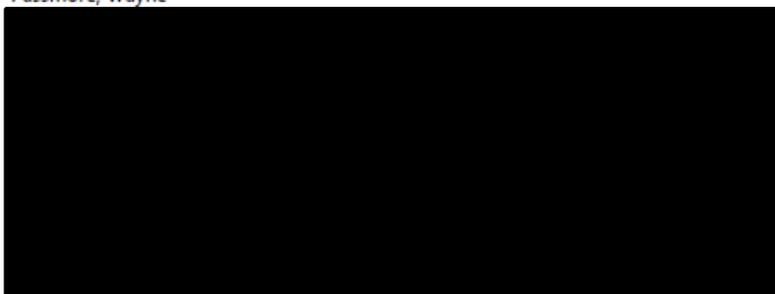
Start: Wed 11/09/2013 3:00 PM
End: Wed 11/09/2013 4:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Organizer: Passmore, Wayne

Required Attendees:



Optional Attendees:

Resources: UGL Corp Ground Room 119 - Max 14

When: September-11-13 3:00 PM-4:00 PM (UTC-05:00) Eastern Time (US & Canada).

Where: UGL Corp Ground Room 119 - Max 14

Note: The GMT offset above does not reflect daylight saving time adjustments.

~~*~*~*~*~*~*~*~*

Update meeting & Conference Call for customers that have bid for Union's North T-service Supply at Dawn

Thank you for bidding for Union's proposed new North T-service Supply at Dawn service. We hope you can make a quick meeting with all customers that have bid for and requested the new service. The purpose of the meeting is to share timelines and next steps and to address any outstanding issues that would prevent customers from waiving their Conditions in a timely manner. Any Customers wanting to have their consultants or advisors invited to this meeting, should forward their authorization and the consultant's contact information to Stan Somers so that we can include them in the meeting.

A package will be emailed to attendees before the meeting.

Agenda:

- 1) Next steps and timelines
- 2) Tolling discussion
- 3) Other?

Email to eligible customers inviting them to Dec. 10, 2013 Web-ex

Passmore, Wayne

From: Passmore, Wayne
Sent: December-03-13 6:47 PM
Subject: Union Web-ex: North T-service Supply at Dawn update and next steps
Attachments: Union web-ex with North T-Service customers

To: All North Firm T-service customers in NDA, EDA & NCDA and their authorized representatives

It has been several months since we last discussed the North Firm T-service Supply at Dawn Service proposal as a group. Many things have changed since early July. The Settlement Agreement between TCPL, Union Gas, Gaz Métro and Enbridge has helped bring clarity and certainty to the proposed service. We are hoping you can join us for a web-ex / conference call to review the proposed service in light of the Settlement Agreement and the recent Union and TCPL Open Seasons.

Given all the changes that have occurred, Union plans to accept new and updated bids for the North Firm T-service Supply at Dawn Service.

Whether you have previously bid for the Service or not, you should plan to participate in this meeting.

During the meeting we will share an update on the service, the impacts of the Settlement Agreement and how customers can participate in this opportunity. We hope you can make it. Please click on the attached invite to place this event into your calendar and use the voting buttons to let us know if you are able to attend.

Thanks.

Wayne Passmore & Stan Somers

Email to eligible customers with PDF of slides for December 10, 2013

Passmore, Wayne

From: Gazidis, Lydia
Sent: December-10-13 11:22 AM
Cc: Bastedo, Douglas; Bessette, Gaetan; Boyer, Patrick; Bruyns, Ron; Chan, Richard; Dent, Dave; Glasier, Mark; Jones, Mark; Laforest, Gerald; Lee, Joe; MacEacheron, Dave; McFarland, Vicki; Owen, Stuart; Pagee, Tim; Ries, Frank; Vandenberg, Harry
Subject: Union Presentation for North T-service for meeting Dec 10, 2013
Attachments: Union Presentation to North T-service customers - for Dec 10 2013 - final.pdf
Importance: High

To all North T-service customers in Union NDA, EDA and NCDA and their authorized representatives:

Please find attached the material we will be using during this afternoon's presentation

As a reminder the meeting will be at 1.30 pm EST via WebEx – below are the conference call & WebEx details:

Meeting Number: 806 386 952
Meeting Password: This meeting does not require a password.

Follow the instructions below to join this meeting.

1. Go to <https://spectraenergy.webex.com/spectraenergy/j.php?J=806386952>
2. Enter the meeting password: This meeting does not require a password.
3. Click "Join".
4. Follow the instructions that appear on your screen.

Presentation for December 10, 2013 Web-ex meeting:



 Agenda

- Introductions & Safety message
- Update & next steps on North T-service Supply at Dawn
- Proposed Dawn storage for North T-service Customers
- TCPL Assignment updates



North T-service Supply at Dawn
Service Update & Next Steps

Dec 10, 2013

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 Agenda

- Service summary
- Customer benefits
- What has changed since last update
- TCPL & LDC Settlement Agreement
- Updated tolling & landed cost scenarios
- Risks & mitigation
- Next steps
- Appendices

4

Service Summary:
 Northern T-service Supply at Dawn



- **Eligibility:** Firm T-Service customers (46) in the EDA, NCDA, NDA delivery areas
- **Union Gas transports** gas from Dawn to the Customer's Delivery Area
 - Uses incremental firm transportation capacity on Union Gas from Dawn to Parkway and on TCPL from Parkway to the Customer's delivery area
 - Priced at Firm Transportation tolls – straight pass through of Union and TCPL FT tolls
- **Service start date:** Nov. 1, 2016, or later, when facilities in-service
- **OEB approvals** required to add service to R10, R20 and R100 rate schedules
- **Balancing:**
 - No change - via Customer Balancing Service account (same as today)
 - Access to diversions, assignments and/or agents to manage costs and value
- **Impact to distribution rates:** None
- **Process to request service:** Customer submits binding bid form to Union Gas, Union Gas bids & acquires capacity on TCPL and reserves capacity on Union
 - Customers do not need to bid into Open Seasons on Union and/or TCPL

5

Base Service (0 - 3,000 GJ/d)



- **Contracting:** implement service via OEB approval to Rate Schedules and embed service within distribution contract
- **Quantity:** Customer elects initial Firm Daily Quantity (FDQ) of up to 3,000 GJ/d
- **Subject to Capacity Allocation and Renewal Policy**
 - Customer must renew Service annually with gas distribution service renewal until initial term of TCPL contract expires (15 years)
- **May reduce FDQ if plant Contract Demand drops in the future**
 - Reductions from any customer offered to others, any excess reverts to Union to manage
 - New deferral account to manage any revenue shortfall if Union can't fully recover tolls on excess TCPL capacity (Union bears risk on Union Dawn to Parkway capacity)
 - Deferral account clears to all Firm T-service customers in eligible areas (even if not participating in the service)
- **Customers not on hook for 15 years of tolls if plant needs drop or closes**

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Supplemental Service



- **Supplemental to Base Service**
- **Term:** 15 years – then rolling year to year
- **Contracting:** Implement service via Supplemental Service contract subject to OEB approved Rate Schedules
- **Firm Daily Quantity:** any capacity over 3,000 GJ/d
- **Deferral Account exposure:** Supplemental Service capacity excluded from deferral account associated with Base Service
- **Variations in Contract Demand:**
 - Firm Daily Quantity for Supplemental Service locked for 15 years, then opportunity to reduce at Contract renewal
 - Customers are responsible for 15 years of demand charges, even if plant closes during contract

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 **Customer Benefits**

1. Reliable access to diverse, lower cost gas supplies
 - Potential gas cost savings of \$0.30 - \$1.00/GJ (function of location & basis)
 - A Firm Transportation Service, at tolls, with renewal rights and certainty vs. shorter term interruptible services or non-renewable services
2. The ability to buy gas at Dawn - a liquid market with access to emerging, diverse supply basins
3. Access to Dawn storage
4. Reduced exposure to upstream toll volatility
5. Manage / optimize upstream capacity
6. For Base Service: Term - Ability to acquire capacity on a path that would otherwise require a 15 year term commitment

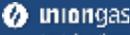
8

 **Changes Since July 3rd Web-ex**

- Settlement Agreement between TCPL and the Eastern LDCs (Union Gas, Enbridge and Gaz Métro)
 - Toll stability for 6 years and certainty
 - TCPL supportive of building needed capacity to provide access to Dawn for the customers in the north and east
 - TCPL New Capacity Open Season for 2016
 - Probability of the Service moving forward on time has improved
- Clarity around who is building which facilities and tolling
- Customers must now (re)confirm their interest in taking this Service from Dawn to their Delivery area

Due to changes since July, Customers need to update and resubmit bids for North T-service Supply at Dawn

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 **TCPL & LDC Settlement Agreement**

- Settlement Agreement public & filed with [OEB](#)
 - Fixed tolls for 2015 to 2020 (short haul tolls increase by ~52%)
 - TCPL to accept lower ROE and contribute \$120 m
 - TCPL to build Kings North (helps debottleneck Parkway to Maple)
 - TCPL to conduct Open Season for Nov. 2016 for all paths
 - 15 year term on new capacity
 - Existing capacity to Ontario required to “term up” to 5 years if expansions
 - Diversions allowed out of path, within segment
 - Litigation between parties cancelled
 - Detailed proposed tolls provided

The Settlement Agreement supports the North T-service Supply at Dawn Service

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TCPL & Union Gas Timelines

- Updated Bid Forms for North T-service Supply at Dawn due to Union Gas by Jan. 8, 2013
 - TCPL 2016 New Capacity Open Season
 - Nov. 29, 2013 to Jan. 15, 2014 for Parkway to EDA, NDA, NCDA etc., at tolls consistent with the Settlement Agreement, as amended
 - 15 days to “award capacity” followed by 30 days to execute the Precedent Agreement & Financial Assurances Agreement
 - Union Gas Open Season for Dawn to Parkway – closes Jan. 22
 - Union Gas would “reserve” capacity for North T bid quantities

Customers requesting North T-service Supply at Dawn service should submit a bid form and should NOT bid into TCPL or Union Gas Open Seasons

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Tolling Estimates

- Union’s Dawn to Parkway toll ~\$0.10 - \$0.11/GJ/d

TCPL Path	Current (\$/GJ/d)	Settlement Tolls 2015-2020 (\$/GJ/d)
Empress to U-EDA	1.65	1.95
Parkway to U-EDA	0.25	0.38
Empress to U-NDA	1.32	1.47
Parkway to U-NDA	0.36	0.55
Empress to U-NCDA	1.50	1.77
Parkway to U-NCDA	0.18	0.27

1.40

0.96

1.32

1.57

0.92

1.50

Tolling differences between short-haul and long-haul significant

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Forward Landed Cost Comparison

Union NDA

Union NCDA

Union EDA

Empress + Longhaul TCPL at SA Tolls

Dawn + Union to Parkway + TCPL at SA Tolls

The Settlement Agreement on tolls and a recent marketer basis quote (Empress to Dawn spread of \$0.50/GJ) suggests that the service is competitive to the targeted delivery areas as compared to long haul from Empress.

Assumptions:
 NYMEX® CS4.11/GJ; Basis: Dawn@CS-0.02/GJ & Empress@-CS0.52/GJ, for 1 yr. from a marketer quote on 27 Nov 2013 for delivery in 2016

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Potential Risks

- There are some risks with the service proposal:
 - **Delay** – the service will start once capacity on the entire path is available
 - **Cancellation** – a pipeline segment may cancel their project
 - **Future Economics:**
 - Tolling uncertainties – the final approved rates will not be known until sometime into the future, when they are approved by the OEB or NEB as appropriate and they will change in the future
 - Basis risk – the landed costs in the future are a function of the forward basis at Dawn relative to other sourcing locations
 - **Deferral Account** – the Base Service proposes a deferral account to deal with the costs (after mitigation) of any excess capacity from Parkway to the delivery area – Supplemental Service is excluded
 - **Regulatory approvals** required
- Customer to indemnify Union Gas for pro-rata share of any pre-service cancellation costs on the incremental facilities that support the path bid

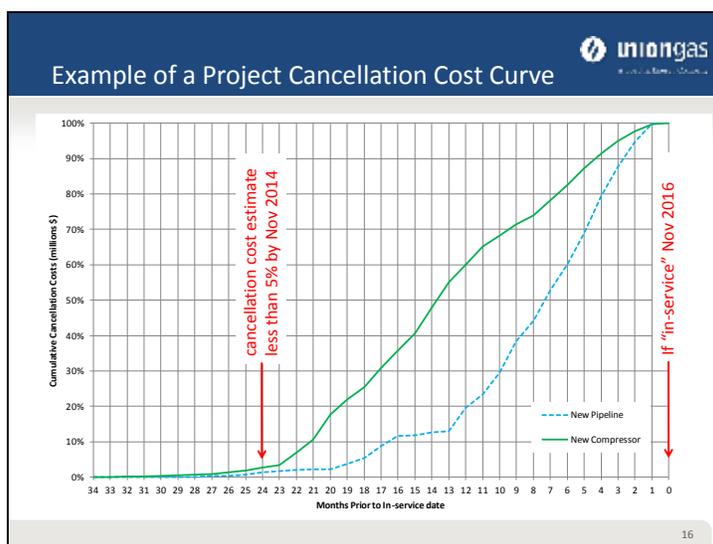
14



Cancellation Cost Indemnification

- TCPL's expansion from Parkway to east & north will require Union Gas to indemnify TCPL for "Event of Cancellation"
- The Union Gas Dawn to Parkway expansion will require a similar indemnification
- Designed to cover pre-service costs in the event of cancellation of one or more bids or by pipeline
- Exact facilities will not be known until capacity awarded and even then may change
- Early approvals and a smooth regulatory process minimize chances of cancellation and magnitude of potential costs
- All customers (Base and Supplemental Service) will share in indemnification on a "pro-rata basis"
 - Detailed methodology as per Supplemental Service pro forma contract

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Why Should I Bid Now?



- The probability of another coordinated Open Season between Union and TCPL is uncertain
- Customers have a potential opportunity for cost savings and greater toll certainty
- Need to act now

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North T-service at Dawn - Next Steps



1. **Union sends** updated bid package for all North T-service customers
2. **Customers sign** and submit bid forms – due Jan. 8, 2014
3. **Union Gas bids** into TCPL Open Season – Jan. 15, 2014
4. **Customers waive** Conditions Precedent – 7 days prior to Union Gas signing TCPL contracts
5. **Union Gas signs** TCPL Precedent Agreement and Financial Assurances Agreement – late Feb. 2014
6. **Union Gas applies** to OEB for approvals required – 2014

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Proposed new storage service for North T-service customers



A Spectra Energy Company

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Proposed R20/100 Cost Based Dawn Storage 

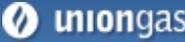
- Update North storage allocation methodologies to match south
- Potential new Dawn Storage Service for North T customers:
 - Cost-based storage space and 1.2% deliverability/injectability at Dawn
 - Nominated service with access to 4 NAESB windows (firm on timely)
 - Rate 20/100 schedules to be updated to reflect tolls
 - Additional space and deliverability available at market prices
- Eligibility: Firm North T-service customers
- Limitations: Deliverability (and associated space) capped to the amount of Qualifying Firm Transportation held by customer
- Existing Northern Storage customers can choose Dawn storage, Northern Storage or a combination of both
- No proposed changes to CBS, Rate 25 and Rate 30

Further consultation with stakeholders in April

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Changes to North T-service Temporary Assignments

 **uniongas**
A Spectra Energy Company

TCPL Temporary Assignment Agenda 

1. Background
2. Customer Options
3. Next Steps

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Background

- NEB Decision on TCPL Tariff Amendments (RH-001-2013)
 - TCPL requested change from 6 months notice to 2 years notice for renewal of Firm Mainline Services.
 - NEB approved TCPL's request for 2 year renewal notice October 10, 2013 subject to a transition mechanism for current contracts with a term of less than 2 years
- Union's TCPL Turnback policy updated after consultation
- Union must advise TCPL on behalf of T-service customers what capacity should be turned back.
- Union requires your decision by Jan. 8, 2014

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Customer Options

Option	Implications
1. Cancel or turn back the temporary assignment, in whole or in part	<ul style="list-style-type: none"> • Capacity turned back ends Oct 31, 2014 • Customer maintains responsibility for delivering gas to the delivery area
2. Extend the term or renewal of the temporary assignment, in whole or in part, subject to new renewal time lines	<ul style="list-style-type: none"> • Capacity renewed extended to Oct 31, 2016 <ul style="list-style-type: none"> • Next notice due Oct. 31, 2014 for renewal to Oct. 31, 2017 • May result in increased credit requirements
3. Convert to a Permanent Assignment, in whole or in part, subject to new renewal timelines	<ul style="list-style-type: none"> • Potential to convert from long haul to short haul via current TCPL Open Season – Jan 15th • Customer maintains responsibility for delivering gas to the delivery area • Customer would be subject to TCPL's credit requirements

- If no notice received from customer by Jan. 8, 2014, Union will assume Temporary Assignment terminates Oct. 31, 2014

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Next Steps

- ✓ Communicate changes to customers
- Customers elect quantity for each option and inform Union – January 8, 2014
- Union incorporates responses into Gas Supply plan and TCPL Open Season Bid – closes on Jan 15th, 2014

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Email to all eligible customers with updated bid form

Passmore, Wayne

From: Gazidis, Lydia
Sent: December-10-13 4:51 PM
Cc: Bastedo, Douglas; Bessette, Gaetan; Boyer, Patrick; Bruyns, Ron; Chan, Richard; Dent, Dave; Glasier, Mark; Jones, Mark; Laforest, Gerald; Lee, Joe; MacEacheron, Dave; McFarland, Vicki; Owen, Stuart; Pagee, Tim; Ries, Frank; Vandenbrink, Harry; Passmore, Wayne; Chan, Richard; Somers, Stan
Subject: Union Gas North T-service Supply at Dawn - Invitation to bid
Attachments: North T-service Supply at Dawn - Updated Invitation to Bid and Supplemental Service pro-forma contract - 10Dec2013.pdf
Importance: High
Follow Up Flag: Response to UG North T-service Bid Package - Due date January 8, 2014
Due By: December-17-13 4:00 PM
Flag Status: Flagged

To all North T-service customers in Union NDA, EDA and NCDA and their authorized representatives:

As mentioned during the WebEx meeting held this afternoon, please find attached the bid package for the North T-service.

If you require assistance or have any questions or concerns, please contact your Union Gas Account Manager, or alternatively Wayne Passmore or Stan Somers.

Kind Regards,

Lydia Gazidis

Project Manager, Service Development
Union Gas Limited | A Spectra Energy Company
50 Keil Drive | Chatham, ON
Tel: 519-436-4600 x 5002035 | 1-800-571-8446 x 5002035

One of Canada's Top 100 Employers



Bid form and pro-forma contract sent to all eligible customers on Dec 10, 2013



Updated December 10, 2013

Union Gas Limited Firm Northern T-service Supply at Dawn Updated Service Description and Service Request Form

FIRM NORTHERN T-SERVICE SUPPLY AT DAWN SERVICE UPDATED SERVICE DESCRIPTION

Union Gas Limited ("Union") is pleased to announce an update on the proposed "Firm Northern T-service Supply at Dawn Service", also referred to as "the Service". The recent Settlement Agreement between Union, Enbridge, Gaz Métro and TCPL has provided clarity and alignment as to how the service will work and which party will construct which segments of the transportation path. Consistent with the Settlement Agreement, TCPL has launched a 2016 New Capacity Open Season (NCOS) from "all points to all points", including from Parkway to the EDA, NCDA and NDA. Union has launched a corresponding Open Season on the Dawn to Parkway system, which will integrate with TCPL's proposed expansion from Parkway eastwards.

Previously there were many outstanding issues with the Service, especially as it related to the regulatory process. The Settlement Agreement is a significant step forward and it increases the probability that the proposed Service, as contemplated, will actually be completed and available on time for Nov 2016. We also now have greater tolling certainty on the TCPL system for the next 6 years.

Union therefore wanted to give our customers a final opportunity to re-submit their bid for the Firm Northern T-service Supply at Dawn Service in light of these positive developments. The proposed service remains largely unchanged. It will provide T-service customers a firm method of moving gas purchased at the Dawn Hub to the Point of Receipt in their T-service natural gas distribution contract. The proposed service could commence as early as late 2016.

Proposed Service:

Firm Northern T-service Supply at Dawn service, from Dawn to the Point of Receipt in the customers natural gas distribution service contract (TCPL Delivery Area), subject to the proposed Capacity Allocation and Renewal Policy.

1. Service Description and Details:

Firm Northern T-service Supply at Dawn Service Parameters

- Eligibility: Firm transportation service customers in the Union-EDA, NDA and NCDA on Rate 10, 20 and 100
- Receipt Point: **Union Dawn**
- Delivery Point: the TransCanada Delivery Area stipulated on the customer's distribution contract – defined in the distribution contract as the **Point of Receipt** for distribution service.
- Based on customer commitments, Union Gas acquires long term firm TCPL capacity



Updated December 10, 2013

and allocates Union Gas Dawn - Parkway capacity

- Expected to drive new facilities builds on both Union and TCPL.
- Demand and fuel rates: subject to the specified tolls on Union, from Dawn to Parkway(TCPL) and on TCPL from Parkway to the specified delivery area and are subject to change from time to time, as approved by the OEB and NEB respectively.
- Service is proposed to be subject to and in accordance with Union's OEB approved Rate Schedules.
- Service is subject to availability of transportation capacity between Dawn and the specified delivery area.
- The terms and conditions of the Base Service shall be as per the Customer's executed Service Request Form and the same as the terms and conditions of the Supplemental Service pro-forma contract, except as specifically outlined herein.

Base Service Option:

- Quantity: Initial Customer Election for Firm Daily Quantity (FDQ), of up to 3,000 GJ/d
 - Minimum: 0 GJ/day
 - Maximum: Customer option to request quantity, up to:
 - i. 100% of Firm T-service Contract Demand;
 - ii. The customer's maximum daily consumption over the past 12 months;
 - iii. But no more than 3,000 GJ/day if (i) or (ii) are above 3,000 GJ/day
- Term: a **minimum term of 1 year**, followed by automatic annual rolling renewal for 1 year at a time, subject to the proposed Capacity Allocation and Renewal Policy.

Supplemental Service Option:

- Customers requesting more than 3,000 GJ/day will be required to enter into a 15 year commitment (the "Supplemental Service"), for the capacity above 3,000 GJ/day.
- A pro-forma contract for the Supplemental Service is attached to this bid form.

Proposed Capacity Allocation & Renewal Policy

Base Service:

- Renewal Requirement: With distribution service renewal, customer MUST renew the Base Service until expiry of the underlying TCPL contract (up to 15 years), on terms consistent with the renewal / termination provisions of the underlying contracts.
- Renewal Quantity: If plant requirements reduce materially after the first year, the FDQ will be allowed to be reduced in the same proportion as the Contract Demand of the Firm T-service distribution service.
- If any capacity becomes excess, Union would re-market the capacity to mitigate costs to the deferral account
 - Offer capacity first to T-service customers in the delivery area
- A new "North T-service TCPL Capacity" deferral account will be created to capture any differences between costs for North T-service TCPL services and revenue



Updated December 10, 2013

received from North T-service customers for TCPL capacity associated with the service

- Deferral account will be cleared annually across all eligible customers
- If the customer's plant needs increase, increased participation in this service will be subject to the availability of capacity

Supplemental Service

- Customers requesting capacity in excess of 3,000 GJ/d will enter into a 15 year contract with Union for the capacity in excess of 3,000 GJ/d.
- Supplemental Service Capacity will be excluded from the North T-service TCPL Capacity deferral account.
- Renewable on terms consistent with the renewal / termination provisions of the underlying service providers being TCPL's FT service and contract and Union's M12 service and contract.

Fuel Factor Adjustment

- Union proposes to gross up the Dawn to Parkway capacity by a Fuel Factor Adjustment designed to ensure that Customer has sufficient capacity to move the fuel for the TCPL path from Dawn.

2. Commitments by Union and Customer to support the service:

The following section applies equally to the Base Service and the Supplemental Service.

Union will bid into TCPL's Open Season, on an aggregated level by Domestic Delivery Area, on behalf every Customer that submits an Acceptable Bid to Union, as determined by Union. Union will also reserve expansion capacity on Union's Dawn to Parkway system for the sum of all Acceptable Bids. Union anticipates that the bids will require a new physical expansion of the Dawn to Parkway system as well as on the Parkway to Maple system.

Since both TCPL and Union will likely be constructing new facilities to provide the service, there are potential risks and mitigations that must be considered. There is a potential risk that (i) Union and/or TCPL may be unable to satisfy all of their Conditions Precedent, or (ii) the Customer may be unable to satisfy any Customer Conditions Precedent. To the extent that Union and/or TCPL incurs Pre-Service costs or Downstream Pre-Service Costs (as defined in the Supplemental Service pro-forma contract), to cancel all or a portion of the facilities contemplated due to either a Customer failing to meet all of their Conditions Precedent and/or Union or TCPL failing to meet all of their respective Conditions Precedent, then Customer agrees to indemnify Union for its pro-rata share of any Pre-service Costs and Downstream Pre-Service Costs, based on Customer Firm Daily Quantity under the Base Service and/or the Supplemental Service, in a manner consistent the Supplemental Service pro-forma contract, which is attached to this document for reference).



Updated December 10, 2013

Expected Tolling:

- The tolling for the Service will be equal to the sum of the approved firm transportation tolls on Union, from Dawn to Parkway and on TransCanada from Parkway to the Customers Point of Receipt (U-NDA, U-EDA or U-NCDA as applicable).
- The toll for the Service is subject to change from time to time to reflect the changes in the approved underlying tolls on Union and TCPL.
- The current estimate of the demand charge portion of the tolls, based on the Nov. 18, 2013 Amendment to the Settlement Agreement between Union, Enbridge, Gaz Métro and TCPL, is as follows:
 - Parkway to Union-NDA = \$0.5456/GJ/d
 - Parkway to Union-EDA = \$0.3817/GJ/d
 - Parkway to Union-NCDA = \$0.2737/GJ/d
- The current estimate of the demand charge for the Union Dawn to Parkway toll is \$0.10/GJ/d to \$0.11GJ/d
- Similar to the demand charge, fuel will be charged to Customers as per the posted fuel rates for each underlying pipeline segment.

3. Submitting a Service Request Form:

Questions about the Northern T-service Supply at Dawn Service should be directed to: Stan Somers (519) 436-4623; ssomers@uniongas.com or your Account Manager. Please complete, sign and return the Northern T-service Supply at Dawn Service Request Form via email to: ATTN: Stan Somers
 Email: ssomers@uniongas.com

Completed forms must be returned on or before 2:00pm eastern on January 8, 2014. Union will acknowledge Customer's request for service in writing on or before 4:00 p.m. on the same day. Union in its sole discretion reserves the right to reject any and all proposals received.

4. Customer Requirement To Resubmit any previous Requests for Service

Given the significant changes in the natural gas markets and proposed tolls resulting from the TCPL Settlement Agreement since the previous bids were submitted to Union back in July, Union is insisting that customers re-affirm their desired capacity by resubmitting their bids. Customers may elect to increase (or decrease) the capacity requested. Having all customers resubmit their bids will help eliminate confusion and ensure that all customers have a chance to "freshen up" their request in light of the market changes. The changes to the proposed facilities and TCPL tolls in particular, have helped to provide certainty and stability to short haul capacity and tolls. Resubmitted bids will supersede and replace any previous expressions of interest or bid received by Union.



Updated December 10, 2013

Conditions Precedent:

The Service is subject to several conditions precedent in Union's favour, including:

1. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and third party approvals, consents, orders and authorizations, that are required to construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn service; and
2. Union shall have obtained all internal approvals that are necessary or appropriate to acquire or construct and operate any new facilities required, and to provide the Firm Northern T-service Supply at Dawn service; and
3. Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "Initial Financial Assurances"). The Initial Financial Assurances, if required, will be as determined solely by Union; and
4. Customer shall, as required, have entered into the necessary Contracts with Union and/or others to facilitate the Firm Northern T-service Supply at Dawn service contemplated herein; and
5. Union shall have acquired or placed into service any necessary transportation capacity required by Union to provide the Service; and
6. Union shall have acquired and/or completed and placed into service any new capacity or facilities required to provide the Firm Northern T-Service at Dawn service; and
7. For Supplemental Service, Customer shall have executed the Firm Northern T-Service to Dawn Supplemental Service agreement.
8. Union shall have obtained any capacity required from TransCanada at tolls that are consistent with the Settlement Agreement between TransCanada, Enbridge, Gaz Metro and Union dated October 31, 2013, as amended, or as otherwise deemed reasonable and appropriate by Union.

The Service includes an option for the Customer to include conditions precedent in Customer's favour:

- Customer shall have obtained all internal approvals necessary for the Customer to be bound to the bid submitted and/or execute the Supplemental Service Contract, by February 21, 2014.
- Any other Condition Precedent that the Customer proposes as a pre-condition to the commencement of service should be attached to the Service Request Form, including the proposed date for waiver of each.



Updated December 10, 2013

FIRM NORTHERN T-SERVICE SUPPLY AT DAWN SERVICE SERVICE REQUEST FORM

Please complete, sign and return this Firm Northern T-service Supply at Dawn Service Request Form on or before 2:00 pm eastern, January 8, 2014, via email to:

ATTN: Stan Somers

Email: ssomers@uniongas.com

This is a legally binding bid. The purpose of this Service Request Form is to gain commitment from Northern T-service customers for Union to provide transportation service from the Dawn Hub to the customer's TCPL Delivery Area ("Point of Receipt" in the Distribution Contract). By signing and returning this Service Request Form, Customer authorizes Union to acquire the capacity required to offer this service, and irrevocably accepts the Base Service, subject to the terms and conditions as disclosed in this Updated Service Description and Service Request Form. Customer commits to execute any and all further documentation as required by Union to give effect to these commitments.

Customers may submit more than one bid form. Please indicate your request below:

Distribution Contract Reference: SA _____

Delivery Area: Union EDA Union NCDA Union NDA

Start Date: Nov 1, 2016 Nov 1, 2017 _____

Base Service Request:

Base Service Capacity Requested: _____ Up to: _____ (GJ/d)

- i. 100% of Firm T-service CD, or
- ii. Maximum daily consumption in last 12 months
- iii. But no more than 3,000 GJ/day if (i) or (ii) are above 3,000 GJ/day

Supplemental Service Bid (for capacity above Base Service or greater than 3,000 GJ/day)

- Requires execution of a 15 year Supplemental Service Contract for quantities above 3,000 GJ/day. The Pro-forma contract is attached to this bid package.

Supplemental Service Capacity Requested: _____ Up to: _____ (GJ/d)

Dated this _____ day of _____ 2013

CUSTOMER LEGAL NAME _____

By: _____
 Signature: _____ E-mail: _____

 Name: _____ Phone: _____

Contract ID	
Contract Name	

The Northern GAS SUPPLEMENTAL SERVICE CONTRACT ("**Contract**"), made as of the [] day of
[], 20[]

BETWEEN:

UNION GAS LIMITED
hereinafter called "**Union**"

- and -

[name of customer]
hereinafter called "**Customer**"

WHEREAS, Customer has requested from Union and Union has agreed to provide Customer with services which are incremental transportation services separate from any services in Customer's existing Northern Gas Distribution Contract dated [x], and referred to herein as "**Supplemental Service**";

AND WHEREAS Union invited bids from T-Service customers in the North and East service territories of Union, which resulted in bids for certain basic transportation services as described in the bid package documents (the "**Base Service**") as well as the Supplemental Service as described in the bid package documents and herein (which T-Service customers collectively shall be referred to as "**All Firm Northern T-Service Supply at Dawn Customers**") and individually as a "**Firm Northern T-Service Supply at Dawn Customer**");

AND WHEREAS Union has proposed to build certain facilities (the "**Expansion Facilities**") as determined necessary by Union to provide the Supplemental Service to Customer;

AND WHEREAS, Customer has elected direct purchase services, such that Customer will be responsible for supplying Gas to Union at Dawn under this Contract;

AND WHEREAS, Union will transport Gas to Customer's Delivery Point under this Contract pursuant to the Rate Schedule(s) identified in Schedule 1 (which Delivery Point will be the Point of Receipt in the Customer's Northern Gas Distribution Contract);

AND WHEREAS Union has attempted or will attempt to acquire transportation capacity from other transporters of natural gas needed to provide the Supplemental Service by bidding into transportation open seasons (the "**Downstream Open Seasons**"), in which other transporters have identified facilities which they will need to develop to allow Union to provide the Supplemental Service (the "**Downstream Expansion Facilities**");

IN CONSIDERATION of the mutual covenants contained herein, the parties agree as follows:

PRO FORMA SUPPLEMENTAL SERVICE CONTRACT

1

1. **INCORPORATIONS**

The following are hereby incorporated in and form part of this Contract:

- a) Contract Parameters contained in Schedule I, as amended from time to time; and
- b) Rate [20/100] Rate Schedule as amended to reflect and include the C-1 Rate Schedule and all attachments as part of the Supplemental Service.

2. **CONDITIONS PRECEDENT**

A. Union Conditions Precedent:

The obligations of Union to provide Supplemental Service hereunder are subject to the following conditions precedent (a) through (f) inclusive, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in this Contract:

- a) Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to:
 - i. provide the Supplemental Service; and
 - ii. construct the Expansion Facilities; and
 - iii. acquire any transportation capacity on any required Third Party Pipeline as such term is herein defined; and
 - iv. provide the Firm Northern T-service Supply at Dawn Service, and
- b) Union shall have obtained all internal approvals that are necessary or appropriate to:
 - i. provide the Supplemental Service; and,
 - ii. construct the Expansion Facilities; and,
 - iii. acquire any transportation capacity on any required Third Party Pipeline; and
 - iv. provide the Firm Northern T-service Supply at Dawn Service, and,
- c) Union shall have acquired any necessary transportation capacity from any Third Party Pipelines required by Union to provide the Supplemental Service; and,
- d) Union shall have completed and placed into service the Expansion Facilities; and,
- e) Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,
- f) Union shall have obtained any capacity required from TransCanada at tolls that are consistent with the tolling methodology used in the settlement agreement between TransCanada, Enbridge, Gaz Metro and Union dated October 31, 2013, as amended, or as otherwise deemed reasonable and appropriate by Union.

B. Customer Conditions Precedent:

- a) Customer shall have obtained all internal approvals necessary for the Customer to commit to the Supplemental Service, by [date]. (the "**Customer Conditions Precedent Date**").

C. Duty to use Commercially Reasonable Efforts:

Union and Customer shall each use commercially reasonable efforts to satisfy and fulfill conditions 2A (a), (c), (d), (e), and (f) and 2B(a). Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent.

D. Union's Rights to Terminate:

(a) If Union concludes, acting in a commercially reasonable manner, that any of the conditions precedent 2A (a), (b), (c), (d) or (f) has not or will not be satisfied or waived by Union, Union may deliver written notice to Customer, terminating this Contract. Upon the giving of such notice, this Contract shall be of no further force and effect, and each of the parties shall be released from all further obligations hereunder; subject to Section 2F herein.

(b) If Union concludes, acting in a commercially reasonable manner, that any of the conditions precedent 2A (e) or 2B (a) has not or will not be satisfied by Customer or waived by Union, Union shall promptly deliver written notice to Customer, requiring Customer to take action to ensure the satisfaction of the conditions precedent. If Customer does not, in the sole and unfettered discretion of Union complete all necessary actions to ensure the satisfaction of the conditions precedent within 5 (five) business days, Union may, upon notice, terminate this Contract. Upon the giving of such notice, this Contract shall be of no further force and effect, and each of the parties shall be released from all further obligations hereunder; subject to Section 2F herein.

E. Ultimate Termination Date:

Without prejudice to Union's rights in Section 2D, if any of the conditions precedent in sections 2A or 2B are not satisfied or waived by the party entitled to the benefit of any such condition by [date], then either party may, upon notice to the other party, terminate this Contract, subject to Section 2F herein.

F. Consequences of Failure to Satisfy or Waive Conditions Precedent

(a) Partial Facilities or Cancelled Facilities, with Contract Terminated: If Customer fails to satisfy or waive any Customer Conditions Precedent by the associated Customer Conditions Precedent Date and this Contract is terminated in accordance with the terms thereof, and Union, based on such Customer's failure, has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities; then such Customer shall reimburse Union for the Pre-Service Costs pertaining to the Cancelled Facilities, as well as any Downstream Pre-Service Costs pertaining to any Downstream Cancelled Facilities associated with such failure. In addition, in the event that Union has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities, based on Customer's failure to satisfy or waive any Customer Conditions by the associated Customer Conditions Precedent Date AND the similar failure of any other Firm Northern T-Service Supply at Dawn Customers to satisfy or waive their Customer Conditions Precedent by the associated Customer Conditions Precedent Date; and this Contract is terminated in accordance with the terms thereof, then Customer shall reimburse Union for Customer's proportionate share (as prorated based on the Firm Daily Quantity in this Contract over the Firm Daily Quantities for all Firm Northern T-Service Supply at Dawn Customers for all Base Service and Supplemental Service) of Pre-Service Costs pertaining to the Cancelled Facilities, as well as a similar proportionate share of any Downstream Pre-Service Costs pertaining to any Downstream Cancelled Facilities associated with such failures.

(b) Union Unable to Meet or Waive Conditions Precedent, with Contract Terminated: If Union fails to satisfy or waive any of the conditions precedent for its benefit set out in Section 2A, and this Contract is terminated in accordance with the terms thereof, or if Customer terminates this Contract which Customer is only permitted to do under the specific circumstances in section 2E hereof, then Customer shall reimburse Union for Customer's proportionate share (as prorated based on the Firm Daily Quantity in this Contract over the Firm Daily Quantities for all Firm Northern T-Service Supply at Dawn Customers for all Base Service and Supplemental Service) of Pre-Service Costs pertaining to the Cancelled Facilities, as well as a similar proportionate share of any Downstream Pre-Service Costs pertaining to any Downstream Cancelled Facilities associated with such failure or termination.

3. **CONTRACT TERM**

This Contract shall be effective from the date hereof. However, the Supplemental Service, obligations, terms and conditions hereunder, shall commence on the later of (such later date being the "Day of First Delivery") (i) November 1, 2016, and (ii) the date that the last Condition Precedent as set out in Section 2A is satisfied or waived by Union. This Contract shall continue in full force and effect for fifteen (15) Contract Years (the "Initial Term"). This Contract shall continue in full force and effect beyond the Initial Term, automatically renewing for each subsequent Contract Year until notice to reduce the Firm Daily Quantity or terminate the Contract is provided by either Union or Customer. Such Notice must be delivered at least two (2) years prior to the expiration of the then-current term of this Contract. "Contract Year" means, with respect to the first year, the period beginning on the Day of First Delivery and ending on the first October 31 following, and with respect to each year thereafter, a 12 month period beginning on November 1.

4. **SERVICES PROVIDED**

Union agrees to provide Supplemental Service as specified in Schedule 1 and Customer agrees to pay for such Supplemental Service pursuant to these Contract terms and conditions as set out in this Contract, the referenced incorporations, and the Rate Schedule(s) identified in this Contract.

5. **EXPANSION FACILITIES**

Union will use commercially reasonable efforts to construct the Expansion Facilities to serve the Customer. Construction of the Expansion Facilities shall be in accordance with all applicable laws and regulations. The target date for completion of these facilities is Oct 31, 2016. Union will provide written notice to Customer when such facilities are complete and placed into service.

6. **THIRD PARTY PIPELINE COSTS**

During the Initial Term or during any Contract Year thereafter, if for any reason a third party pipeline (including but not limited to TransCanada Pipelines Limited ("TCPL"), or Enbridge Gas Distribution ("Enbridge")) and/or any other pipeline upon which Union purchases capacity on behalf of the Customer for the Supplemental Service (a "Third Party Pipeline"), requires Union to pay any costs in relation to the provision of the Supplemental Service, Customer will reimburse said costs to Union. Union shall invoice Customer for such costs on a pass through basis.

7. **FINANCIAL ASSURANCES**

Union may, at any time during the Initial Term, request financial assurances to cover the potential financial exposure to Union to the end of the Initial Term. Such financial assurances shall be determined by Union in a commercially reasonable manner and may include, without limitation, expected return on capital invested.

8. **NOTICES**

All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by registered mail, charges prepaid, or by facsimile or other means of recorded telecommunication, charges prepaid, to the applicable address set forth in Schedule 1 or to such other address as either party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened, or during any actual, postal strike or other disruption of the postal service. Any communication personally delivered shall be deemed to have been validly and effectively received on the date of such delivery. Any communication so sent by facsimile or other means of telecommunication shall be deemed to have been validly and effectively received on the business day following the day on which it is sent. Any communication so sent by mail shall be deemed to have been validly and effectively received on the seventh business day following the day on which it is postmarked.

9. **DEFINITIONS**

“**Cancelled Facilities**” means; (i) that portion of the Expansion Facilities not built as a result of Union’s decision pursuant to the provisions of Section 2F (a) herein; or (ii) one hundred (100) percent of the Expansion Facilities not built as a result of Union’s inability to meet or waive any of the conditions precedent as outlined in Section 2F (b) herein.

“**Downstream Cancelled Facilities**” means that portion of the Downstream Expansion Facilities not built as a result of (i) the termination of any contract between any Third Party Pipeline and Union executed as a result of Union’s participation in any Downstream Open Season, or (ii) the termination of this Contract by reason of Customer’s failure to satisfy or waive Customer Conditions Precedent by the Customer Conditions Precedent Date.

“**Firm Northern T-Service Supply at Dawn Service**” shall mean the Base Service and the Supplemental Service as described in the bid package issued for those services, and in this Contract.

“**Pre-service Costs**” shall mean Union’s costs incurred, accrued, allocated to, or for which Union is contractually obligated to pay, which are incurred in conjunction with its efforts to develop and construct the Expansion Facilities. Pre-service Costs shall include, but shall not be limited to, those expenditures and/or costs (including cancellation costs, carrying costs, third party claims and litigation costs), incurred, accrued, allocated to, or for which Union is contractually obligated to pay associated with engineering, construction, materials and equipment, environmental, the obtaining of land rights, regulatory, and/or legal activities, interest during construction, internal overhead and administration (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the Ontario Energy Board) and

any other costs, expenses, losses, demands, damages and obligations incurred in furtherance of Union's efforts to develop and construct the Expansion Facilities.

"Downstream Pre-Service Costs" shall mean Union's costs incurred, accrued, allocated to, or for which Union is contractually obligated to pay, which are incurred in conjunction with (i) the termination of any contract signed by Union as a result of participation in any Downstream Open Season, and the efforts by Third Party Pipelines to develop and construct the Downstream Expansion Facilities, or (ii) the termination of this Contract by reason of Customer's failure to satisfy or waive Customer Conditions Precedent by the Customer Conditions Precedent Date.

[name of customer]

Authorized Signatory

Please Print Name

UNION GAS LIMITED

Authorized Signatory

Please Print Name

Contract ID	
Contract Name	

Schedule 1

Northern Gas Supplemental Service Contract

1. TYPE OF SERVICE

Service under this Contract shall be Firm service in the quantity and for the Receipt and Delivery Points specified in this Schedule 1.

2. PARAMETERS

Supplemental Service Parameters:

Receipt Point	Delivery Point	Supplemental Service Capacity (Firm Daily Quantity) (GJ/day)
Dawn	Parkway	As per bid form xxxx GJ/d ^(*)
Parkway	[Match Point of Receipt]	As per bid form xxxx GJ/d

(*) subject to Fuel Factor Adjustment

3. RATES FOR SERVICE

Firm North T-Service Supply at Dawn Service:

Supplemental Service Demand Charge - Union	As per Monthly Demand Charge from Union's C1 Rate Schedule for Dawn to Parkway
Supplemental Service Demand Charge - TCPL	As per TCPL's Firm Transportation tariff for Parkway to Point of Receipt
Supplemental Service Fuel Charge - Union	As per "Shipper supplies fuel" Fuel Ratio from Union's C1 Rate Schedule for Dawn to Parkway
Supplemental Service Fuel Charge - TCPL	As per TCPL's Firm Transportation tariff for Parkway to Point of Receipt

4. CONTACT LIST FOR NOTICES

Customer contact information is found in Unionline. Where multiple contacts have been identified by Customer, Union is obligated to contact the first party only.

Union Gas contact information is found on Union's website.

April 9, 2014 – Excerpt from OEB 2014 Annual Stakeholder Meeting Presentation

New Union Gas Service: North T-service Supply at Dawn 

- A new optional upstream transportation service for T-service customers in Union EDA, NCDA and NDA
- Provides benefits of Dawn supply delivered to Union North
- Requires expansion on Union and TCPL
- Transportation capacity provided at cost of service rates
- 15 customers have signed up for 29 TJ/d for Nov 1, 2016
- In fall of 2014 expect to see a proposal to:
 - Add service option to R10/20/100 rate schedules
 - Update TCPL turnback policy to cover new service
 - Create new deferral account to recover any costs on excess capacity after mitigation

Union Gas | 88

Invitation for Dec. 12, 2014 Web-ex meeting

Passmore, Wayne

From: Passmore, Wayne
Sent: December-08-14 4:21 PM
Cc: Jones, Mark; Glasier, Mark; Boyer, Patrick; Caille, Jackie; Dent, Dave; Lajoie, Lynn; Vandenbrink, Harry; Bruyns, Rori; Ries, Frank; Bastedo, Douglas; Chan, Richard; Chan, Allen; Bessette, Gaetan; Pagee, Tim; Laforest, Gerald; DeMaeyer, Brad; Van Der Paelt, Sarah
Subject: Invitation to Web-ex meeting on changes to Natural Gas Supply Options for Union Gas North T-service Customers
Attachments: Changes to Natural Gas Supply Options for Union Gas North T-service Customers

To: All Union North Firm T-service customers

The National Energy Board has recently approved changes to TransCanada's rates. As a result, we are expecting TransCanada to offer incremental transportation capacity across their entire system and this will present a unique opportunity for North T-service customers to make adjustments to their upstream transportation arrangements. Union wants to share some key information with you, our Firm North T-service customers, to help you make knowledgeable decisions on future natural gas delivery options.

This call is open to all of Union's firm North T-service customers and their consultants, advisors etc. If you would like to include your energy advisor in the meeting, please feel free to forward this email to them.

Please join us for a Web-ex and conference call by opening the attachment to this note and adding it to your calendar. The link to the web-ex, including the conference call details are at the bottom of the calendar meeting notice (attached).

Date of Web-ex and Conference Call: Friday, December 12, 2014 from 10:00 am to 11:30 am

Agenda:

- 1) Opening remarks
- 2) The NEB Decision
- 3) Update on the impacts of Energy East
- 4) Union's 2017 North T-service Supply at Dawn option
- 5) Dawn storage for North T-service customers at cost based rates
- 6) Pending changes to Union's North Bundled T service – access to Dawn
- 7) The opportunity to switch between T-service, Bundled T or Sales Service
- 8) Next Steps/Timing
- 9) Q&A

Thank you.

Wayne Passmore, P.Eng.

Manager, Strategic Product Development,
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Chatham, ON N7M 5M1
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519 436-5356 direct 800 571-8446 x5005356# toll free
519 436-4643 fax 519 365-0776 mobile

Excerpt from Dec 12, 2014 Web-ex meeting



Changes to Natural Gas Supply Options for
Union Gas North T-service Customers

December 12, 2014

Winter Walking Safety 

- Be Safe
- Be Smart
- Be Seen



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Opening Remarks

- We champion customer's energy needs
- We are in the midst of profound “once in a generation” gas supply and infrastructure changes
- Customers have a unique opportunity make choices in the next few weeks that will have long term impacts
- We are committed to sharing information to help customers make informed choices

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Agenda

- The NEB Decision
- Update on the impacts of Energy East
- North T-service Supply at Dawn
 - Dawn storage for North T-service customers
- The opportunity to switch from T-service to Bundled T or Sales Service
- Next Steps/Timing
- Q&A

- Appendix
 - Pending changes to the North Bundled T service

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North T-service Supply at Dawn

Wayne Passmore

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North T-service Supply at Dawn

- 2016 Service Update
- 2017 Service offering
- Expected rates and economics
- Dawn storage for North T-service

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2016 North T-service update

- Customers committed to 29,115 GJ/d for Nov.2016
- Union Gas securing needed pipeline capacity
- Service conditional on NEB approval of TCPL tolling proposal (granted Nov 28th, 2014) and TCPL facilities being approved by NEB and in-service
- Need Union Gas facilities approved by OEB and in-service
 - Facilities application currently before the Board
- Need OEB approval for new service rates and the TCPL Capacity deferral account
 - Filing planned for late 1Q2015

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2017 Service Summary: North T-service Supply at Dawn

- **Eligibility:** Firm T-Service customers in the Union EDA, NCDA, NDA delivery areas
- **Union Gas transports** gas from Dawn to the Customer's Delivery Area
 - Uses incremental firm transportation capacity on Union Gas from Dawn to Parkway and on TCPL from Parkway to the Customer's delivery area
 - Priced at Firm Transportation tolls – straight pass through of Union Gas and TCPL FT tolls
- **Service start date:** **Nov. 1, 2017**, or later, when facilities in-service
- **OEB approvals** required to add service to R10, R20 and R100 rate schedules and for new deferral account
- **Balancing:** Same as today - via Customer Balancing Service account
 - Access to diversions, assignments and/or agents to manage costs and value
- **Impact to distribution rates:** None
- **Process to request service:** Customer submits service bid form to Union Gas

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**North T-service Supply at Dawn:
 Base Service (0 - 3,000 GJ/d)**



- **Contracting:** implement service via OEB approval to Rate Schedules and embed service within distribution contract
- **Quantity:** Customer elects initial Firm Daily Quantity (FDQ) of up to 3,000 GJ/d, for minimum term of 1 year
- **Subject to Capacity Allocation and Renewal Policy**
 - Customer must renew Service annually with gas distribution service renewal until initial term of TCPL contract expires (15 years)
- **If plant Contract Demand drops in the future, customer may reduce FDQ**
 - Capacity reductions from any customer offered to other customers
 - New deferral account to manage any revenue shortfall if Union Gas can't fully recover tolls on excess TCPL capacity (Union Gas bears risk on Union Dawn to Parkway capacity)
 - Deferral account clears to all Firm T-service customers in eligible areas (even if not participating in the service)
- **Customers not committed for 15 years of tolls if plant closes or consumption drops**

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**North T-service Supply at Dawn:
 Supplemental Service**



- **Incremental to Base Service**
- **Term:** 15 years – then rolling year to year
- **Contracting:** Implement service via Supplemental Service contract subject to OEB approved Rate Schedules
- **Firm Daily Quantity:** any capacity over 3,000 GJ/d
- **Deferral Account exposure:** Supplemental Service capacity excluded from deferral account associated with Base Service
- **Variations in Contract Demand:**
 - Firm Daily Quantity for Supplemental Service fixed for 15 years, then opportunity to reduce at Contract renewal
 - Customers are responsible for 15 years of demand charges, even if plant closes during contract

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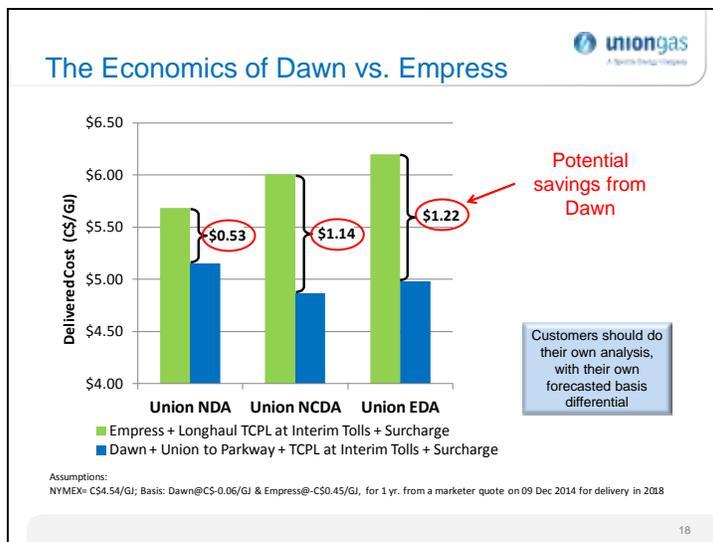
Expected Rates



- Union Gas evidence from the 2016 Dawn to Parkway facilities filing ([EB-2014-0261](#)) indicates that the Dawn to Parkway rate would rise from the current \$0.08/GJ to about \$0.102/GJ by 2018
- The TCPL portion of the rate is pending a compliance filing and NEB approval and will not be known with certainty until after their Open Season closes.

Domestic Delivery Area	Union Dawn to Parkway	TCPL Interim (Parkway to DDA)	Estimate of TCPL pending change	TCPL Abandonment Surcharge	Estimated Total Demand charge (C\$/GJ/d)
EDA	\$0.10	\$0.3817	\$0.015	\$0.017	\$0.51
NCDA	\$0.10	\$0.2737	\$0.011	\$0.010	\$0.39
NDA	\$0.10	\$0.5456	\$0.022	\$0.028	\$0.70

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Introducing Dawn storage for North T-service

Eligibility

- Customers must hold year round, qualifying firm transportation from Dawn to their Delivery Area

The Service

- Firm, cost based storage at Dawn
- Customer storage quantity is the lesser of:
 - storage allocation methodology similar to the South
 - firm qualifying transport quantity maximum
- 1.2% Firm withdrawals at Dawn
- Space and firm deliverability charges will be at cost based rates

Dawn Storage compliments firm transportation between Dawn and Delivery Area

The opportunity to switch from T-service to Bundled T or Sales Service

Wayne Passmore

The opportunity to switch from T-service to Bundled T or Sales Service 

- Comparing and contrasting the 3 upstream options
- Challenges facing T-service customers
- Economic analysis of the options
- How does a T-service customer make the switch?

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Comparing System Sales, Bundled T and T-service 

	Sales	Bundled T	T-service
Customer management	Low	Medium	High
Customer obligation	Pay as gas consumed	Deliver obligated DCQ; balance yearly	Manage all upstream; balance daily
Gas purchasing	Union Gas buys; price OEB approved (GRAM)	Customer buys & delivers DCQ	Customer buys & delivers daily quantity
Term for <3,000 GJ/d incremental capacity	1 year, annually renewing	1 year, annually renewing	1 year, annually renewing, subject to new renewal policy
Customer risks to consider	Commodity price floats, harder to hedge	Annual financial balancing	Availability & terms of upstream assets & credit
Rewards to consider	Simple and reliable	Control gas purchases	Optimization
Target customer	Gas not a significant business input – Union Gas manages everything	Union Gas manages upstream transportation & storage, but customer buys gas	Gas is a significant business input – Customer manages everything

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Challenges facing T-service customers 

- As a group, T-service customers do not have enough firm, renewable TCPL transportation capacity to meet their firm needs. This places a great reliance on discretionary services priced at market (STFT, biddable IT, diversions, delivered supplies)
- The price for discretionary services now floats with market value (TCPL IT bid rates up to 5500% of FT toll last winter)
- TCPL firm renewal notice now 2 years vs. 6 months
- TCPL firm incremental capacity contract now 15 years vs. 10
- TCPL proposing to reduce the capacity of the Ontario system with the Energy East proposal - likely to increase discretionary pricing volatility
- Unauthorized overrun

Now may be a good time to review the Bundled T and System Sales alternatives to North T-service

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The opportunity to switch from T-service to Bundled T or Sales Service

- Union Gas wants to encourage informed choices by all customers
- North T-service, BT and Sales Service customers have a choice to migrate from one upstream arrangement to another, from time to time
 - Subject to Union Gas and/or customer having sufficient assets to facilitate the switch
 - Need to consider all relevant policies
- With a TransCanada Open Season, Union Gas may be able to acquire assets to facilitate a customer switching from T-service to Bundled T or Sales Service
 - Need customers to commit prior to TransCanada Open Season closing
 - Subject to credit and other policies

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Economic Analysis

- Union Gas has developed a simple model to help customers in EDA, NDA and NCDA compare the System sales, Bundled T and North T-service options
- Requires customer specific consumption data and upstream transportation and gas supply costs
- Customers in NDA, EDA and NCDA should have already received the model – if not call your Account Manager
- Model uses current North BT rates (based on 100% Empress for all areas) – the BT rates will change with the addition of Dawn for some areas in the future
 - See Appendix

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How can T-service customers make the switch to Bundled T or Sales Service

- Contact your account manager to discuss
- Union Gas will provide a bid form and a pro-forma contract with Conditions Precedent that will allow a T-service customer to contract for the switch
 - 1 year term
 - Customer will specify Firm CD
- Service would start the later of Nov 1, 2017 or when facilities are available
- Union Gas conditions precedent will include
 - Subject to all approvals and facilities required being obtained and ready for service and Credit
- Customer CPs will include “subject to management approvals”
 - Will need to be waived before Union Gas waives CPs with TCPL – expect mid Feb 2015
- Once signed by Customer, Union Gas would secure the needed transportation capacity, being the Firm CD of the distribution service.

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Summary

- All North T-service customers are encouraged to review their upstream arrangements and secure firm transportation capacity equal to their firm needs
- The Open Season is a unique opportunity to make a strategic upstream supply change
- Customers can sign up for North T-service Supply at Dawn by submitting a bid form to Union Gas
- Customers can express in the new Dawn Storage for North T-service by submitting an expression of interest form
- Customers interested in switching from T-service to Bundled T or Sales Service may participate by submitting a bid form and then signing a contract

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Next steps / Timing

- Union Gas to forward today's materials to all firm North T-service customers
- Customers review their options and discuss with Account Managers
- Union Gas to host another web-ex with any updates in early Jan 2015
- Customers submit documents to Union Gas 4 business days before TCPL Open Season closes
- Customers waive any CPs 4 business days before Union Gas waives CPs with TCPL

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Q&A

www.uniongas.com





Pending changes to the North Bundled T service



Today

- North Bundled T customers have an Obligated DCQ at Empress
- Bundled T transportation rates reflect TransCanada transportation from Empress

By Nov 1, 2017 - Anticipated

- Obligated DCQ will be at Empress, Dawn or a pro-rated combination depending on delivery area
- Bundled T transportation rates will reflect TransCanada transportation from Empress, Dawn or a pro-rated combination
- EDA & NDA – mostly Dawn (ie 80%+)
- NCDA – currently under review
- SSMDA, MDA, WDA – mostly Empress (ie 90%+)

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Invitation to Jan. 13, 2015 Web-ex meeting

Passmore, Wayne

From: Passmore, Wayne
Sent: January-07-15 1:54 PM
To: Jones, Mark; Glasier, Mark; Boyer, Patrick; Dent, Dave; Vandenbrink, Harry; Bruyns, Ron; Ries, Frank; Bastedo, Douglas; Chan, Allen; Bessette, Gaetan; Pagee, Tim; Laforest, Gerald; DeMaeyer, Brad
Subject: Union Gas Web-ex and Conference call for Tues, Jan 13th at 4:00 pm
Attachments: Union Gas Web-ex Meeting for North T-service Customers

To – All Union Gas North T-service Customers

Please join us for a Web-ex and conference call on Tuesday, Jan 13th at 4:00 pm. This session will be a follow-up and build on our meeting we had during the second week in December.

The link to the web-ex and the conference call # are included in the attached file.

Agenda:

- 1) Opening Remarks
- 2) Open Season Summary
- 3) Union Service Options & Timing
- 4) Customers – What you need to do.
- 5) Q&A
- 6) Closing Remarks

Jan. 13, 2015 email with slide deck, 2017 bid form, Dawn storage expression of interest and conversion from T-service to Bundled T contract

Passmore, Wayne

From: Passmore, Wayne
Sent: January-13-15 9:20 PM
Cc: Jones, Mark; Glasier, Mark; Boyer, Patrick; Dent, Dave; Vandenbrink, Harry; Bruyns, Ron; Ries, Frank; Bastedo, Douglas; Chan, Allen; Bessette, Gaetan; Patee, Tim; Laforest, Gerald; DeMaeyer, Brad
Subject: Updated Union Gas Web-ex and Conference call documents - from Jan. 13, 2015
Attachments: North T-service Web-ex for 13Jan2015-as presented.pdf; 2017 North T-service Transport from Dawn - Invitation to Bid package - 13Jan2015.pdf; Expression of Interest - Dawn Storage for North T-Service.pdf; Pro-forma - North T-service switch to BT Contract - 13Jan2015 Draft.pdf; North T-service Web-ex for 12 Dec 2014 - circulated 13Jan2015.pdf

To – All Union Gas North T-service Customers

Thank you again to those who were able to join us today on the web-ex and conference call. We had some great questions and discussions. Please do not hesitate to reach out to your Account Manager to discuss these items further.

Attached are the "as presented" materials from the Web-ex meeting earlier today as well as some updated documents:

1. The slide deck for the web-ex & call – as presented
2. The bid form for the North T-service Transportation from Dawn service
3. The expression of interest form for Dawn Storage for North T-service customers
4. The pro-forma contract for a current T-service customer to switch from T-service to Bundled Transportation service.

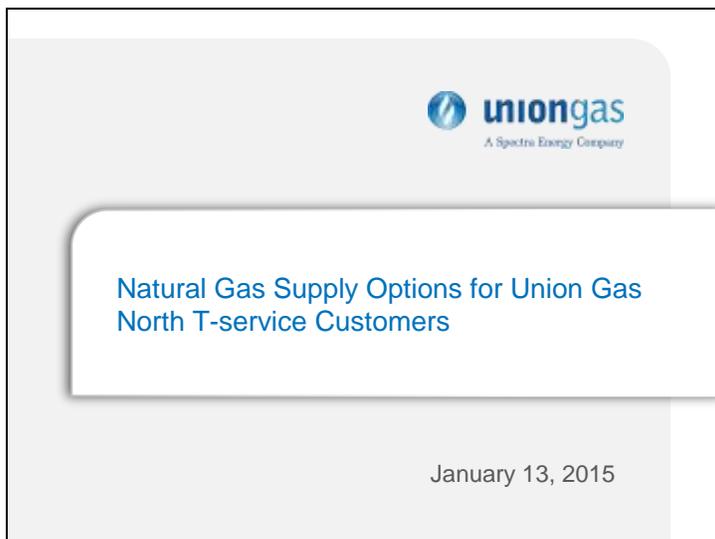
For those that joined us today for the first time and missed the material from December 12, 2014, I have attached it again to this email for your reference. Please note that some of the information presented on Dec 12th, is now out of date and has changed. An example would be the timing for the process was updated in the material presented today.

If you would like to discuss this material further, please let your account manager know and they can arrange for a follow-up.

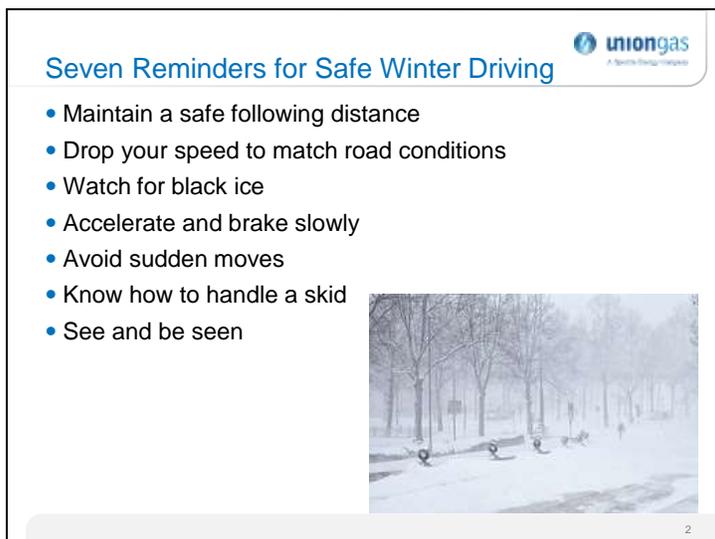
Wayne Passmore, P.Eng.
Manager, Strategic Product Development,
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Chatham, ON N7M 5M1
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AOL/AM: WaynePassmr

Don't Learn Safety by Accident!

Jan. 13, 2015 Slide deck



The slide features the Union Gas logo at the top right, which includes a blue flame icon and the text "uniongas" and "A Spectra Energy Company". The main title is centered in a white rounded rectangle: "Natural Gas Supply Options for Union Gas North T-service Customers". The date "January 13, 2015" is positioned at the bottom right.



The slide features the Union Gas logo at the top right. The title "Seven Reminders for Safe Winter Driving" is centered at the top. Below the title is a bulleted list of seven reminders. To the right of the list is a photograph of a snowy residential street with trees and a person walking. A small number "2" is in the bottom right corner.

- Maintain a safe following distance
- Drop your speed to match road conditions
- Watch for black ice
- Accelerate and brake slowly
- Avoid sudden moves
- Know how to handle a skid
- See and be seen



Agenda

- Opening remarks
- Open Season summary
- Union Gas service options & timing
- Customers – what you need to do
- Q&A
- Closing remarks

- Appendix
 - Public sources for basis forecasts
 - Long haul vs. short toll comparison

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Opening Remarks

- We champion customer's energy needs
- We are in the midst of profound “once in a generation” gas supply and infrastructure changes
- Customers have a unique opportunity make choices in the next few weeks that will have long term impacts
- We are committed to sharing information to help customers make informed choices

4



Web-ex meeting logistics

- If participating by web-ex, please sign in by providing your email address
 - If you a consultant or advisor, please let us know, via private chat or during “roll call” which T-service customers you are representing
- All customer phones have been muted by the host to start
 - If you want to speak or ask a questions, press #6 to un-mute
 - When done your question, press *6 to re-mute your phone
- Roll call for all participants not signed in via web-ex
- Feel free to use the web-ex chat feature to ask a private question or make a private comment – only the host will be able to see it
- Comments and questions are welcome throughout the session

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Open Season Summary

TransCanada New Capacity Open Season

- Offering transportation service from Empress, Niagara Falls, Chippawa, Parkway and Iroquois to any valid delivery point on the Mainline System
- Option for incremental capacity or to convert Long haul to Short haul (helps mitigate risk of delay)
- Targeted start date = Nov. 2017 only
- Minimum term is 15 years
- Tolls – subject to a compliance filing in March 2015
- Bids due to TransCanada 11:00 am, MST, Jan. 30, 2015
- Timing coordinated with Union Gas
- Sign Precedent Agreement within 30 days of receiving it

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Open Season Summary

Union Gas Limited Open Season

- Offering Dawn to Parkway, Dawn to Kirkwall and Kirkwall to Parkway and M12-X between all three points
- Targeted start date: Nov. 2017 or Nov. 2018
- Capacity contemplated: up to 650,000 GJ/d for 2017 and 550,000 GJ/d for 2018
- Minimum term is 15 years
- Tolls – subject to OEB approvals
- Bids due to Union Gas by 1:00 pm, Eastern, Jan. 30, 2015
- Allocate capacity by Feb. 20, 2015
- Sign and waive Customer Conditions by Mar. 23, 2015
- Timing coordinated with TransCanada

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Open Season Summary

- The TransCanada and Union Gas Open Seasons create the opportunity for North T-service customers and other potential shippers to acquire incremental transportation capacity from a supply point to their delivery area
 - From Dawn through the constrained Parkway to Maple corridor
 - On the Eastern Ontario Triangle
- Union North T-service customers have an option to bid into the TransCanada and Union Gas Open Seasons to acquire upstream capacity to help them meet their needs
- Alternatively, North T-service customers can request one or more new services through Union Gas and Union GAs will then bid on behalf of the North T-service customers
 - North T-service Transportation from Dawn
 - Switch from T-service to Bundled T or Utility / Sales Service

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Union Gas Service Options & Timing

1. North T-service Transportation from Dawn starting Nov. 2017 or Nov. 2018
2. Switching to North Bundled Transportation or North Utility / Sales service (from North T-service)
3. Option to express interest in Dawn Storage for North T-service customers (if not switching away from North T-service)

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North T-service Transportation from Dawn

- Introducing a name change for the service (was North T-service Supply at Dawn)
- Relevant documents:
 - Service description and bid form
 - Pro-forma Supplemental Service Contract and sample Schedule 1
- Binding Bid documents due to Union Gas by 2:00 pm on Tuesday Jan. 27, 2015
 - Can elect a quantity for 2017 and/or 2018
 - Subject to several Conditions Precedent for Union Gas' benefit
 - Customer Conditions include “subject to management approval”
 - **Expect to waive sometime around March 23 or shortly thereafter**
 - For those with current TransCanada temporary assignments, includes an option to elect “conversion of Long Haul to Short Haul”

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Comparing Upstream Transportation and Gas Supply Options for North Customers

	Sales	Bundled T	T-service
Customer management	Low	Medium	High
Customer obligation	Pay as gas consumed	Deliver obligated DCQ; balance yearly	Manage all upstream; balance daily
Gas purchasing	Union Gas buys; price OEB approved (QRAM)	Customer buys & delivers DCQ	Customer buys & delivers daily quantity
Term for <3,000 GJ/d incremental capacity	1 year, annually renewing	1 year, annually renewing	1 year, annually renewing, subject to new renewal policy
Customer risks to consider	Commodity price floats, harder to hedge	Annual financial balancing	Availability & terms of upstream assets & credit
Rewards to consider	Simple and reliable	Control gas purchases	Optimization
Target customer	Gas not a significant business input – Union Gas manages everything	Union Gas manages upstream transportation & storage, but customer buys gas	Gas is a significant business input – Customer manages everything

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Switching to North Bundled Transportation or North Sales service

- Relevant Documents
 - Pro-forma North BT or North Sales Service contract
- Switch would start on Nov. 2017 or Nov. 2018 (or when needed facilities are in place)
- Binding Bid documents due to Union Gas by 2:00 pm on Tuesday Jan. 27, 2015
 - If interested, let your Account Manager know by Jan. 16 so Union can prepare a definitive contract for your review and execution by Jan. 27, 2015
 - Customer can elect Nov. 2017 or Nov. 2018 start date
 - Subject to several Conditions Precedent for Union Gas' benefit
 - Customer Conditions include "subject to management approval"
 - **Expect to waive sometime around March 23 or shortly thereafter**
 - For those switching with current TransCanada capacity (temporary assignments or FT), Union will take temporary assignment of such capacity

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Dawn Storage for North T-service

- Relevant documents
 - Non-binding expression of interest in the service
 - Includes more detail on the proposed service
- Expression of Interest document requested by Feb. 27, 2015
 - Customers can express interest in the proposed new service
 - Option to provide comments on the proposed service
- Union Gas will provide North T-service customers the option to contract for the service once rates for the service are approved by the OEB
 - OEB filing for rates pending

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Customers – What You Need to do

- Recognize that there is a limited time to decide on a course of action – this is important and urgent
- Make informed choices - review all options with Account Manager and other advisors, consultants etc.
- Plan for any needed internal approvals
- If interested or considering a switch from T-service to Bundled T, let your Account Manager know by Jan. 16 to allow time for Union to prepare a definitive contract
- Plan to submit Bid documents or contracts to Union Gas for Union Gas service options in two weeks:
 - Deadline for bids is Jan. 27, 2015 at 2:00pm
- Expect to waive any conditions precedent like formal management approvals (and then be completely bound) sometime around March 23rd or shortly thereafter

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Summary

- All North T-service customers are encouraged to review their upstream arrangements and secure firm transportation capacity equal to their firm needs
- The Open Season is a unique opportunity to make a strategic upstream supply source and/or transportation change
- Customers can sign up for North T-service Transportation from Dawn by submitting a bid form to Union Gas
- Customers can express interest in the new Dawn Storage for North T-service by submitting a form
- Customers can sign up to switch from T-service to Bundled T or Utility / Sales Service by signing a modified standard contract (with conditions)

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Next Steps / Timing

- Union Gas to forward today's materials to all firm North T-service customers
- If contemplating a switch from T-service to Bundled T, let your Account Manager know by Jan. 16
- Customers submit binding documents to Union Gas by Jan. 27, 2015 at 2:00 pm
- Customers waive any Conditions Precedent 4 business days before Union Gas waives Conditions Precedent with TransCanada (will occur sometime around March 23rd or shortly thereafter)
- Customers encourage to submit expressions of interest form for the Dawn Storage service by Feb. 27, 2015

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Q&A

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Public Sources of Long-Term Basis Differentials

From [EB-2014-0261](#), Exhibit A, Tab 7, Page 18 of 25

Union used an assumption that the cost of natural gas at Dawn will be \$0.70/GJ⁹ higher than the cost to purchase natural gas at Empress (the “basis differential” between Empress and Dawn). Union views the long term differential in commodity price (\$0.70/GJ) between Dawn and AECO/Empress as conservative given the current market differential of approximately 0.50/GJ¹⁰ and the near term (4-5 year) outlook approximating \$0.60/GJ¹¹.

The differential used for the customer impacts calculation (Exhibit A, Tab 10) is also comparable to other longer term commodity price views.

⁹Source – by permission of PIRA Energy Group, www.pira.com, September 2014

¹⁰Source – Kiodex Global Market Data Service, September 2014

¹¹Source – Kiodex Global Market Data Service, September 2014

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Economics of Dawn vs. Empress

- Compare higher toll from Empress vs. higher gas price at Dawn

Delivery Area	Longhaul from Empress (a)	Shorthaul from Dawn (b)	Pipeline Toll Premium from Empress (a-b)
Union NDA	\$1.60	\$0.67	\$0.93
Union NCDA	\$1.92	\$0.38	\$1.54
Union EDA	\$2.12	\$0.50	\$1.62

Assumes – Dawn to Parkway at \$0.10/GJ/d, TCPL Interim Tolls with Surcharge

When Empress to Dawn gas price spread is less than tolling premium from Empress, Dawn delivers lower cost

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Pending Changes to the North Bundled T service

Today

- North Bundled T customers have an Obligated DCQ at Empress
- Bundled T transportation rates reflect TransCanada transportation from Empress

By Nov 1, 2017 - Anticipated

- Obligated DCQ will be at Empress, Dawn or a pro-rated combination depending on delivery area
- Bundled T transportation rates will reflect TransCanada transportation from Empress, Dawn or a pro-rated combination
- EDA & NDA – mostly Dawn (ie 80%+)
- NCDA – currently under review
- SSMDA, MDA, WDA – mostly Empress (ie 90%+)

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Switching from BT or Sales to T-service

- Key documents to consider:
 - [Assignment of Upstream Capacity Policy](#) – for Union north stipulates that “A TCPL assignment is not available for Bundled T service but is a requirement for T-Service customers that were previously served by Union Gas”
 - [Schedule 2](#) Northern Distribution Contract – “Customer agrees to execute any renewals of the Assignment Agreement(s) as required by either Union or TCPL.”
 - [TCPL Turnback Policy](#) – in part says “offering of a TCPL turn back program to applicable customers in any given year is at the *sole discretion of Union Gas*” and “Unless otherwise agreed, all approved turn back elections will take effect following the expiry date of Union Gas’s contract with TCPL”
- Consistent with Union Gas’ long-standing policies, if a BT or System sales customer switches to T-service, they will get an assignment of transportation capacity that is representative of the underpinning assets previously used to serve them
- Union Gas may review and update these policies from time to time to ensure continued fairness

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Bid form for 2017 North T-service Transportation from Dawn (including Supplemental Service pro-forma)



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Union Gas Limited Firm Northern T-service Transportation from Dawn Service Service Description and Service Request Form

FIRM NORTHERN T-SERVICE TRANSPORTATION FROM DAWN SERVICE

Union Gas Limited ("Union") is pleased to announce the "Firm Northern T-service Transportation from Dawn Service", for service commencing in November of 2017 or 2018, also referred to as "the Service". The recent National Energy Board Decision (RH-001-2014) has provided clarity and a framework for creating incremental transportation capacity from Dawn to the northern and eastern areas of Union's service territory. TransCanada has launched a New Capacity Open Season (NCOS) from "all points to all points", including from Parkway to the EDA, NCDA and NDA. Union has launched a corresponding Open Season on the Dawn to Parkway system, which will integrate with TransCanada's proposed expansion from Parkway eastwards.

The Firm Northern T-service Transportation from Dawn Service is identical to the Firm Northern T-service Supply at Dawn Service, with the exception of the proposed service start date. The proposed service has been renamed to better reflect that it is a transportation service from Dawn to Union's north and eastern service areas.

With TransCanada and Union contemplating incremental transportation facilities, Union wants to provide our eligible Northern T-service customers an opportunity to submit a bid for incremental transportation capacity, from Dawn, with a proposed start date of November 1, 2017 or 2018.

The proposed service remains unchanged from the service previously presented for a November 2016 start date. It will provide T-service customers a firm method of transporting gas purchased at the Dawn Hub to the Point of Receipt in their T-service natural gas distribution contract. The proposed service could commence as early as November 2017.

Proposed Service:

Firm Northern T-service Transportation from Dawn service, from Dawn to the Point of Receipt in the customers natural gas distribution service contract (TransCanada Delivery Area), subject to the proposed Capacity Allocation and Renewal Policy.

1. Service Description and Details:

Firm Northern T-service Transportation from Dawn Service Parameters

- Eligibility: Firm transportation service customers in the Union-EDA, NDA and NCDA on Rate 10, 20 and 100
- Receipt Point: **Union Dawn**
- Delivery Point: the TransCanada Delivery Area stipulated on the customer's distribution contract – defined in the distribution contract as the **Point of Receipt** for distribution service.



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- Based on customer commitments, Union Gas acquires long term firm TransCanada capacity and allocates Union Gas Dawn - Parkway capacity
- Expected to drive new facilities builds on both Union and TransCanada.
- Demand and fuel rates: subject to the specified tolls on Union, from Dawn to Parkway(TCPL) and on TransCanada from Parkway to the specified delivery area and are subject to change from time to time, as approved by the OEB and NEB respectively.
- Service is proposed to be subject to and in accordance with Union's OEB approved Rate Schedules.
- Service is subject to availability of transportation capacity between Dawn and the specified delivery area.
- The terms and conditions of the Base Service shall be as per the Customer's executed Service Request Form and the same as the terms and conditions of the Supplemental Service pro-forma contract, except as specifically outlined herein.

Base Service Option:

- Quantity: Customer Election for Firm Daily Quantity (FDQ), of up to 3,000 GJ/d
 - Minimum: 0 GJ/day
 - Maximum: Customer option to request quantity, up to:
 - i. 100% of Firm T-service Contract Demand;
 - ii. The customer's maximum daily consumption over the past 12 months;
 - iii. But no more than 3,000 GJ/day if (i) or (ii) are above 3,000 GJ/day
- Term: a **minimum term of 1 year**, followed by automatic annual rolling renewal for 1 year at a time, subject to the proposed Capacity Allocation and Renewal Policy.

Supplemental Service Option:

- Customers requesting more than 3,000 GJ/day will be required to enter into a 15 year commitment (the "Supplemental Service"), for the capacity above 3,000 GJ/day.
- A pro-forma contract for the Supplemental Service is attached to this bid form.

Proposed Capacity Allocation & Renewal Policy

Base Service:

- Renewal Requirement: With distribution service renewal, customer MUST renew the Base Service until expiry of the underlying TCPL contract (up to 15 years), on terms consistent with the renewal / termination provisions of the underlying contracts.
- Renewal Quantity: If plant requirements reduce materially after the first year, the FDQ will be allowed to be reduced in the same proportion as the Contract Demand of the Firm T-service distribution service.
- If any capacity becomes excess, Union would re-market the capacity to mitigate costs to the deferral account
 - Offer capacity first to T-service customers in the delivery area
- A new "North T-service TCPL Capacity" deferral account will be created to capture



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any differences between costs for North T-service TransCanada services and revenue received from North T-service customers for TransCanada capacity associated with the service

- Deferral account will be cleared annually across all eligible customers
- If the customer's plant needs increase, increased participation in this service will be subject to the availability of capacity

Supplemental Service

- Customers requesting capacity in excess of 3,000 GJ/d will enter into a 15 year contract with Union for the capacity in excess of 3,000 GJ/d.
- Supplemental Service Capacity will be excluded from the North T-service TCPL Capacity deferral account.
- Renewable on terms consistent with the renewal / termination provisions of the underlying service providers being TCPL's FT service and contract and Union's M12 service and contract.

Fuel Factor Adjustment

- Union proposes to gross up the Dawn to Parkway capacity by a Fuel Factor Adjustment designed to ensure that Customer has sufficient capacity to move the fuel for the TransCanada path from Dawn.

2. Commitments by Union and Customer to support the service:

The following section applies equally to the Base Service and the Supplemental Service.

Union will bid into TransCanada's Open Season, on an aggregated level by Domestic Delivery Area, on behalf every Customer that submits an Acceptable Bid to Union, as determined by Union. Union will also reserve expansion capacity on Union's Dawn to Parkway system for the sum of all Acceptable Bids. Union anticipates that the bids will require a new physical expansion of the Dawn to Parkway system as well as on the Parkway to Maple system.

Since both TransCanada and Union will likely be constructing new facilities to provide the service, there are potential risks and mitigations that must be considered. There is a potential risk that (i) Union and/or TransCanada may be unable to satisfy all of their Conditions Precedent, or (ii) the Customer may be unable to satisfy any Customer Conditions Precedent. To the extent that Union and/or TransCanada incurs Pre-Service costs or Downstream Pre-Service Costs (as defined in the Supplemental Service pro-forma contract), to cancel all or a portion of the facilities contemplated due to either a Customer failing to meet all of their Conditions Precedent and/or Union or TCPL failing to meet all of their respective Conditions Precedent, then Customer agrees to indemnify Union for its pro-rata share of any Pre-service Costs and Downstream Pre-Service Costs, based on Customer Firm Daily Quantity under the Base Service and/or the Supplemental Service, in a manner consistent the Supplemental



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Service pro-forma contract, which is attached to this document for reference).

Expected Tolling:

- The tolling for the Service will be equal to the sum of the approved firm transportation tolls on Union, from Dawn to Parkway and on TransCanada from Parkway to the Customers Point of Receipt (U-NDA, U-EDA or U-NCDA as applicable).
- The toll for the Service is subject to change from time to time to reflect the changes in the approved underlying tolls on Union and TCPL.
- The current estimate of the demand charge portion of the tolls, based on 2015 Interim Mainline Transportation Tolls and Abandonment Surcharges effective January 1, 2015, is as follows:
 - Parkway to Union-NDA = $\$0.5456/\text{GJ/d} + \$0.0280/\text{GJ/d} = \$0.5736/\text{GJ/d}$
 - Parkway to Union-EDA = $\$0.3817/\text{GJ/d} + \$0.0174/\text{GJ/d} = \$0.3991/\text{GJ/d}$
 - Parkway to Union-NCDA = $\$0.2737/\text{GJ/d} + \$0.0104/\text{GJ/d} = \$0.2841/\text{GJ/d}$
- The current estimate of the demand charge for the Union Dawn to Parkway toll is $\$0.10/\text{GJ/d}$ to $\$0.11/\text{GJ/d}$
- Similar to the demand charge, fuel will be charged to Customers as per the posted fuel rates for each underlying pipeline segment.

3. Submitting a Service Request Form:

Questions about the Northern T-service Transportation from Dawn Service should be directed to: your Account Manager or Wayne Passmore (519) 436-5356; wpassmore@uniongas.com. Please complete, sign and return the Northern T-service Transportation from Dawn Service Request Form via email to: ATTN: Wayne Passmore
Email: wpassmore@uniongas.com

Completed forms must be returned on or before 2:00 pm eastern on January 27, 2015. Union will acknowledge Customer's request for service in writing on or before 2:00 pm the next day. Union in its sole discretion reserves the right to reject any and all proposals received.

4. Customer Option to increase Firm Daily Quantity under any previous Requests for Service

Customers that have previously requested 2016 transportation service under the "Northern T-service Supply at Dawn Service" may also request incremental service starting in 2017 or 2018 under the "2017 Northern T-service Transportation from Dawn Service". The total quantity for Base Service, regardless of service commencement date, is limited to the parameters identified in Section 1 herein.



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Conditions Precedent:

The Service is subject to several conditions precedent in Union's favour, including:

1. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and third party approvals, consents, orders and authorizations, that are required to construct and operate any new facilities required, and to provide the Service ; and
2. Union shall have obtained all internal approvals that are necessary or appropriate to acquire or construct and operate any new facilities required, and to provide the Service; and
3. Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "Initial Financial Assurances"). The Initial Financial Assurances, if required, will be as determined solely by Union; and
4. Customer shall, as required, have entered into the necessary Contracts with Union and/or others to facilitate the Service contemplated herein; and
5. Union shall have acquired or placed into service any necessary transportation capacity required by Union to provide the Service; and
6. Union shall have acquired and/or completed and placed into service any new capacity or facilities required to provide the Service; and
7. For Supplemental Service, Customer shall have executed the Firm Northern T-service Transportation from Dawn Supplemental Service agreement.

The Service includes an option for the Customer to include conditions precedent in Customer's favour:

- Customer shall have obtained all internal approvals necessary for the Customer to be bound to the bid submitted and/or execute the Supplemental Service Contract, by February 20, 2015.
- Optional clause for customers with an existing Temporary Assignment:
 - Customer's bid conditional on _____ GJ/d of the Temporary Assignment being Converted to Short Haul from Parkway as defined in TransCanada's 2017 New Capacity Open Season. Customer acknowledges that the Long Haul service via the Temporary Assignment will cease and transition to short haul once the 2017 NCOS capacity is in-service.
- Any other Condition Precedent that the Customer proposes as a pre-condition to the commencement of service should be attached to the Service Request Form, including the proposed date for waiver of each (such dates to be on or before February 20, 2015.).



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FIRM NORTHERN T-SERVICE TRANSPORTATION FROM DAWN SERVICE

SERVICE REQUEST FORM

Please complete, sign and return this Service Request Form on or before 2:00 pm eastern, January 27, 2015, via email to:

ATTN: Wayne Passmore

Email: wpassmore@uniongas.com

This is a legally binding bid. The purpose of this Service Request Form is to gain commitment from Northern T-service customers for Union to provide transportation service from the Dawn Hub to the customer's TCPL Delivery Area ("Point of Receipt" in the Distribution Contract). By signing and returning this Service Request Form, Customer authorizes Union to acquire the capacity required to offer this service, and irrevocably accepts the Base Service, subject to the terms and conditions as disclosed in this Updated Service Description and Service Request Form. Customer commits to execute any and all further documentation as required by Union to give effect to these commitments.

Customers may submit more than one bid form. Please indicate your request below:

Distribution Contract Reference:

Delivery Area: Union EDA Union NCDA Union NDA
Start Date: Nov 1, 2017 Nov 1, 2018 _____

Base Service Request:

Base Service Capacity Requested: _____ Up to: _____ (GJ/d)
i. 100% of Firm T-service CD, or
ii. Maximum daily consumption in last 12 months
iii. But no more than 3,000 GJ/day if (i) or (ii) are above 3,000 GJ/day

Supplemental Service Bid (for capacity above Base Service or greater than 3,000 GJ/day)

- Requires execution of a 15 year Supplemental Service Contract for quantities above 3,000 GJ/day. The Pro-forma contract is attached to this bid package.

Supplemental Service Capacity Requested: _____ Up to: _____ (GJ/d)

Dated this _____ day of _____ 2015

CUSTOMER LEGAL NAME _____

By: _____
Signature: _____ E-mail: _____
Name: _____ Phone: _____

Contract ID	
Contract Name	

The Northern GAS SUPPLEMENTAL SERVICE CONTRACT (“**Contract**”), made as of the [] day of [],
20[]

BETWEEN:

UNION GAS LIMITED

hereinafter called “**Union**”

- and -

[name of customer]

hereinafter called “**Customer**”

WHEREAS, Customer has requested from Union and Union has agreed to provide Customer with services which are incremental transportation services separate from any services in Customer’s existing Northern Gas Distribution Contract dated [x], and referred to herein as “**Supplemental Service**”;

AND WHEREAS Union invited bids from T-Service customers in the North and East service territories of Union, which resulted in bids for certain basic transportation services as described in the bid package documents (the “**Base Service**”) as well as the Supplemental Service as described in the bid package documents and herein (which T-Service customers collectively shall be referred to as “**All Firm Northern T-service Transportation from Dawn Customers**” and individually as a “**Firm Northern T-service Transportation from Dawn Customer**”);

AND WHEREAS Union has proposed to build certain facilities (the “**Expansion Facilities**”) as determined necessary by Union to provide the Supplemental Service to Customer;

AND WHEREAS, Customer has elected direct purchase services, such that Customer will be responsible for supplying Gas to Union at Dawn under this Contract;

AND WHEREAS, Union will transport Gas to Customer’s Delivery Point under this Contract pursuant to the Rate Schedule(s) identified in Schedule 1 (which Delivery Point will be the Point of Receipt in the Customer’s Northern Gas Distribution Contract);

AND WHEREAS Union has attempted or will attempt to acquire transportation capacity from other transporters of natural gas needed to provide the Supplemental Service by bidding into transportation open seasons (the “**Downstream Open Seasons**”), in which other transporters have identified facilities which they will need to develop to allow Union to provide the Supplemental Service (the “**Downstream Expansion Facilities**”);

IN CONSIDERATION of the mutual covenants contained herein, the parties agree as follows:

1. **INCORPORATIONS**

The following are hereby incorporated in and form part of this Contract:

- a) Contract Parameters contained in Schedule 1, as amended from time to time; and
- b) Rate **[20/100]** Rate Schedule as amended to reflect and include the C-1 Rate Schedule and all attachments as part of the Supplemental Service.

2. **CONDITIONS PRECEDENT**

A. Union Conditions Precedent:

The obligations of Union to provide Supplemental Service hereunder are subject to the following conditions precedent (a) through (f) inclusive, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in this Contract:

- a) Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to:
 - i. provide the Supplemental Service; and
 - ii. construct the Expansion Facilities; and
 - iii. acquire any transportation capacity on any required Third Party Pipeline as such term is herein defined; and
 - iv. provide the Firm Northern T-service Transportation from Dawn Service; and
- b) Union shall have obtained all internal approvals that are necessary or appropriate to:
 - i. provide the Supplemental Service; and,
 - ii. construct the Expansion Facilities; and,
 - iii. acquire any transportation capacity on any required Third Party Pipeline; and
 - iv. provide the Firm Northern T-service Transportation from Dawn Service; and,
- c) Union shall have acquired any necessary transportation capacity from any Third Party Pipelines required by Union to provide the Supplemental Service; and,
- d) Union shall have completed and placed into service the Expansion Facilities; and,
- e) Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union.

B. Customer Conditions Precedent:

- a) Customer shall have obtained all internal approvals necessary for the Customer to commit to the Supplemental Service, by **[date]**, (the "**Customer Conditions Precedent Date**").

C. Duty to use Commercially Reasonable Efforts:

Union and Customer shall each use commercially reasonable efforts to satisfy and fulfill conditions 2A (a), (c), (d), and (e) and 2B(a). Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent.

D. Union's Rights to Terminate:

(a) If Union concludes, acting in a commercially reasonable manner, that any of the conditions precedent 2A (a), (b), (c) or (d) has not or will not be satisfied or waived by Union, Union may deliver written notice to Customer, terminating this Contract. Upon the giving of such notice, this Contract shall be of no further force and effect, and each of the parties shall be released from all further obligations hereunder; subject to Section 2F herein.

(b) If Union concludes, acting in a commercially reasonable manner, that any of the conditions precedent 2A (e) or 2B (a) has not or will not be satisfied by Customer or waived by Union, Union shall promptly deliver written notice to Customer, requiring Customer to take action to ensure the satisfaction of the conditions precedent. If Customer does not, in the sole and unfettered discretion of Union complete all necessary actions to ensure the satisfaction of the conditions precedent within 5 (five) business days, Union may, upon notice, terminate this Contract. Upon the giving of such notice, this Contract shall be of no further force and effect, and each of the parties shall be released from all further obligations hereunder; subject to Section 2F herein.

E. Ultimate Termination Date:

Without prejudice to Union's rights in Section 2D, if any of the conditions precedent in sections 2A or 2B are not satisfied or waived by the party entitled to the benefit of any such condition by **[date]**, then either party may, upon notice to the other party, terminate this Contract, subject to Section 2F herein.

F. Consequences of Failure to Satisfy or Waive Conditions Precedent

(a) Partial Facilities or Cancelled Facilities, with Contract Terminated: If Customer fails to satisfy or waive any Customer Conditions Precedent by the associated Customer Conditions Precedent Date and this Contract is terminated in accordance with the terms thereof, and Union, based on such Customer's failure, has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities; then such Customer shall reimburse Union for the Pre-Service Costs pertaining to the Cancelled Facilities, as well as any Downstream Pre-Service Costs pertaining to any Downstream Cancelled Facilities associated with such failure. In addition, in the event that Union has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities, based on Customer's failure to satisfy or waive any Customer Conditions by the associated Customer Conditions Precedent Date AND the similar failure of any other Firm Northern T-Service Transportation from Dawn Customers to satisfy or waive their Customer Conditions Precedent by the associated Customer Conditions Precedent Date; and this Contract is terminated in accordance with the terms thereof, then Customer shall reimburse Union for Customer's proportionate share (as prorated based on the Firm Daily Quantity in this Contract over the Firm Daily Quantities for all Firm Northern T-Service Supply at Dawn Customers for all Base Service and Supplemental Service) of Pre-Service Costs pertaining to the Cancelled Facilities, as well as a similar proportionate share of any Downstream Pre-Service Costs pertaining to any Downstream Cancelled Facilities associated with such failures.

(b) Union Unable to Meet or Waive Conditions Precedent, with Contract Terminated: If Union fails to satisfy or waive any of the conditions precedent for its benefit set out in Section 2A, and this Contract is terminated in accordance with the terms thereof, or if Customer terminates this Contract which Customer is only permitted to do under the specific circumstances in section 2E hereof, then Customer shall reimburse Union for Customer's proportionate share (as prorated

based on the Firm Daily Quantity in this Contract over the Firm Daily Quantities for all Firm Northern T-Service Transportation from Dawn Customers for all Base Service and Supplemental Service) of Pre-Service Costs pertaining to the Expansion Facilities, as well as a similar proportionate share of any Downstream Pre-Service Costs pertaining to any Downstream Expansion Facilities associated with such failure or termination.

3. **CONTRACT TERM**

This Contract shall be effective from the date hereof. However, the Supplemental Service, obligations, terms and conditions hereunder, shall commence on the later of (such later date being the "Day of First Delivery") (i) [date, ie. November 1, 2017 or November 1, 2018] and (ii) the date that the last Condition Precedent as set out in Section 2A is satisfied or waived by Union. This Contract shall continue in full force and effect for fifteen (15) Contract Years (the "Initial Term"). This Contract shall continue in full force and effect beyond the Initial Term, automatically renewing for each subsequent Contract Year until notice to reduce the Firm Daily Quantity or terminate the Contract is provided by either Union or Customer. Such Notice must be delivered at least two (2) years prior to the expiration of the then-current term of this Contract. "Contract Year" means, with respect to the first year, the period beginning on the Day of First Delivery and ending on the first October 31 following, and with respect to each year thereafter, a 12 month period beginning on November 1.

4. **SERVICES PROVIDED**

Union agrees to provide Supplemental Service as specified in Schedule 1 and Customer agrees to pay for such Supplemental Service pursuant to these Contract terms and conditions as set out in this Contract, the referenced incorporations, and the Rate Schedule(s) identified in this Contract.

5. **EXPANSION FACILITIES**

Union will use commercially reasonable efforts to construct the Expansion Facilities to serve the Customer. Construction of the Expansion Facilities shall be in accordance with all applicable laws and regulations. The target date for completion of these facilities is [date – before the Day of First Delivery ie. Oct 31, 2017]. Union will provide written notice to Customer when such facilities are complete and placed into service.

6. **THIRD PARTY PIPELINE COSTS**

During the Initial Term or during any Contract Year thereafter, if for any reason a third party pipeline (including but not limited to TransCanada Pipelines Limited ("TCPL"), or Enbridge Gas Distribution ("Enbridge")) and/or any other pipeline upon which Union purchases capacity on behalf of the Customer for the Supplemental Service (a "Third Party Pipeline"), requires Union to pay any costs in relation to the provision of the Supplemental Service, Customer will reimburse said costs to Union. Union shall invoice Customer for such costs on a pass through basis.

7. **FINANCIAL ASSURANCES**

Union may, at any time during the Initial Term, request financial assurances to cover the potential financial exposure to Union to the end of the Initial Term. Such financial assurances shall be

determined by Union in a commercially reasonable manner and may include, without limitation, expected return on capital invested.

8. NOTICES

All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by registered mail, charges prepaid, or by facsimile or other means of recorded telecommunication, charges prepaid, to the applicable address set forth in Schedule 1 or to such other address as either party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened, or during any actual, postal strike or other disruption of the postal service. Any communication personally delivered shall be deemed to have been validly and effectively received on the date of such delivery. Any communication so sent by facsimile or other means of telecommunication shall be deemed to have been validly and effectively received on the business day following the day on which it is sent. Any communication so sent by mail shall be deemed to have been validly and effectively received on the seventh business day following the day on which it is postmarked.

9. DEFINITIONS

“**Cancelled Facilities**” means: (i) that portion of the Expansion Facilities not built as a result of Union’s decision pursuant to the provisions of Section 2F (a) herein; or (ii) one hundred (100) percent of the Expansion Facilities not built as a result of Union’s inability to meet or waive any of the conditions precedent as outlined in Section 2F (b) herein.

“**Downstream Cancelled Facilities**” means that portion of the Downstream Expansion Facilities not built as a result of (i) the termination of any contract between any Third Party Pipeline and Union executed as a result of Union’s participation in any Downstream Open Season, or (ii) the termination of this Contract by reason of Customer’s failure to satisfy or waive Customer Conditions Precedent by the Customer Conditions Precedent Date.

“**Firm Northern T-Service Transportation from Dawn Service**” shall mean the Base Service and the Supplemental Service as described in the bid package issued for those services, and in this Contract.

“**Pre-service Costs**” shall mean Union’s costs incurred, accrued, allocated to, or for which Union is contractually obligated to pay, which are incurred in conjunction with its efforts to develop and construct the Expansion Facilities. Pre-service Costs shall include, but shall not be limited to, those expenditures and/or costs (including cancellation costs, carrying costs, third party claims and litigation costs), incurred, accrued, allocated to, or for which Union is contractually obligated to pay associated with engineering, construction, materials and equipment, environmental, the obtaining of land rights, regulatory, and/or legal activities, interest during construction, internal overhead and administration (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the Ontario Energy Board) and any other costs, expenses, losses, demands, damages and obligations incurred in furtherance of Union’s efforts to develop and construct the Expansion Facilities.

“**Downstream Pre-Service Costs**” shall mean Union’s costs incurred, accrued, allocated to, or for which Union is contractually obligated to pay, which are incurred in conjunction with (i) the termination of any contract signed by Union as a result of participation in any Downstream Open Season, and the efforts by Third Party Pipelines to develop and construct the Downstream Expansion Facilities, or (ii) the termination of this Contract by reason of Customer’s failure to satisfy or waive Customer Conditions Precedent by the Customer Conditions Precedent Date.

[name of customer]

Authorized Signatory

Please Print Name

UNION GAS LIMITED

Authorized Signatory

Please Print Name

Contract ID	
Contract Name	

Schedule 1

Northern Gas Supplemental Service Contract

1. TYPE OF SERVICE

Service under this Contract shall be Firm service in the quantity and for the Receipt and Delivery Points specified in this Schedule 1.

2. PARAMETERS

Supplemental Service Parameters:

Receipt Point	Delivery Point	Supplemental Service Capacity (Firm Daily Quantity) (GJ/day)
Dawn	Parkway	As per bid form xxxx GJ/d (*)
Parkway	[Match Point of Receipt]	As per bid form xxxx GJ/d

(*) subject to Fuel Factor Adjustment

3. RATES FOR SERVICE

Firm North T-Service Supply at Dawn Service:

Supplemental Service Demand Charge - Union	As per Monthly Demand Charge from Union's C1 Rate Schedule for Dawn to Parkway
Supplemental Service Demand Charge - TCPL	As per TCPL's Firm Transportation tariff for Parkway to Point of Receipt
Supplemental Service Fuel Charge - Union	As per "Shipper supplies fuel" Fuel Ratio from Union's C1 Rate Schedule for Dawn to Parkway
Supplemental Service Fuel Charge - TCPL	As per TCPL's Firm Transportation tariff for Parkway to Point of Receipt

4. CONTACT LIST FOR NOTICES

Customer contact information is found in Unionline. Where multiple contacts have been identified by Customer, Union is obligated to contact the first party only.

Union Gas contact information is found on Union's website.

Expression of Interest for Dawn Storage Form

January 13, 2015

Union Gas Limited Dawn Storage for North T-Service Customers Expression of Interest

Union Gas Limited ("Union") hereby invites Customers in Union's Northern and Eastern Operations Areas to submit a non-binding Expression of Interest for a new proposed storage service at Dawn. "Dawn Storage for North T-Service Customers" (also referred to as the "Service"). The proposed Service would provide qualifying T-Service Customers a firm cost-based storage service at Dawn that could help them balance the needs of their facilities in the north. The proposed Service could commence as early as spring of 2016.

1. Service Description and Details:

Eligibility

- Firm transportation service Customers in Union's Northern and Eastern Operations Areas on Rate 10, 20, and 100.
- Availability of the Service will be conditional on the Customer holding firm transportation capacity between Dawn and their Point of Receipt, as defined in their Distribution Contract.

Parameters

- Injection and Withdrawal Point: **Union Dawn**
- Storage Space: Customer option to elect one of the following allocation methodologies:
 - i. Aggregate Excess
 - ii) 15 X "imputed" DCQ ("imputed" DCQ is annual consumption/365)
- Access to the Service: via Unionline nomination only
- Deliverability: 1.2% of storage space daily
- Term: 12 months – with annual review for ongoing eligibility
- Storage Space Pricing: Cost based pricing will apply. As an indicator, the anticipated price for the service is similar to the current pricing for T1/2 storage in Union South.
- Commodity Charge (Injections and Withdrawals): Cost based pricing will apply. As an indicator, the anticipated price for the service is similar to the current pricing for T1/2 storage in Union South.
- Start Date: as early as April 1, 2016 subject to OEB approval of the Rate for the Service
- Customers can supplement the Service with Market based storage services.

2. Questions and Submitting an Expression of Interest Form

Questions and comments about the Dawn Storage for North T-Service Customers Service should be directed to your Account Manager. Please complete, sign and return the non-binding Dawn Storage for North T-Service Customers Expression of Interest Form via e-mail to:

ATTN: Lynn Lajoie

E-mail: llajoie@uniongas.com

Please return completed forms on or before February 27, 2015.

January 13, 2015

DAWN STORAGE FOR NORTH T-SERVICE CUSTOMERS
EXPRESSION OF INTEREST FORM

Please complete, sign and return this Expression of Interest Form on or before February 27, 2015, via email or fax to:

ATTN: Lynn Lajoie

Email: llajoie@uniongas.com

Dear Lynn:

(Please enter your company name here) _____ ("Customer")

Customer requests the opportunity to express interest in access to firm cost-based storage and deliverability at Dawn as outlined below.

Start Date _____ (earliest April 1, 2016)

Customer recognizes that the amount of this cost-based storage and firm deliverability service received upon execution of the Northern Gas Distribution Contract – Schedule 1 will be based on one of the following allocation methodologies:

- i) Aggregate Excess
- ii) 15 X "imputed" DCQ ("imputed" DCQ is annual consumption/365)

Customer further understands that the Service is conditional on the Customer having qualifying firm transportation from Dawn to the delivery area where Customer's plant is located in an amount equal to or greater than the firm deliverability quantity.

Yours truly,

Name (printed)

Phone

Signature

Fax

Title

Date

Email

Pro-forma contract for T-Service customer to switch to Bundled T service

Contract ID	
Contract Name	

This Northern BUNDLED T GAS CONTRACT ("Contract"), made as of the 1st day of _____, 201X.

BETWEEN:

UNION GAS LIMITED

hereinafter called "Union"

- and -

CUSTOMER NAME

hereinafter called "Customer"

Or

End Users as listed in Schedule 3

hereinafter collectively referred to as "Customer"

- and -

AGENT NAME

hereinafter called "Agent"

WHEREAS the intent of this Contract is for Union to provide Services, on a bundled basis, whereby Union receives daily quantities of Gas from Customer; and either stores or delivers Gas to Customer for the End User locations under Gas Distribution Contracts according to their respective Rate Schedule;

AND WHEREAS Union proposes to build certain facilities (the "**Expansion Facilities**") as determined necessary by Union to provide the Services to Customer;

AND WHEREAS Union has attempted or will attempt to acquire transportation capacity from other transporters of natural gas needed to provide the Services to Customer by bidding into the applicable transportation open season (the "**Downstream Open Seasons**"), in which other transporters have identified facilities which they will need to develop to allow Union to provide the Services (the "**Downstream Expansion Facilities**");

AND WHEREAS the End Users listed in Schedule 3 are currently served under a transportation agreement (the "**T-service Agreement**") but intends to terminate this T-service Agreement and replace it with this Contract;

AND WHEREAS if applicable, Agent has represented and warranted that it has the authority and right to act as agent for the End Users listed in Schedule 3.

IN CONSIDERATION of the mutual covenants contained herein, the parties agree as follows:

Page 1 of 6

1 INCORPORATIONS

The following are hereby incorporated in and form part of this Contract:

- a) Contract Parameters contained in Schedule 1 as amended from time to time; and
- b) The latest posted version of the Bundled T Terms and Conditions contained in Schedule 2 subject to Section 12.18 of Union's General Terms and Conditions; and
- c) End Use List in Schedule 3; and
- d) The latest posted version of Union's General Terms and Conditions subject to Section 12.18 of Union's General Terms and Conditions.

2 CONDITIONS PRECEDENT

A. Union Conditions Precedent:

The obligations of Union to provide Services hereunder are subject to the following conditions precedent (a) through (g) inclusive, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in this Contract:

- a) Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to:
 - i. construct the Expansion Facilities; and
 - ii. acquire any transportation capacity on any required Third Party Pipeline as such term is herein defined; and
 - iii. provide the Services, and
- b) Union shall have obtained all internal approvals that are necessary or appropriate to:
 - i. construct the Expansion Facilities; and,
 - ii. acquire any transportation capacity on any required Third Party Pipeline; and
 - iii. provide the Services, and,
- c) Union shall have acquired any necessary transportation capacity from any Third Party Pipelines required by Union to provide the Services; and,
- d) Union shall have completed and placed into service the Expansion Facilities; and,
- e) Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and
- f) Customer and Union shall have executed, delivered and maintained in good standing the Gas Distribution Contract(s); and
- g) If required, Agent shall have a valid Gas Marketer's License as defined by the OEB Act and Regulations.

B. Customer Conditions Precedent:

a) Customer shall have obtained all internal approvals necessary for the Customer to commit to the Service, by [date], (the “Customer Conditions Precedent Date”).

C. Duty to use Commercially Reasonable Efforts:

Union and Customer shall each use commercially reasonable efforts to satisfy and fulfill conditions 2A (a), (c), (d), (e), (f), and (g) and 2B(a). Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent.

D. Union’s Rights to Terminate:

(a) If Union concludes, acting in a commercially reasonable manner, that any of the conditions precedent 2A (a), (b), (c), (d), (f) or (g)) has not or will not be satisfied or waived by Union, Union may deliver written notice to Customer, terminating this Contract. Upon the giving of such notice, this Contract shall be of no further force and effect, and each of the parties shall be released from all further obligations hereunder; subject to Section 2F herein.

(b) If Union concludes, acting in a commercially reasonable manner, that any of the conditions precedent 2A (e) or 2B (a) has not or will not be satisfied by Customer or waived by Union, Union shall promptly deliver written notice to Customer, requiring Customer to take action to ensure the satisfaction of the conditions precedent. If Customer does not, in the sole and unfettered discretion of Union complete all necessary actions to ensure the satisfaction of the conditions precedent within 5 (five) business days, Union may, upon notice, terminate this Contract. Upon the giving of such notice, this Contract shall be of no further force and effect, and each of the parties shall be released from all further obligations hereunder; subject to Section 2F herein.

E. Ultimate Termination Date:

Without prejudice to Union’s rights in Section 2D, if any of the conditions precedent in sections 2A or 2B are not satisfied or waived by the party entitled to the benefit of any such condition by [date], then either party may, upon notice to the other party, terminate this Contract, subject to Section 2F herein.

F. Consequences of Failure to Satisfy or Waive Conditions Precedent

(a) Partial Facilities or Cancelled Facilities, with Contract Terminated: If Customer fails to satisfy or waive any Customer Conditions Precedent by the associated Customer Conditions Precedent Date and this Contract is terminated in accordance with the terms thereof, and Union, based on such Customer’s failure, has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities; then such Customer shall reimburse Union for the Pre-Service Costs pertaining to the Cancelled Facilities, as well as any Downstream Pre-Service Costs pertaining to any Downstream Cancelled

Facilities associated with such failure. In addition, in the event that Union has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities, based on Customer's failure to satisfy or waive any Customer Conditions by the associated Customer Conditions Precedent Date AND the similar failure of any other Customers to satisfy or waive their Customer Conditions Precedent by the associated Customer Conditions Precedent Date; and this Contract is terminated in accordance with the terms thereof, then Customer shall reimburse Union for Customer's proportionate share of Pre-Service Costs pertaining to the Cancelled Facilities, as well as a similar proportionate share of any Downstream Pre-Service Costs pertaining to any Downstream Cancelled Facilities associated with such failures.

(b) Union Unable to Meet or Waive Conditions Precedent, with Contract Terminated: If Union fails to satisfy or waive any of the conditions precedent for its benefit set out in Section 2A, and this Contract is terminated in accordance with the terms thereof, or if Customer terminates this Contract which Customer is only permitted to do under the specific circumstances in section 2E hereof, then Customer shall reimburse Union for Customer's proportionate share of Pre-Service Costs pertaining to the Expansion Facilities, as well as a similar proportionate share of any Downstream Pre-Service Costs pertaining to any Downstream Expansion Facilities associated with such failure or termination.

3 CONTRACT TERM

This Contract shall be effective from the date hereof. However, the Service, obligations, terms and conditions hereunder, shall commence on the later of the Day of First Receipt or the date that the last condition precedent is met or waived. Subject to the provisions hereof, this Contract shall continue in full force and effect for each Contract Year until Notice to terminate is provided by either Union or Customer/Agent. Such Notice must be delivered at least three (3) months prior to the end of a Contract Year. "Contract Year" means, with respect to the first year, the period beginning on the Day of First Receipt and ending on the first October 31 following, and with respect to each year thereafter, a 12 month period beginning on November 1.

4 SERVICES PROVIDED

Union agrees to provide Service under the terms and conditions as set out in this Contract and the referenced attachments. Subject to Authorization Notice being granted by Union, Service under this Contract shall be Firm for the quantities and Receipt Points as specified in Schedule 1.

5 RATES FOR SERVICE

Customer agrees to take and pay for Services herein according to the terms and conditions of the following:

- a) The Rate Schedule(s) referenced in Schedule 1 as they may be amended from time to time by the Ontario Energy Board; and
- b) this Contract and the incorporations hereto.

6 NOTICES

Notices shall be delivered pursuant to the Notice provision of the General Terms and Conditions and delivered to the addresses as referenced on Schedule 1.

7 CONTRACT SUCCESSION

This Contract replaces all previous Bundled T Contracts and/or Transportation Service Contracts, subject to settlement of any Surviving Obligations.

8. DEFINITIONS

“Cancelled Facilities” means: (i) that portion of the Expansion Facilities not built as a result of Union’s decision pursuant to the provisions of Section 2F (a) herein; or (ii) one hundred (100) percent of the Expansion Facilities not built as a result of Union’s inability to meet or waive any of the conditions precedent as outlined in Section 2F (b) herein.

“Downstream Cancelled Facilities” means that portion of the Downstream Expansion Facilities not built as a result of (i) the termination of any contract between any Third Party Pipeline and Union executed as a result of Union’s participation in any Downstream Open Season, or (ii) the termination of this Contract by reason of Customer’s failure to satisfy or waive Customer Conditions Precedent by the Customer Conditions Precedent Date.

“Pre-service Costs” shall mean Union’s costs incurred, accrued, allocated to, or for which Union is contractually obligated to pay, which are incurred in conjunction with its efforts to develop and construct the Expansion Facilities. Pre-service Costs shall include, but shall not be limited to, those expenditures and/or costs (including cancellation costs, carrying costs, third party claims and litigation costs), incurred, accrued, allocated to, or for which Union is contractually obligated to pay associated with engineering, construction, materials and equipment, environmental, the obtaining of land rights, regulatory, and/or legal activities, interest during construction, internal overhead and administration (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the Ontario Energy Board) and any other costs, expenses, losses, demands, damages and obligations incurred in furtherance of Union’s efforts to develop and construct the Expansion Facilities.

"Downstream Pre-Service Costs" shall mean Union's costs incurred, accrued, allocated to, or for which Union is contractually obligated to pay, which are incurred in conjunction with (i) the termination of any contract signed by Union as a result of participation in any Downstream Open Season, and the efforts by Third Party Pipelines to develop and construct the Downstream Expansion Facilities, or (ii) the termination of this Contract by reason of Customer's failure to satisfy or waive Customer Conditions Precedent by the Customer Conditions Precedent Date.

"Third Party Pipeline" means a pipeline company that Union contracts with to acquire capacity required to offer Services between Union's transportation system and Customer's delivery area.

The undersigned execute this Contract as of the above date. If an agent on behalf of Customer executes this Contract then, if requested by Union, Agent or Customer shall at any time provide a copy of such authorization to Union.

UNION GAS LIMITED

Authorized signatory

Please print name

CUSTOMER

I have the authority to bind the Corporation, or Adhere OS, if applicable

Please print name

OR

AGENT

I have the authority to bind the Corporation, or Adhere OS, if applicable

Please print name

April 8, 2015 – Excerpt from OEB 2015 Annual Stakeholder Meeting Presentation



North Services Overview

Drivers of Change

- Underpinning transportation and redelivery assets for Union North are changing as early as November 1, 2015 to incorporate Dawn as a supply point

Service Proposals

- Bundled T Customers
 - Add Dawn as an obligation point and accommodate for transportation rate changes
- T-Service customers
 - Introduce Dawn as a supply point (transportation service)
 - Introduce access cost based storage

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Union North T-service Transportation from Dawn (T-service Transportation)

Base Service and Supplemental Service

- North T-Service customers in the Union NDA, NCD, EDA are eligible
- Transportation service from Dawn to the delivery area
- Target In-service date of November 1, 2016

Base Service

- 1 year term, annual renewals subject to Union turnback
- Quantity restriction of up to 3,000 GJ/d per customer
- Deferral account for all eligible customers to capture excess capacity costs if they arise

Supplemental Service

- 15 year term
- No deferral account required

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Union North Services Key Messages

- The three Union North services are anticipated to be filed in Q2 2015
- Uncertainty for in-service dates due to unknown in-service dates of new facility expansions
- Target In-Service dates, subject to Board approval, are:
 - Bundled T at Dawn (BT Customers)
 - April 1, 2016
 - North T-Service Transportation from Dawn (T-Service Transportation)
 - November 1, 2016
 - North Storage at Dawn (T-service Dawn Storage)
 - April 1, 2016

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UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

Reference: Exhibit A, Tab 3 p. 8

Please confirm that there are no circumstances where non-North T-Service customers will be allocated amounts that accumulate in the proposed Base Service North T-Service TransCanada Capacity Deferral Account. If this is not correct, please explain.

Response:

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 1, pp. 20-22

- a) Please explain what financial impact (if any) the transition of the DCQ obligations from Empress to Dawn has on Union’s North bundled DP customers.
 - b) Has Union notified all such customers of the proposed change beginning April 1, 2016?
 - c) Please provide any comments or feedback from these customers as to the proposed adjustments through to November 1, 2017.
-

Response:

- a) The financial impact for Union’s North bundled direct purchase (“DP”) customers transition of the Daily Contract Quantity (“DCQ”) obligations from Empress to Dawn is similar to the financial impact sales service customers will experience. The increase in commodity cost by transitioning the obligated DCQ from Empress to Dawn will be offset by lower transportation charges (i.e. current transportation charges today are from Empress to the delivery area and in the future will be from Dawn to the delivery area). The only difference with respect to the financial impact between the two types of customers is the cost of acquiring supply. Union purchases gas supply for sales service customers while DP customers acquire supply from a source other than Union.
- b) Yes, Union has notified customers of the proposed changes to Union North Bundled-T customers. Please see the response at Exhibit B.FRPO.1.
- c) Generally, the response and feedback from customers and/or their representatives has been positive in that Union North bundled DP customers are gaining access to Dawn supply. Most questions and discussions focused on the transition, including in-service date and lead time to make supply arrangements. One representative expressed concern that the portfolio would be changing annually. Union noted that this is the same process that is used for Union South and currently works well with no issues.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 1

- a) What are the estimated annual incremental revenues expected due the increased use of storage assets and Dawn-Parkway transportation under the proposed gas supply plan?
-

Response:

- a) Union estimates \$3.9 million of additional Union North revenue associated with the increased use of the Dawn-Parkway system to serve Union North in-franchise sales service and bundled direct purchase customers as a result of the 2018 gas supply plan. Union estimated the \$3.9 million by applying the 2018 M12/C1 Dawn to Parkway rate of \$0.101 GJ/d (per EB-2014-0261 Settlement Agreement, Appendix 3, Schedule 4, column (e)) to the incremental Union North Dawn-Parkway demands of 107 TJ/d ($\$0.101 \text{ GJ/d} \times 107 \text{ TJ/d} \times 1000 \times 365 = \3.9 million). The incremental Dawn-Parkway revenue of \$3.9 million is offset by revenue reductions of approximately \$42.0 million associated with the 2018 gas supply plan changes to convert long-haul to short-haul transportation on TransCanada, as per Exhibit A, Tab 2, Appendix A, Schedule 1, line 40.

Of the total incremental Union North Dawn-Parkway demands of 107 TJ/d associated with the 2018 gas supply plan, 70 TJ/d are being facilitated through Union’s Brantford-Kirkwall/Parkway D Compressor Project (EB-2013-0074) and 37 TJ/d are being facilitated through Union’s 2016 Lobo C/Hamilton to Milton Project (EB-2014-0261).

There is no change in the use of storage assets as a result of changes in the gas supply plan.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 1, Schedule 1

- a) Please provide the presentation of the proposed gas supply plan and cost allocation changes that were provided to Union’s Executive management.

Response:

Please see Attachment 1.



Union Gas Limited Reference Price Review

March, 2015



uniongas

A Spectra Energy Company

Summary of Proposed Changes

1. Reference Price to include in Commodity Rates
 - » *Dawn reference price for Union South, Union North “East” delivery areas primarily served from Dawn (EDA , NDA, NCDA)*
 - » *Alberta border reference price for Union North “West” delivery areas served from Empress (MDA, WDA, SSMDA)*
 - » *Value gas in inventory at Dawn reference price*
2. Union North Transport Rates – two transport rates – one for Union North “east” delivery areas primarily served from Dawn and one for North “west” delivery areas served from Empress
3. Union South Transport Rates - commodity rate to be Dawn reference price; no associated transport rate or fuel for Union South

QRAM Today

- Background

- Currently, gas supply charges are estimated out 12 months and change each quarter – QRAM Process
- Process estimates Alberta Price, Alberta price landed in Ontario and Dawn Price
 - There are three key numbers calculated each quarter - Alberta Border Reference Price, Ontario Landed Reference Price and the South Portfolio Cost Differential (see slide 5)
 - Entire process is based on Alberta Border Pricing
- Transportation costs to move gas to Ontario are assumed to be unchanged over the 12 months, but reflects the known costs at the time

QRAM Today

- The QRAM is designed to:
 - be transparent – is formulaic and consistent;
 - change quarterly – avoiding large variances in deferral accounts
- The reference price is used for:
 - Gas Cost in Rates
 - Benchmark for Cost of Gas deferrals (including spot gas)
 - Valuing Gas in inventory
 - Delivery rate changes (UFG, Compressor fuel, carrying costs of gas in inventory)

QRAM Today

Reference Price

1. Alberta Border Reference Price (Empress Gas Supply Price)
 - Based on 12 month forecast of NYMEX plus the 12 month forecast basis between NYMEX and Alberta (Empress)
 - Reference price used to set Union **North** Commodity Rate for all zones
2. Alberta Border Reference Price + Transportation Tolls and Fuel from Empress to Parkway = Ontario Landed Reference Price
 - Reference Price used to set Union **South** transport and commodity rates
 - Also Reference Price used to value gas in inventory
 - The Ontario Landed Reference Price is based 100% on Empress gas delivered to Ontario . It is much higher than the Dawn landed supply.
3. South Portfolio Cost Differential (SPCD)
 - Adjustment to Union South transport rate (long-haul to Ontario) to prospectively manage variances between expected cost of South portfolio and the Ontario Landed Reference Price (*Q1 2015 variance was credit of \$110 million or approximately \$1/GJ*)

Union North transport rates

- *considers total transport portfolio and rate defined based on cost allocation and rate design principles*
- *updated to reflect new tolls as required.*

Why the Need For Fundamental Changes?

Union's transportation portfolio is changing; more of Union's supply is being sourced from Dawn or upstream of Dawn; less from Alberta.

- Union South Portfolio
 - Current - approximately 40% of Union south supply sourced from Alberta (Alliance and TransCanada);
 - future (by 2017) - approximately 3% or less from Alberta (small amount on TransCanada) (1,000,000 customers)
- Union North Portfolio
 - A portion of long-haul from Empress is being converted to short-haul from Dawn
 - » *Current - 100% sourced from Empress;*
 - » *future (by 2017) - less than 50% from Empress*
 - North “West” – 100% from Empress (92,000 customers)
 - North “East” – 15% from Empress (240,000 customers)

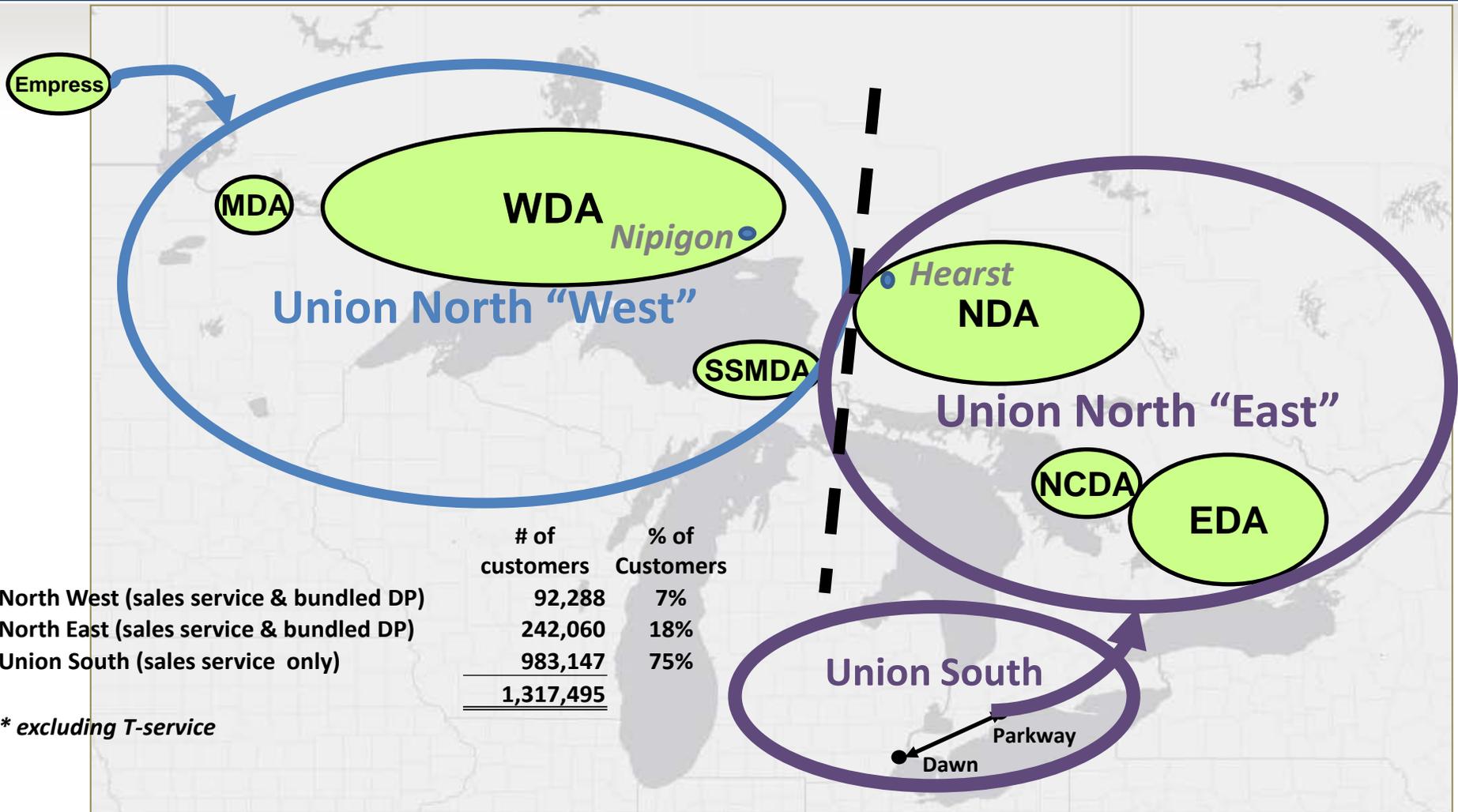
Why the Need For Fundamental Changes?

- Dawn is becoming more relevant in North American natural gas industry
 - Liquidity and diversity of supply
 - Flexible storage services
 - Accessing new, abundant, cost competitive supply from the nearby Marcellus and Utica shale formations
- With more of our portfolio sourced from Dawn, Empress pricing is not accurate price signal of our gas costs for all delivery areas
- Changing to Dawn Reference price:
 - better indication of actual costs for Union South and Union North “East”
 - Responsive to feedback from Board and intervenors in NGMR
- Empress still relevant price indicator for some delivery areas in north

Proposal – QRAM Reference Price

- South Rates
 - Current
 - » *Ontario Landed Reference Price (Alberta Empress supply and transport and fuel on TCPL to Ontario) less South Portfolio Cost Differential (“SPCD”);*
 - Future
 - » *Use Dawn Reference Price in rates – better reflection of actual portfolio costs*
 - *results in a forecast PGVA debit balance of approximately \$10 million as a small portion of supply is purchased upstream of Dawn and transported to Dawn; higher landed cost than Dawn reference price.*
- North Rates
 - Current – Alberta Border Reference Price for commodity rates
 - Future
 - » *North “West” - continue using Alberta Border Reference Price as supply will continue to be sourced from Empress (all customers west of Hearst)*
 - » *North “East” - use Dawn Reference Price as supply will be primarily sourced from Dawn; (all customers east of Hearst)*
 - *results in a forecast PGVA credit balance of approximately \$6 million as a small portion of supply still purchased at Empress at lower cost than Dawn*

Union Transportation Portfolio



	# of customers	% of Customers
North West (sales service & bundled DP)	92,288	7%
North East (sales service & bundled DP)	242,060	18%
Union South (sales service only)	983,147	75%
	<u>1,317,495</u>	

* excluding T-service

Alberta Border Reference Price - Union North "West" Supply
Dawn Reference Price - Union North "East" and Union South Supply

Union North Rates Proposal

- Two Union North zones for ratemaking purposes
 - Union North West includes MDA, WDA and SSMDA
 - Union North East includes NDA, NCDA and EDA
- Detailed cost allocation for each of the two zones to determine transportation and storage rates
- Commodity, transportation and storage rates within each zone are based on a postage stamp methodology
- Alberta Border Reference Price as the basis for Union North West gas commodity rates
- Dawn Reference Price as the basis for Union North East and Union South gas commodity rates

Union North Rates Proposal

The current rate design proposal results in:

- A bill impact for an average residential customer with an annual volume of 2,200 m³ ranging from a decrease of \$29 in the EDA to an increase of \$24 in the MDA
- The \$29 EDA decrease by bill component includes:
 - (\$96) transportation, \$12 storage, and \$56 commodity
 - Affects about 105,000 customers
- The \$24 MDA increase by bill component includes:
 - \$15 transportation, and \$10 storage
 - Assets to serve MDA are not changing, however, allocation of costs more accurately reflect true cost (were being subsidized by other delivery areas)
 - Affects about 4,300 customers

All analysis was based on October 2014 QRAM

Timetable & Approvals

1. File evidence April / May, 2015 requesting approval of:
 - Reference price methodology;
 - Upstream transport fuel methodology / rate change;
 - North DP service design change;
 - Rates and corresponding rate structure changes reflecting November 1, 2015 portfolio changes; and
 - Relevant gas cost deferral account changes.
2. OEB Decision and “Final” Rate order - January 2016
3. Implement changes at the QRAM filing coinciding or immediately following TransCanada facilities in-service date
4. File evidence in 2016 requesting approval for rates changes for implementation January 1, 2017 to reflect further gas supply portfolio changes anticipated as of November 1, 2016.

**Implementation Once King’s North is built
and manage through transition**

Impact to North Direct Purchase Customers

		Direct Purchase			
		System	Bundled T	T-Service	Unbundled
North	Union purchases molecules		X	X	X
	Union manages transport to delivery area			X	X
	Union manages storage and balancing			X	X

North Bundled T Service Redesign Strategy

Goal

Provide access to Dawn for North Bundled T customers where it makes sense.

Service Redesign Strategy

1. Currently North Bundled T customers are 100% western supply
2. Future design service of gas supply for North Bundled T will align with north rate redesign
 - North “West” (WDA, SSMDA and MDA) - 100% Empress
 - North “East” (EDA, NCDA and NDA) – largely Dawn with some western supply
3. Needs to be sufficiently flexible and sustainable
4. Needs to be easy to use
5. In-service date as close as possible to the date(s) where;
 - system transportation portfolio changes,
 - north rate redesign is implemented, and
 - need to manage transitions to new design.

North Bundled T Supply

	Nov 1, 2014		Nov 1, 2015		Nov 1, 2016		Nov 1, 2017	
	E _{mpress}	D _{awn}	E	D	E	D	E	D
North "East" (NDA, NCDA & EDA)	100%		40%		15%		15%	
		0%	60%		85%		85%	
North "West" (MDA, WDA & SSMDA)	100%		100%		100%		100%	
		0%	0%		0%		0%	

North "East"	~29,000 GJ/d	~140 Contract Holders	~28,000 End-users
North "West"	~10,000 GJ/d	~110 Contract Holders	~ 9,000 End-users

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 2, p.7, Table 2; Exhibit A, Tab 2, Appendix A, Schedule 11

- a) Union is proposing to remove the transportation fuel charge from the new Union North West and North East Zones. The evidence states that 85% of supply is expected to be sourced from Dawn by 2017. This would imply 15% would continue to attract a fuel charge. Schedule 11, paragraphs B also appears to consider the continuation of a fuel charge. Please explain whether the proposal will eliminate 100% of the fuel charges.

Response:

- a) Union is not proposing to eliminate the upstream transportation fuel charges. Union is proposing to remove the upstream transportation fuel costs for sales service customers from the gas commodity rate and recover upstream transportation fuel costs from both sales service and bundled direct purchase (“DP”) customers in Union North West and Union North East transportation rates. Union is proposing to include all transportation fuel costs for bundled DP customers in transportation rates, as these customers will no longer provide fuel in kind.

The 2018 gas supply plan includes upstream transportation fuel costs of approximately \$1.5 million (as per Exhibit A, Tab 2, Appendix A, Schedule 1, line 39). The fuel costs are associated with long-haul transportation from Empress to the Union North delivery areas (Exhibit A, Tab 2, Appendix A, Schedule 1, lines 25-30) and short-haul transportation contracts from Parkway to the Union North delivery areas (Exhibit A, Tab 2, Appendix A, Schedule 1, lines 31-33).

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 2, p. 28, Table 5

- a) Please provide the most recent customer numbers by class for the MDA, WDA, SSMDA, NDA, NCDA and EDA zones.
- b) Please demonstrate the revenue neutrality of the Updated 2018 Gas Supply Plan (line 10 Total Bill) and the Updated Gas Supply plan under the new proposed rate design (line 21 Total Bill).

Response:

- a) Please see Attachment 1 for the number of Rate 01 customers for each Union North delivery area.
- b) Please see Attachment 2 for the Rate 01 transportation and storage revenue for each Union North delivery area associated with the approved and proposed rate design based on the 2018 gas supply plan. A variance of \$0.4 million exists in Rate 01 due to Union’s proposal to recover \$1.0 million of Rate 01 upstream transportation fuel costs in Union North gas transportation rates (currently recovered in Union North gas commodity rates), offset by a decrease of \$1.4 million of costs allocated to Rate 01 based on the 2018 gas supply plan. The latter variance exists when performing the analysis at a rate class level but is eliminated in Union North as a whole.

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 Union North East Zone to be based on the Dawn Reference Price rather than the current Alberta Border Reference Price. 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 East Zone customers and will minimize variances that would otherwise accumulate in gas cost deferral accounts.

Number of Rate 01 Customers by Delivery Area as of September 30, 2015

Line No.	Delivery Area	Residential (a)	Commercial (b)	Industrial (c)	Total (d) = (a+b+c)
1	MDA	3,850	469	-	4,319
2	WDA	53,977	4,429	2	58,408
3	SSMDA	27,125	2,234	-	29,359
4	Union North West	84,952	7,132	2	92,086
5	NDA	97,850	9,082	12	106,944
6	NCDA	25,978	3,152	4	29,134
7	EDA	97,268	8,427	13	105,708
8	Union North East	221,096	20,661	29	241,786
9	Total	306,048	27,793	31	333,872

UNION GAS LIMITED
Comparison of the Rate 01 Board-Approved Revenue vs. Rate 01 Proposed Revenue
Based on the 2018 Gas Supply Plan

Line No.	Particulars	Union North West				Union North East				Total Union North (i) = (d+h)
		MDA (a)	WDA (b)	SSMDA (c)	Total (d) = (a+b+c)	NDA (e)	NCDA (f)	EDA (g)	Total (h) = (e+f+g)	
	<u>Billing Units (10³m³) (1)</u>									
1	Transportation	12,888	179,519	75,423	267,830	328,035	77,396	253,703	659,134	926,963
2	Storage	12,901	179,704	75,501	268,107	328,374	77,476	253,965	659,815	927,922
	<u>Board-Approved Rate Design (cents/m³)</u>									
3	Transportation Rate (2)	4.1058	3.2913	4.0901		4.0901	4.8539	4.8539		
4	Gas Supply Optimization Rate (2)	(0.4229)	(0.4229)	(0.4229)		(0.4229)	(0.4229)	(0.4229)		
5	Storage Rate (2)	4.8765	4.5514	4.8702		4.8702	5.1751	5.1751		
	<u>Revenue (\$000's)</u>									
6	Transportation (line 1 x line 3)	529	5,908	3,085	9,522	13,417	3,757	12,314	29,488	39,010
7	Storage (line 2 x line 5)	629	8,179	3,677	12,485	15,993	4,009	13,143	33,145	45,630
8	Revenue excluding Gas Supply Optimization Credit	1,158	14,087	6,762	22,008	29,409	7,766	25,457	62,633	84,641
9	Gas Supply Optimization Credit (line 1 x line 4)	(55)	(759)	(319)	(1,133)	(1,387)	(327)	(1,073)	(2,787)	(3,920)
10	Total	1,104	13,328	6,443	20,875	28,022	7,439	24,385	59,846	80,721
	<u>2014-2015 Cost Adjustments</u>									
11	Transportation (3)				2				27	30
12	Storage (4)				480				1,216	1,696
13	Total				482				1,244	1,725
14	Rate 01 Cost Allocation Variance (5)									(350)
15	Total Transportation and Storage Revenue									82,096
	<u>Proposed Rate Design (cents/m³)</u>									
16	Transportation (6)	6.8816	6.8816	6.8816		2.9681	2.9681	2.9681		
17	Storage (6)	1.6225	1.6225	1.6225		6.0246	6.0246	6.0246		
	<u>Revenue (\$000's)</u>									
18	Transportation (line 1 x line 16)	887	12,354	5,190	18,431	9,736	2,297	7,530	19,564	37,995
19	Storage (line 2 x line 17)	209	2,916	1,225	4,350	19,783	4,668	15,300	39,751	44,101
20	Total Transportation and Storage Revenue (7)	1,096	15,269	6,415	22,781	29,520	6,965	22,831	59,315	82,096

Notes:

- (1) Billing units as per EB-2014-0271, Working Papers, Schedule 4.
- (2) Exhibit A, Tab 2, Appendix A, Schedule 4.
- (3) Exhibit A, Tab 2, Appendix A, Schedule 8, line 4.
- (4) Exhibit A, Tab 2, Appendix A, Schedule 8, line 11.
- (5) The \$0.4 million variance includes \$1.0 million of additional upstream transportation fuel costs allocated to Rate 01 and currently recovered in Union North gas commodity rates, offset by a decrease of \$1.4 million allocated to Rate 01 based on the 2018 gas supply plan. As per Exhibit A, Tab 2, Appendix A, Schedule 6, p. 1, line 13, column (h) of \$84.3 million minus Exhibit A, Tab 2, Appendix A, Schedule 2, line 18, column (b) of \$84.6 million.
- (6) Exhibit A, Tab 2, Appendix A, Schedule 8.
- (7) Includes the credit of \$(3.920) million for gas supply optimization from EB-2014-0271, Working Papers, Schedule 14, p. 2, column (b), line 1.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 9, Schedule 4

- a) The proposed rate design would have identical rates for the MDA, WDA and SSDA (North West) zones. Similarly, the NDA, NCDA and EDA (North East) zones would all be charged the same rates. The postage stamp proposal for these two new zones implies there are no significant cost differences as between the old zones and the new zones under the proposed gas supply plan. Please confirm this is correct.
 - b) Under the current rate design/cost allocation the WDA (North West) and NDA (North East) are outliers. Please explain how the cost differentials presumably captured under the current cost allocation/rate design are eliminated under the new plan.
-

Response:

- a) Not confirmed.

Union’s proposal to set storage and transportation rates within each of the two proposed Union North Zones on a postage stamp basis reflects the fundamental changes to the manner in which Union North customers will be served in the 2017-2018 gas supply plan. Please see the response at Exhibit B.Staff.2.

Union currently has four Union North Zones for each of Fort Frances (Centrat MDA), Western delivery areas (Union WDA), Northern Delivery Areas (Union NDA and Union SSMDA) and Eastern delivery areas (Union NCDA and Union EDA). Historically, these Zones aligned to the Zones reflected in TransCanada tolls and the additional costs to transport gas from Empress to the respective zone, assuming a west to east flow. These Zones no longer reflect how Union will source and transport gas to the Union North delivery areas under the proposed gas supply plan.

- b) The proposed cost allocation and rate design no longer use zonal differentials to set rates. Union is proposing to set Union North storage and transportation rates based on detailed cost allocation methodology by Zone. This approach reflects the actual costs incurred to serve each of the proposed two Zones based on the 2017-2018 gas supply plans.

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 3, p. 14

- a) Please confirm that Union’s proposed North East T-Service is the combination of C1 service and the reselling of a TCPL transportation service.
 - b) If this is correct please identify the TCPL service that is being contracted and the current rate for that service.
 - c) Union aware of any similar service (precedent) under which the Ontario Energy Board has approved a service which includes reselling of a service regulated by different agency?
-

Response:

- a) Not confirmed. Union’s proposed North T-Service Transportation from Dawn service provides firm transportation from Dawn to the customer’s delivery area. Although it’s a small distinction, the service is contracted on the customer’s Union North distribution contract, not the C1 contract. The rate charged for the service is equal to the sum of the approved cost of service tolls on the Union Dawn to Parkway capacity using the C1 Dawn to Parkway toll plus the TransCanada Firm Transportation toll from Parkway to the customer’s delivery area (including any associated surcharges). Union is not re-selling a service, but rather bundling a Union service and a TransCanada service to provide one service to the customer.
- b) Union has contracted for TransCanada capacity from Parkway to the Union NDA, Union NCDA and Union EDA to support customer commitments for the Union North T-Service Transportation from Dawn service. Union does not agree with the assertion that the Union North T-Service Transportation from Dawn service is a reselling of capacity to customers. Union is proposing to recover the costs of the transportation capacity that Union has committed to on behalf of customers, at their request. This is similar to Union contracting for third-party pipeline capacity for sales service customers (including on TransCanada) and passing those transportation costs through to customers that benefit.
- c) Please see the response to a).