



uniongas

A Spectra Energy Company

September 9, 2008

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

Dear Ms. Walli:

Re: EB-2008-0052 STAR
Union's Comments on Staff Discussion Paper

Enclosed please find Union's comments on the Staff Discussion Paper dated July 29, 2008.

Yours truly,

[original signed by]

Marian Redford
Manager, Regulatory Initiatives

c.c.: S. Wong
EB-2008-0052 Intervenors



EB-2008-0052

Storage and Transmission Access Rule

UNION GAS LIMITED

Response to Staff Discussion Paper

September 9, 2008

On July 29, 2008, Board staff released the Staff Discussion Paper on a Storage and Transportation Access Rule (“Staff Paper”). The following is Union’s response to the Staff Paper.

Introduction

As part of the Storage and Transportation Access Rule (“STAR”) proceeding, Union has participated in two Board staff sponsored consultations. The first was held on April 16, 2008 and included representatives from Union, Enbridge Gas Distribution, Board staff and Concentric Energy Advisors Inc. The second consultation was held on May 20, 2008. At the second consultation TransCanada Pipelines, ANR, Enbridge and Union made presentations addressing a series of questions posed by Board staff. Parties were given an opportunity to ask questions to those presenting. In-franchise customer groups and embedded storage developers were well represented at the second consultation. Notably absent, however, were the wholesale energy marketers, the typical users of the services discussed in the Staff Paper. Union notes that marketers are key members of the storage and transportation market given they are both active buyers of the services from the primary providers and equally important active re-sellers in the secondary market.

Throughout the consultation phase of the STAR proceeding, Union has maintained the following:

1. The EB-2005-0551 Board Decision (“NGEIR Decision”) did not contemplate or intend for there to be access rules for storage. The NGEIR Decision focused on access to transportation, specifically access to Union’s transportation system by new and existing storage operators. The Staff Paper broadens the intended scope to include competitive storage services. Further, rules that would control access to storage or that require further reporting or limit the ability of customers to negotiate storage arrangements, would be inconsistent with the storage forbearance decision, and are unnecessary for regulated storage as the Board has already approved the

appropriate allocation methodologies for in-franchise customers.

2. The information that Union currently maintains on its web site (uniongas.com), including the information that Union agreed to provide in EB-2005-0520 Settlement Agreement and what Union committed to report through an undertaking response during the NGEIR proceeding, provides sufficient transparency to market participants to ensure non-discriminatory access.
3. Union already has a detailed written customer complaint policy. The policy is posted on uniongas.com and applies to all customers taking in-franchise regulated distribution services, regulated ex-franchise transportation services and unregulated ex-franchise services. Customers taking regulated services may, at any time, contact the Ontario Energy Board if they feel that the utility is not treating them fairly or is acting in a discriminatory manner. Customers taking competitive storage services have the additional option of lodging a formal complaint with the Competition Bureau or seeking service from other participants in the competitive market. However, there have been no reported problems, and therefore no issues that need to be addressed. Abuse cannot and should not be assumed, and no further measures are required.

Union is also concerned that throughout the STAR process parties, including Board staff, have put forward the position that the appropriate course of action for Ontario is to impose additional reporting requirements from FERC 284.13 with no obvious benefit to customers. There has been no examination as to whether the conditions that resulted in the FERC imposing 284.13 on U.S. storage and transportation companies exist in Ontario or even whether FERC 284.13 is producing the intended outcome in the U.S.

Union submits that there are differences between U.S. storage and transportation companies and Ontario LDC's that bring into question the appropriateness of FERC 284.13 for Ontario. The first is that Ontario LDC's are integrated utilities that offer no-notice distribution service and ex-franchise storage and transmission services. This is not

the case in the U.S. The FERC model is primarily for dedicated pipeline and dedicated storage companies versus an integrated utility like Union. The second important difference is that the OEB has foreborne from regulating ex-franchise storage pricing and contracts (NGEIR Decision, p. 71). This is not the case in the U.S. where companies that are permitted to sell storage services at market rates do so under a commission approved rate schedule and contract. There has also been no examination of the potential significant implementation and on going costs that will ultimately be borne by ratepayers. Union submits that, as a result of the differences between the Ontario and U.S. experience and in the absence of an obvious benefit to ratepayers and customers, adopting FERC 284.13 has not been justified whatsoever.

It is Union's view that the market for regulated transportation services and competitive storage services in Ontario is working well. No party has been able to demonstrate or articulate any deficiencies with the current state that would warrant the creation and implementation of a rule that could result in reduced flexibility to meet customer requests for service, impede the development of innovative services, reduce the competitiveness of Ontario storage companies and increase administrative costs.

The evidence is, in fact, to the contrary. Union has been offering long term firm storage and transportation services for many years. Storage services and short term firm / interruptible transportation services have been offered at market prices since 1989. Over that time, no customer has complained that Union has been discriminatory in its service offerings. Union has continually expanded its facilities and developed services to meet the changing needs of its customers. The Dawn Hub has continued to grow and prosper to the point that today it is recognized as one of the leading market hubs in North America, a concept competitors are trying to replicate in other jurisdictions in our geographic market area. The Dawn Hub was created by customers and supported by Union well before the NGEIR Decision. The Dawn Hub does not require onerous reporting requirements in order to function well.

Union's further comments as they relate to the development of the Storage and Transportation Access Rule ("STAR") and its response to the Staff Paper are provided below under the following headings:

1. The NGEIR Decision
2. Non-Discriminatory Access to Union's Transportation System by New and Existing Storage Operators
3. Allocation of Transportation Capacity
4. Consumer Protection in the Competitive Storage Market
5. Complaint Mechanism
6. Reporting Requirements
7. Conclusion

1. The NGEIR Decision

The Board found at pp. 75-76 that;

"The Board agrees with the Board Hearing Team's principles and shares the concerns related to forbearance raised by a number of parties. Specifically, in refraining from regulating storage rates or approving storage contracts, the Board must:

- *Ensure consumer protection within the competitive market for storage in Ontario.*
- *Ensure access to Union's transportation system on a non-discriminatory basis to new and existing storage operators.*

The Board concludes that it is necessary to develop appropriate operating and reporting procedures to ensure these objectives are addressed. The Board finds that Kitchener's proposal for the development of a STAR (Storage and Transportation Access Rule) has merit.

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The Board will initiate a process to develop rules of conduct and reporting related to storage. The Board will ensure that the process addresses the following:

- *Requirements to ensure that Union cannot discriminate in favour of its own storage operations or those of its affiliates and cannot discriminate to the detriment of third-party storage providers;*
- *Reporting requirements for all storage providers, although the requirements may vary as between utility and non-utility storage providers, and which may include: terms and conditions, system operating data, and customer information;*
- *A complaint mechanism for customers (or other market participants.)”*

Based on the Board’s finding at pp. 75 - 76 of the NGEIR Decision it is clear that the Board intended that the purpose of developing the access rule was to ensure that “new and existing storage operators” would have non discriminatory access to Union’s transportation system. Consistent with the Board’s decision to forbear from regulating storage pricing and storage contracts for ex-franchise customers, the Board did not contemplate or direct Board staff to develop an access rule for storage.

Furthermore, the idea of a storage access rule is ill-conceived, as:

1. Unregulated storage will be accessed by the competitive market participants. Regulatory rules or other forms of interference are misplaced unless a market failure occurs.
2. Regulated storage access has already been determined by the Board through its approved storage allocation methodologies. There is neither a need nor a use for regulated storage access rules.

It is Union's view that the Board intended that any "transportation access rule" would be limited to transportation access for new and existing storage operators. New and existing storage operators embedded in Union's franchise area take service under Union's Board approved M16 rate schedule. It is inappropriate to expand the transportation access rule to all transportation services (M12 and C1) and "customers" as has happened through the STAR process to date.

2. Non-Discriminatory Access to Union's Transportation System by New and Existing Storage Operators

As indicated above, the intent of the NGEIR Decision was to create a rule that would ensure non-discriminatory access to Union's transportation system by new and existing storage operators. Union currently provides transportation services between Dawn and embedded storage pools under the approved M16 rate schedule. The current M16 transportation service was recently approved by the Board in its EB-2004-0542 Decision with Reasons, dated May 19, 2005 and represents the lowest rate for transportation services on Union's system.

The M16 transportation service is unique in that it is facilitated using a combination of distribution and transmission facilities. Accordingly, Union's ability to provide transportation service to embedded storage pools depends on a number of factors including:

- The size and location of the embedded storage pool
- The unique physical characteristics of the pool itself
- Available capacity and operating conditions on Union's distribution and transmission system
- Local market demand
- Gas quality

As a result of these factors, each M16 contract is tailored to meet the needs of the specific embedded storage operator.

At pp. 13 - 14 of the Staff Paper, Board staff has suggested that the current M16 transportation service could serve as the basis for a "Storage Connection Agreement". Board staff proposes that through additional provisions within the Storage Connection Agreement, storage operators will have "access to transportation on an open, fair and non-discriminatory basis". The additional provisions suggested in the Staff Paper are:

1. The transporter must respond to requests for interconnection facilities and transportation services in a timely manner;
2. The transporter must not impose operating requirements and financial requirements that discriminate unduly between different storage providers;
3. The transporters must offer firm transportation service to and from the meter 365 days per year;
4. The transporter must respond to requests for additional nomination windows and capacity so customers have access to third-party storage and balancing services with the same flexibility as the transporters own competitive storage services; and
5. The transporter must include all related balancing services and overrun provisions in the storage connection agreement.

Union does not see the need for the creation of a Storage Connection Agreement. The current M16 rates schedule and contract are in essence the storage connection agreement and meet the unique needs of embedded storage providers. Further Union does not support posting individually negotiated M16 contracts.

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Union responds to all requests for interconnection facilities and transportation requests in a timely manner. Contrary to what has been assumed throughout the Staff Paper, it is in Union's best interest to promote the Dawn Hub by connecting third party storage providers. Union will not withhold capacity or impose operating restrictions if capacity is available. It is always in Union's best interest to provide service when capacity is available. If firm capacity is not available (for example, in the case where a storage operator, which because of the pool's location, cannot connect to distribution facilities would, as a result, not have firm access year round), Union will determine the facilities that are required and, consistent with E.B.O. 188, determine the contribution in aid of construction. This treatment is the same for any customer that wants a service connection at any location on Union's system.

Union does not understand what Board staff means by the standard requiring Union to provide 365 day firm transportation service to the third party storage operator. If firm capacity exists between the third party storage operator's pool and Dawn the storage operator is able to contract for that capacity on a firm basis per the M16 rate schedule.

With respect to Board staff's suggestion that transporters be required to offer additional nomination windows and capacity to allow storage operators to offer similar services as those developed for power customers, no storage provider has requested such a service. If, however, a storage operator approaches Union with a request for a specific service or service enhancement, Union will do its best to meet the storage operator's service needs. Union notes that not all service requests can be accommodated.

Finally, balancing and overrun provisions are included in the Hub contract referenced in the M16 standard contract posted on uniongas.com.

3. Allocation of Transportation Capacity

As indicated above, it is Union's view that the STAR process initiated by the Board was intended to address access to transportation by new and existing storage operators.

Board staff has made the following suggestions (p. 8) with respect to the allocation of capacity for other transportation services:

1. All new firm capacity should be offered through an open season process;
2. Existing long-term firm capacity (greater than one year) should be offered through an open season;
3. Existing short term capacity (one year or less) and interruptible capacity may be offered through an open season or other methods developed by the transporter;
4. Allocation methods and open season processes outlined in detail in the companies tariffs; and
5. Open seasons for existing long-term firm and short-term transportation capacity should be held based on a fixed schedule.

Union allocates M12 and C1 transportation capacity through a combination of open season and direct negotiation with customers. This flexibility is preferred by both Union and its customers. Union believes its current methodology for allocating transportation capacity is fair, non-discriminatory and responsive to the needs of its customers (storage companies, pipeline companies, marketers, in-franchise customers and other LDC's). Union has not received any complaints from customers with respect to its current process for allocating transportation capacity. Contrary to the unsubstantiated statements and concerns expressed by Board staff, Union's current process for allocating transportation capacity does not in any way allow Union or its affiliates to discriminate in favour of its own storage operations or to the detriment of third party storage providers. Union does

not bundle M12 and C1 transportation services with competitive storage service. Storage and transportation services are sold independently in the ex-franchise market. The fact is that Union does not know the purpose for which the transportation service is being used when it receives a request for M12 or C1 transportation services.

The following table outlines the Union's approach to allocating transportation for M12 and C1 transportation services:

<u>Term</u>	<u>Contract Type</u>	<u>Capacity New/Existing</u>	<u>Firm/Interruptible</u>	<u>Approach to Market</u>
Long-Term (1 year +)	M12	New	Firm	Always Open Season
Long-Term (1 year +)	M12	Existing Firm (Rarely is existing capacity turned back)	Firm	Open Season or Direct Negotiation
Long-Term (1 year +)	C1	New	Firm	If large enough term or volume, may be part of open season.
Long-Term (1 year +)	C1	Existing	Firm	Open Season or Direct Negotiation
Short-Term (less than 1 year)	C1	Existing	Firm	Typically would be direct negotiation
Short -Term (less than 1 year)	C1	Existing	Interruptible	Posted price Can be nominated Can be negotiated

Union takes this approach to allocating transportation capacity for M12 and C1 services for the following reasons:

1. The Dawn to Parkway transportation system has no available firm transportation capacity. Accordingly, all new firm transportation on the Dawn to Parkway system is offered through an open season and supported by long term contracts. Union will, however, hold non-binding open seasons for new M12 firm capacity to gauge market interest and determine if there is enough market support for new facilities. The transmission open season and allocation procedure is posted on uniongas.com and is

not required in the tariff. Market demand drives the supply of capacity.

2. Existing long-term firm M12 transportation capacity may be allocated using an open season or through direct negotiation. Long-term Dawn to Parkway capacity is rarely turned back. Turn back can occur either through a reverse open season or capacity can be turned back at the end of a contract. Since 2002, there have been 2 instances of turnback with a total volume of approximately 27,000 GJs. If an amount was turned back, that volume would be accumulated with the other market intelligence to determine whether an open season is needed. In many cases given the amount turned back is small, Union (the regulated utility) will use the capacity to support in-franchise needs.
3. Unlike Dawn to Parkway transportation services which are “sold out”, currently there is capacity in excess of market demands for firm C1 transportation service on most other paths (e.g. Bluewater to Dawn or Ojibway to Dawn). As a result the majority of firm services offered to the market are through direct sales and negotiation. Union will, however, use an open season process for C1 services if there is sufficient volume and interest in the market to warrant offering capacity through an open season.
4. Union requires the ability to directly negotiate with customers because standardized products offered through open seasons do not work for all customers. Customers have different needs and their portfolios of storage and transportation assets vary. As a result some customers prefer not to participate in open seasons and want the ability and flexibility to negotiate contracts for the specific assets and terms to reflect their unique requirements.
5. Short term interruptible transportation services are available to in-franchise and ex-franchise customers through the Hub contract. The service price is posted on uniongas.com and customers nominate a volume to use this service. If the interruptible capacity exists that day, the volume will flow. Union views this as the most transparent service of any pipeline – customers have easy access to all routes at

a posted price. Unlike other pipelines, including TCPL, there is no daily auction for price required.

6. Some customers are required to seek competitive bids for services which make participating in open seasons difficult.

Minimum Standards for Transportation Open Seasons

As indicated in the Staff Paper, Union's transportation open season bid package already meets most of the minimum standards suggested by Board staff. Board staff, however, expressed concerns that Union's open season package does not include:

1. The amount of capacity being offered in the open season;
2. A provision that would result in the posting of bid results for C1 firm transportation services; and
3. The criteria and timing of future open seasons.

The amount of capacity being offered in the open season

Union does not typically include the amount of capacity that is being offered as part of its bid package. Union has, however, provided this information if it felt that the capacity being offered is critical to the market. For example in cases where Union expects that the market demand for capacity significantly exceeds the capacity that Union is able to bring to market, Union will include the capacity being offered as part of the bid package.

A provision that would result in the posting of bid results for C1 firm transportation services

For long-term firm M12 transportation services, bid results will be posted on the company's web site, uniongas.com, on a quarterly basis as part of the Index of Transportation Customers, once contracts begin to flow. The index of customers for long term firm transportation service includes shipper name, volume, contract flow dates (beginning and end) and receipt and delivery points. The index of customers for long-term firm M12 transportation service is discussed below.

Union does not currently post an index of customers for long term firm C1 transportation services. If posting an index of customers for long term firm C1 transportation services is a requirement of the final rule, Union will post the information. Union suggests that the format and frequency be the same as the M12 Index of Customers.

With respect to short-term firm transportation services Board staff suggests at p. 10 of the Staff Paper that to ensure price transparency and market certainty, Union should include in a bid package a minimum price for service. Alternatively, Board staff has suggested that the Board approve a cost based recourse rate that would be included on the C1 rate schedule.

Union does not typically offer short term firm service through an open season. Short term firm transportation service terms and pricing are determined through direct negotiation with customers. Union does not support either of the options put forward by Board staff. The market for short term firm transportation services is competitive and does not require the type of intervention suggested in the Staff Paper. Implementing either of the suggestions in the Staff Paper will result in Union becoming less competitive relative to other market participants that offer similar services in the secondary market.

The criteria and timing of future open seasons

On p. 11 of the Staff Paper, Board staff suggests that the criteria and timing of future open seasons should be disclosed. Board staff believes that access to information on the timing of future open seasons by Union employees that sell competitive storage services will impart a competitive advantage to Union. The concerns expressed by Board staff are unfounded. Union does not bundle M12 and C1 transportation services with competitive storage services. Storage and transportation services are sold separately and independently of each other in the ex-franchise market. Union sees no value to disclosing this information especially because, as acknowledged by Board staff, the criteria and timing may change depending on market conditions.

Standard Transportation Contract

Union has a standard M12 transportation contract which was agreed to by parties in the EB-2005-0520 Settlement Agreement (p.30). Union made a commitment to:

1. Post the standard M12 transportation contract and any future changes to the standard contract on its website, providing at least six months advance written notice to all M12 transportation shippers of any changes to the standard contract.
2. File all variations between the standard contract and new contracts with the Board on a contract specific basis before such new contracts come into effect (i.e., first flow of the contract) and promptly post this information on uniongas.com.

The M12 standard transportation contract is currently posted on Union's website. There have not been any variations between new contracts and the standard contract since the EB-2005-0520 Settlement Agreement. Union's standard M16 transportation contract is also posted on uniongas.com.

On p. 11 of the Staff Paper, Board staff has suggested a number of minimum terms and conditions for inclusion standard contract. With the exception of the Priority of Service

(“POS”), Union’s standard M12 contract’s general terms and conditions include the minimum conditions suggested by Board staff.

With respect to the POS, Union has published guidelines for scheduling reductions and service restrictions for Union’s interruptible service. A firm contract is “firm”, and therefore always flows. The POS guideline has been reviewed by the External Policy team as contemplated in the EB-2005-0520 Settlement Agreement and is posted on uniongas.com.

POS is a policy/guideline, instead of embedded within the contract to allow adjustments to reflect the creation of new services. The guideline is public, widely available and applicable to all parties. If it were to be embedded in the contract, Union would have less flexibility in developing new services. Union is willing to place a reference to the POS within the contract to indicate the guideline is posted on the website.

Board staff has also suggested that the standard contract be part of the Board approved tariff. The Board approved tariff currently includes posted rates for service and the General Terms & Conditions. Union does not support including the standard contract within the Board approved tariff. This would limit Union’s flexibility to meet customer needs since every contract variation would require Board approval.

4. Consumer Protection in the Competitive Storage Market

At p. 75 of the NGEIR Decision the Board found that it must “*Ensure consumer protection within the competitive storage market*”. Board staff, at pp. 16 - 18 of the Staff Paper, put forward the position that the consumer protection contemplated by the Board was for ex-franchise customers taking competitive storage services. Union disagrees fundamentally with this position. In the NGEIR Decision, the Board found that storage in Ontario is competitive within the geographic market area. Within a competitive market, Union submits that the Board has no role in protecting consumers for competitive services. The Board does have a role, however, in the case of market failure. Union

agrees with the Board stated expectation, “that parties will bring any issues of market failure to the Board’s attention.” (NGEIR Decision p.70)

Union submits that customers taking competitive storage services are protected by a healthy and vibrant competitive market. Customers have choices within the competitive market and the ability to exercise those choices. Nothing with respect to the competitive market has changed through the NGEIR decision. As indicated above, the Board expects customers within the competitive market to bring issues of market failure to the Board’s attention. In addition, customers within a competitive market are able to make a formal complaint under Union’s existing complaint policy discussed above or take complaints of market abuse directly to the Competition Bureau.

At p. 17 of the Staff Paper, Board staff has suggested that the Board approve standard terms and conditions for competitive storage services. This suggestion is clearly inconsistent with the Board’s findings in the NGEIR Decision where the Board stated it would, “refrain from regulating rates or approving contracts for Union’s short- or long-term ex-franchise storage services” (p. 71).

Approving standard terms of service for competitive storage would amount to regulating storage contracts which was clearly not the intent of the Board in the NGEIR Decision. Further it would stifle the development of new and innovative storage services by Union, and other storage providers and put Union at a competitive disadvantage.

With respect to in-franchise services, Union believes that the Board does have a role in protecting the interests of consumers in a competitive storage market. Union submits, however, the Board already provides in-franchise consumers with sufficient consumer protection through:

1. The continued rate regulation of in-franchise storage services;

2. The determination in the NGEIR Decision that 100 PJ of storage space will be set aside at cost based rates to accommodate in-franchise growth; and
3. The recent storage allocation decision, whereby the Board established the appropriate storage allocation methodologies for in-franchise customers.

5. Complaint Mechanism

Customers already have several avenues for raising a complaint. The first avenue is the customer service representative. Union strives to resolve issues by having the parties work their concerns together. The customer representative is always available to the customer to discuss and work to resolve issues. The customer representative assigned to a customer is likely the same person who finalized contract parameters and therefore is the person best positioned to address customer concerns.

The second avenue for expressing concerns is Union's already established "Written Customer Complaint Policy" posted on uniongas.com. The policy applies to all customers who receive distribution, storage and transportation services from Union. There have been no complaints received relating to storage and transportation. Further, the current service quality requirements as approved in EB-2005-0453 (dated March 27, 2006) include a performance measure for timing of a written response to a complaint made under Union's complaint policy.

The final and always available avenue for expressing concerns is the Board.

6. Reporting Requirements

Union supports the establishment of principles to ensure an open transparent and non-discriminatory transportation market. Union believes establishing principles for an

access rule is key to determining what is required and not required for reporting, posting, procedure development and oversight options as needed.

Union supports the principles laid out in the Staff Paper (p. 19) subject to the following amendments (highlighted).

1. Reporting should be accessible, timely, and as streamlined as possible. This can be accomplished, for example, by using on-line postings instead of having reports filed with the Board **for non-confidential information**, utilizing existing standards (where appropriate), and avoiding unnecessary reporting.
2. Companies offering competitive storage services should have similar access to information about the natural gas utilities' transportation services.
3. Market transparency should be weighed against the need to protect commercially-sensitive information.
4. Reporting requirements should not put Ontario storage operators at a disadvantage relative to competing storage operators **and others (i.e., third party marketers)** in other jurisdictions.
5. Reporting requirements should be uniform **and applicable to all market participants**.

Consistent with the above principles, Union committed in the EB-2005-0551 NGEIR proceeding, to post on uniongas.com, customer information similar to the requirements for the "Index of Customers" per the FERC 284.13 Rule. Union believes that the information that it has committed to file in the NGEIR proceeding provides sufficient information to allow for transparent, non-discriminatory access to Unions transportation and storage services. Union's commitments are described in more detail below.

Union Index of Customers: Long Term Transportation Contracts

Union currently publishes an index of customers for long term firm M12 transportation (one year and greater).

The index of customers for long term firm transportation service includes party name, identification number, receipt and delivery points, maximum transportation quantity, term (start and end date of contract). Per the FERC 284.13 requirements, the M12 rate, which is regulated and the same for all customers, can be found in Union's approved rate schedule is posted on uniongas.com.

The index of customers is posted quarterly on January 1, April 1, July 1 and October 1. This is consistent with the FERC 284.13 requirement. At the May stakeholder consultation Union was requested to change the posting of the October 1st update to November 1st. If this change better meets the needs of customers Union would consider the change. Union notes, however that this change would result in misalignment with the reporting of other companies in the market area governed by FERC.

Union would consider posting the same information for other long term firm transportation services such as C1 and M16 if required.

Union Index of Customers: Long Term Storage Contracts

Union's index of customers for long term firm storage services provide information for contracts with terms of two years or greater. Long term storage was defined and confirmed as storage contracts with terms of two years and greater in the NGEIR Decision at p 22.

The index of customers for long-term storage services includes party name, identification number, maximum annual storage quantity, term (start and end date of contract). Storage pricing is not and should not be included in the index because the Board has foreborne

from regulating storage pricing and contracts. All storage services are sold at market prices and there is no Board approved rate schedule for long term storage.

The index of customers for long term storage services is posed on January 1, April 1, July 1 and October 1. At the May stakeholder consultation Union was requested to change the posting of the October 1st update to November 1st. If this change better meets the needs of customers Union would consider the change. Union notes, however that this change would result in misalignment with the reporting of other companies in the market area governed by FERC.

Union does not believe the Index of Storage Customers should include Union's storage capacity and withdrawal deliverability reserved for in-franchise as a separate internal storage customer. Union will manage and market all storage on an integrated basis. In particular, Union will manage the 100 PJ storage reserved for in-franchise customers as part of its integrated assets. In-franchise services are bundled no notice services which are not nominated services.

Annual and Semi-Annual Reporting to the Ontario Energy Board for Storage and Transportation

Union also committed in EB-2005-0551 to file annual and semi-annual information similar to the FERC 284.13 requirements. Union has not filed these reports as yet and is waiting for the outcome of this proceeding. These reports will contain confidential customer information. Union believes that these reports should be filed with the OEB in confidence.

Consistent with FERC 284.13 Union will provide the following in the Annual and Semi-Annual Report.

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Annual Report

Union will make an annual filing to the Board by the last business day of the fourth month (April 30th) Since Union's withdrawal period is from November 1 to March 31 and, in order to have accurate data, the Annual Report would be filed one month after the withdrawal period. This Annual Report will include:

- a) The estimated peak day transportation capacity.
- b) The estimated storage capacity
- c) The estimated maximum daily deliverability capability of storage facilities

Semi-Annual Storage Report

Within 30 days of the end of each complete storage injection and withdrawal season Union will file a report of storage activity with the Board. The report will contain a summary of storage injection and withdrawal activities, for firm contracts with terms of two years in length or greater. The report will include the following:

- a) The identity of each customer injecting gas into storage and/or withdrawing gas from storage, and identifying if there is any affiliate relationship;
- b) The maximum storage quantity and withdrawal quantity applicable to each customer
- c) The quantity of gas injected and/or withdrawn by each storage customer, during the period.

The report will not include the rate schedule (competitive storage services are not sold under a Board approved rate schedule), unit charge and total revenues received during the injection/withdrawal period for each storage customer.

Available Capacity Reporting

Union disagrees with claim made in the Staff Paper at p. 23 that information regarding operationally available capacity is needed so that parties know what capacity is available from day to day and to assess how the availability of storage and transportation services are affected by changes in operating conditions. Board staff also indicates that posting available capacity will allow market participants and the Board to identify when capacity is being withheld.

Union's facilities are constructed to meet the peak day requirements of its in-franchise customers and its firm ex-franchise contractual commitments. Union's ability to offer interruptible services, which are discretionary and subject to interruption on a daily basis, comes as a result of excess daily in-franchise capacity due to warmer than peak day temperatures and/or ex-franchise nominated volumes that are below the contracted amounts. The availability of capacity is not the result of Union's operational decisions. For the majority of the year there is insufficient market demand for the interruptible storage and transportation capacity available. It is demand for services that drives the daily load factors on the facilities.

Union has the Traffic Light System which is an operational status identifier located on uniongas.com and Unionline. The traffic light indicates the likelihood of scheduling reductions for interruptible services on any of the transport paths or for injections/withdrawals at Dawn Storage. A "green" signal indicates the short term interruptible capacity is available. Given Union's system is a winter peaking system, interruptible capacity is available on all but a few days. This system has been accepted and effectively used by customers for some time. Posting of operationally available capacity provides no additional benefit to customers.

Enhancements to the traffic light system are being examined through the EB-2007-0725 Storage Allocation directive on the authorization process focus on transactional services and injection/withdrawal overruns. Enhancements would include additional, descriptive

commentary or communication when the status changes. By November 30, 2008 a final proposal including the detailed implementation plan will be filed for review with the Board, as required by EB-2007-0725.

With respect to Board staff's concerns related to the possible withholding of capacity, again, Union has no incentive to withhold capacity. The incentive is for Union to sell as much interruptible service as possible.

Design Capacity Reporting

The Staff Paper suggests at p. 26 that all storage operations should post information describing the physical capacities of their storage facilities on their websites and update this information whenever there is a change. The information posted would include; total storage capacity for each storage pool, base gas quantity for each storage pool, working gas capacity for each storage pool and total, design withdrawal capacity for each storage pool and total, design injection capacity for each storage pool and total.

Union does not support posting individual pool information. Since Union provides storage service from its integrated operations and does not sell storage services from individual storage pools this information is of no use to the market. Union has agreed to provide the total storage capacity as part of the Annual Storage Report.

7. Conclusion

Union currently provides transportation and competitive storage services in a fair, open and non-discriminatory manner. This has been the case from the time that Union started offering these services and long before the creation of a STAR was considered necessary. Union does not believe that the suggestions in the Staff Paper related to the allocation of transportation capacity, contractual matters, consumer protection and additional reporting are required. Union's current processes and reporting, including the reporting agreed to during the NGEIR Decision is sufficient.

September 9, 2008

The assumption throughout the Staff Paper seems to be that, as a result of the NGEIR Decision, transporters and competitive storage operators, such as Union, will act in a way that discriminates against other parties to gain advantage for themselves. This assumption is unfounded and unsupported.

As indicated above, Union has a long tradition of offering transportation and storage services in a fair, open and non-discriminatory manner. There is no incentive for Union to act in any other way. It is Union's best interest offer as much capacity as it can into the market place and continue to support a vibrant and active Dawn Hub. No party has been able to demonstrate or articulate any deficiencies with the current state that would warrant the creation and implementation of a rule that could result in reduced flexibility to meet customer requests for service, impede the development of innovative services, reduce the competitiveness of Ontario storage companies and increase administrative costs.