



EB-2010-0296

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

AND IN THE MATTER OF an Application by Union Gas
Limited for an order or orders amending or varying its
approved C1 and M12 rate schedules to accommodate
new firm transportation services.

BEFORE: Karen Taylor
Presiding Member

DECISION AND ORDER

This Decision concerns an application by Union Gas Limited (“Union”) filed with the Ontario Energy Board on September 30, 2010 under the *Ontario Energy Board Act*, 1998 seeking approval to modify its current approved C1 rate schedule to accommodate firm transportation service from Union’s interconnect at Kirkwall to Dawn, effective September 1, 2011. The Applicant is also seeking approval to modify its current approved M12 rate schedule to accommodate a firm, bi-directional, M12-X transportation service, effective September 1, 2011. For the reasons set out below, the Board approves the Application.

The Board issued a Notice of Application, Written Hearing and Procedural Order on October 5, 2010. In the Notice, the Board adopted the intervenors in the EB-2009-0275 proceeding as intervenors in this proceeding. The Notice set out a timeline for the parties to file interrogatories and submissions on the basis that the Board would proceed to hear the Application by way of a written hearing.

Canadian Manufacturers and Exporters (“CME”) and the Federation of Rental-housing Providers of Ontario (“FRPO”) were the only intervenors to file submissions in this proceeding. Submissions were also received from Board staff. The Applicant filed a reply argument on November 19, 2010.

Background

Union is applying for approval of a firm C1 Kirkwall to Dawn rate and a firm M12-X rate, both effective September 1, 2011. The new services are in direct response to the changing North American gas supply dynamics. Union cited the continued decline in gas supplies from the Western Canadian Sedimentary Basin, together with the rapid and significant growth in new sources of supply, including the Marcellus Shale in Pennsylvania and New York, as impacting the flows of natural gas, both into and out of Ontario.

Union conducted a non-binding open season in February and March, 2010 to determine market interest in C1 transportation service from Kirkwall to Dawn and M12-X firm transportation service. As a result, Union executed 10 year firm M12-X transportation service contracts with TransCanada PipeLines (“TCPL”) and Enbridge Gas Distribution (“Enbridge”) to convert a total of approximately 328,000 GJ/d of existing M12 service to M12-X service beginning in September, 2011.

As a result of additional inquiries, Union re-opened the non-binding open season in July, 2010 to further solicit interest in the proposed new services. Union received over 1,200,000 GJ/d of non-binding interest for these services commencing as early as July, 2012.

To allow Union to receive volumes at Kirkwall, and accommodate the proposed transportation services, Union must make modifications to its existing facilities at Kirkwall to allow for the reversal (and bi-directional flow). The estimated capital cost of the facility modifications is \$4.7 million. Union plans to complete these modifications during the summer of 2011 in order to meet contracted requirements. These facilities do not require Leave to Construct approval from the Board.

Union plans to modify the C1 rate schedule to accommodate a firm transportation service from Kirkwall to Dawn at the rates set out in the following table.

Proposed Firm C1 Kirkwall to Dawn Transportation Rate

	Proposed
• Monthly Demand Charge (\$/GJ applied to Daily Contract Demand)	\$1.176
• Customer Supplied Fuel & UFG - April 1 – October 31	0.353%
• Customer Supplied Fuel & UFG – November 1 – March 31	0.328%

Union plans to modify the M12 rate schedule to accommodate a firm transportation service that allows a shipper to receive and deliver gas between any two M12 points (Dawn, Parkway or Kirkwall) on any day in any direction at the rates set out in the following table.

Proposed Firm M12-X Transportation Rate

	Proposed
• Monthly Demand Charge (\$/GJ applied to Daily Contract Demand)	\$2.877
• Customer Supplied Fuel & UFG	In accordance with M12 Schedule "C"

Customer Need

Union has been working with TCPL, Empire State Pipeline ("Empire"), and Natural Fuel Gas Supply Corp. ("NFG") to determine the market interest in moving Marcellus Shale gas to Dawn along various pipeline paths. At the time of filing the Application, Union was aware of approximately 865,000 GJ/d of contracted long-term, firm transportation from the Marcellus Shale producing region to interconnections between New York and Ontario pipeline systems.

Union conducted a non-binding open season in February and March, 2010 to determine market interest in C1 transportation service from Kirkwall to Dawn and M12-X firm transportation service. As a result, Union executed 10 year firm M12-X transportation service contracts with TCPL and Enbridge to convert a total of approximately 328,000 GJ/d of existing M12 service to M12-X service beginning in September, 2011. The details of the firm M12-X transportation service contracts are detailed in the table below.

Customer	Quantity (GJ/d)	Service Commencement Date	Initial Term (Years)
TCPL	128,316	September 2011	10
Enbridge	200,000	September 2011	10

After the close of the first open season, Union received additional inquiries regarding services and capacity on the path. Consequently, Union re-opened the non-binding open season in July, 2010 to further solicit interest in these services. Union received significant non-binding interest as a result of the two open seasons.

Board staff agreed that the proposed service offering is necessary to meet the needs of TransCanada as a result of the changing North American gas supply market. CME and FRPO also supported the Application.

Board Findings – Customer Need

The Board finds that Union has demonstrated the need for the proposed transportation services. The Board believes that need for the proposed services has been demonstrated by the established 10-year firm M12-X transportation contracts for approximately 328,000 GJ/day, commencing September 1, 2011 and the non-binding results of the open seasons held in February / March and July 2010.

Rate Design

C1 – Kirkwall to Dawn Transportation Service

Union proposed that the current approved C1 rate schedule be modified to accommodate firm transportation service from Kirkwall to Dawn. The proposed rate design has two components:

- (a) A firm monthly transportation demand charge of \$1.176/GJ applied to daily contracted demand. This component of the rate is intended to provide a reasonable recovery of the fixed costs associated with the assets used to provide the transportation service and to recover the costs associated with the new facilities necessary to provide the firm transportation service.

- (b) A seasonal fuel ratio of 0.353% for the period April to October and 0.328% for the period November to March to recover the compressor and unaccounted for gas (“UFG”) associated with providing the Kirkwall to Dawn transportation service.

Union proposed that a single demand charge be used to recover both the use of existing transmission assets and the additional meter and station-related capital requirements.

The first part of the firm monthly demand charge is calculated using the proposed 2011 M12 Dawn to Kirkwall firm transportation demand charge excluding Dawn compression, and adjusted for the number of days the Kirkwall to Dawn service is required. Union expects gas will flow from Kirkwall to Dawn, particularly in the spring and fall, when U.S. northeast gas demand is low. Union forecasts that the Kirkwall to Dawn service will be used 214 days per year from April 1 to October 31. This component of Union’s proposed rate design provides for a reasonable contribution to the recovery of fixed costs associated with the assets used to provide the transportation service.

The second part of the firm monthly demand charge recovers the costs associated with the capital investment of approximately \$4.7 million required to provide the firm transportation service. The annual revenue requirement associated with the capital investment is \$0.266 million. Therefore, Union has proposed to recover all of the costs associated with the capital investment of \$4.7 million in the C1 Kirkwall to Dawn firm monthly demand charge.

Board staff questioned, in Board Staff Interrogatory No. 3 (b), whether the noted facility modifications are also required to provide the proposed M12-X service. Union confirmed that the facility modifications are also required to provide the proposed M12-X transportation service.

In Board Staff Interrogatory No. 3 (c), Board staff asked Union to explain why none of the costs associated with the facility modifications were included in the firm demand charge for the proposed M12-X transportation service. Union stated that once it has a better understanding of how M12-X shippers will be utilizing Kirkwall as a receipt point it will review the cost allocation and rate design of the M12-X and C1 transportation services. Union noted that this review will occur during its 2013 rebasing proceeding.

Board staff submitted that Union's proposal to allocate all of the costs related to the facility modifications to C1 Kirkwall to Dawn customers, when the facility modifications are required to provide both C1 and M12-X services, raises some concerns regarding Union's compliance with cost allocation principles. However, given the relatively small annual revenue requirement (\$0.266 million) related to the facility modifications and Union's uncertainty, at this time, regarding how shippers plan to use the new transportation services, Board staff supported Union's proposal to review cost allocation and rate design for the new transportation services at the time of rebasing. Board staff submitted that in its Decision, the Board should direct Union to complete a review of cost allocation and rate design for the M12-X and C1 Kirkwall to Dawn transportation services as part of its 2013 rebasing. CME supported the submissions of Board staff.

In its reply submission, Union stated that it is not necessary for the Board to issue a directive that Union review the rate-making methodology related to the new services at the time of rebasing. Union noted that the rate-making methodology for all of Union's regulated services is reviewed through the normal course of rebasing.

M12-X Transportation Service

Union proposed that the current approved M12 rate schedule be modified to accommodate firm M12-X transportation service. The proposed rate design has two components:

- (a) A firm monthly transportation demand charge of \$2.877/GJ applied to daily contracted demand.
- (b) Monthly fuel ratios in accordance with Union's proposed 2011 M12 and C1 Rate Schedules.

The firm monthly M12-X transportation demand charge was calculated by combining Union's proposed 2011 monthly M12 transportation demand charge from Dawn to Parkway of \$2.332/GJ and the monthly C1 transportation demand charge from Parkway to Dawn of \$0.545/GJ. This approach to calculating the firm monthly M12-X transportation demand charge ensures that M12-X shippers pay the same demand charge as existing shippers utilizing both M12 and C1 transportation services between Dawn and Parkway.

CME noted that Union has not proposed any Z-factor treatment for the incremental revenues and costs associated with the two proposed transportation services. CME stated that the incremental revenues for the new services are expected to be more than sufficient to recover the incremental costs. CME stated that considering the new services would only be in effect for a short time in 2011, there is unlikely to be a net incremental revenue amount of sufficient magnitude to arguably qualify as a 2011 Z-factor adjustment. However, CME has requested to reserve its right to explore the possible Z-factor implications of the new services in 2012.

In its reply argument, Union submitted that Z-factor treatment of the revenues relating to the proposed transportation services is not appropriate now or in 2012. Union stated that five elements of the Z-factor eligibility criteria, as set out in the EB-2007-0606 Settlement Agreement, demonstrate that Z-factors relate to variations in costs, not revenue, outside the utility's control. Union submitted that events resulting in changes to revenues, for any reason, were not contemplated within the Z-factor criteria and therefore, Z-factor treatment is not an appropriate means to address these types of events. Union stated that during the term of Incentive Regulation, productivity gains incremental to those included in the pricing formula accrue to the ratepayer only in so far as they contribute to earnings sharing.

FRPO submitted that given Union is in an Incentive Regulation period, the Board should approve the rates (and underlying methodology) for the proposed services on an interim basis. FRPO explained that Union gas is seeking approval for rates to provide a non-traditional flow path using traditional cost allocation and rate-making approaches. FRPO submitted that, at the time of rebasing, the underlying assumptions and rate-making methodology can be improved because there will be a better understanding of the seasonal flow patterns and demands.

Union, in its reply argument, submitted that interim approval would only create confusion with shippers who bid in the open season. Union is therefore not seeking interim approval for the proposed transportation services.

Board Findings – Rate Design

The Board finds that the proposed rate designs for the C1 Kirkwall to Dawn and the M12-X transportation services are appropriate. The Board approves the rate for C1 Kirkwall to Dawn transportation service as set out in the C1 Rate Schedule, attached as

Appendix “A” to this Decision, effective September 1, 2011. The Board also approves the rate for M12-X transportation service as set out in the M12 Rate Schedule, attached as Appendix “B” to this Decision, effective September 1, 2011.

The Board does not agree with the suggestion by FRPO that approval should be interim. Given the relatively small capital cost and revenue requirement associated with the facilities needed for the proposed transportation services, the Board does not believe that the use of traditional ratemaking and cost allocation methodologies to set rates for a non-traditional flow path is likely to adversely effect customers using traditional services prior to the 2013 rebasing. In addition, an interim approval would not provide the Board with any additional discretion to consider the issues relating to rate design and cost allocation, and making rates interim may create unnecessary commercial uncertainty. Finally, rather than making rates interim, the Board believes that it is more appropriate to direct that a review of the ratemaking methodology take place as part of the 2013 rebasing process, as set out below.

The Board will not direct Z-Factor treatment of revenues relating to the proposed services for 2011 and 2012. The Board agrees with Union that the Incentive Regulation Mechanism and in particular, the five elements of the Z-Factor eligibility criteria, as set out in the EB-2007-0606 Settlement Agreement, do not apply to revenues. Moreover, the Board agrees with Union that during the term of the IR, productivity gains incremental to those included in the pricing formula accrue to the ratepayer only in so far as they contribute to earnings sharing.

The Board directs Union to review the rate-making methodology of the proposed services as part of its rebasing in 2013. The Board agrees with the submission of Board staff that Union’s proposal to allocate all of the costs related to the facility modifications to C1 Kirkwall to Dawn customers raises concerns regarding Union’s compliance with cost allocation principles. The Board agrees with Board staff that it is reasonable to review cost allocation and rate design for the proposed transportation services at the time of rebasing, given the relatively small annual revenue requirement related to the facilities and the uncertainties regarding how shippers plan to use the proposed services.

Cost Awards

The Board may grant cost awards to eligible stakeholders pursuant to its power under section 30 of the *Ontario Energy Board Act, 1998*. When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of the Board's *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board will issue a Decision on Cost Awards after the steps set out below have been completed.

THE BOARD THEREFORE ORDERS THAT:

1. The rate for the Kirkwall to Dawn transportation service as set out in the C1 Rate Schedule, attached as Appendix "A" to this Decision, is approved effective September 1, 2011.
2. The rate for the M12-X transportation service as set out in the M12 Rate Schedule, attached as Appendix "B" to this Decision, is approved effective September 1, 2011.
3. Intervenors shall file with the Board and forward their respective cost claim to Union within 14 days from the date of this Decision.
4. Union shall file with the Board and forward to the intervenors any objections to the claimed costs of the intervenors within 21 days from the date of this Decision.
5. If Union objects to the intervenor costs, intervenors shall file with the Board and forward to Union any responses to any objections for cost claims within 28 days of the date of this Decision.
6. Union shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2010-0296**, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address.

Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

DATED at Toronto, November 30, 2010

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX “A”

TO DECISION AND ORDER

BOARD FILE NO. EB-2010-0296

DATED: NOVEMBER 30, 2010



CROSS FRANCHISE TRANSPORTATION RATES

(A) Applicability

To a Shipper who enters into a Contract with Union for delivery by Shipper of gas to Union at one of Union's points listed below for redelivery by Union to Shipper at one of Union's points.

<u>Applicable Points</u>	(1)	(2)
	Ojibway	WDA
	St. Clair	NDA
	Dawn*	SSMDA
	Parkway	SWDA
	Kirkwall	CDA
	Bluewater	EDA

*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)

(B) Services

Transportation Service under this rate schedule is transportation on Union's pipeline facilities between any two Points as specified in Section (A), column 1.

(C) Rates

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Transportation Service:

	Monthly Demand Charge (applied to daily contract demand) <u>Rate/GJ</u>	Commodity Charges			
		If Union supplies fuel Commodity Charge		If Shipper supplies fuel Fuel Ratio	
		<u>Apr.1-Oct.31</u> <u>Rate/GJ</u>	<u>Nov.1-Mar.31</u> <u>Rate/GJ</u>	<u>Apr.1-Oct.31</u> <u>%</u>	<u>Nov.1-Mar.31</u> <u>%</u>
a) Firm Transportation					
Between:					
St.Clair & Dawn	\$0.971	\$0.021	\$0.025	0.352%	0.431%
Ojibway & Dawn	\$0.971	\$0.027	\$0.031	0.496%	0.566%
Bluewater & Dawn	\$0.971	\$0.021	\$0.025	0.352%	0.431%
From:					
Parkway to Kirkwall	\$0.545	\$0.021	\$0.019	0.353%	0.328%
Parkway to Dawn	\$0.545	\$0.021	\$0.019	0.353%	0.328%
Kirkwall to Dawn	\$1.176	\$0.021	\$0.019	0.353%	0.328%
Dawn to Kirkwall	\$1.985	\$0.030	\$0.065	0.517%	1.136%
Dawn to Parkway	\$2.332	\$0.030	\$0.065	0.517%	1.136%
b) Interruptible and Short Term (1 year or less) Firm Transportation:					
Maximum		\$75.00	\$75.00		
c) Firm Transportation between two points within Dawn					
Dawn to Dawn-Vector	\$0.042	n/a	n/a	0.205%	n/a
Dawn to Dawn-TCPL	\$0.220	n/a	n/a	0.328%	0.638%
d) Interruptible Transportation between two points within Dawn*					
*includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE)				0.328%	0.328%



(C) Rates (Cont'd)

Authorized Overrun:

The following Overrun rates are applied to any quantities transported in excess of the Contract parameters. Overrun will be authorized at Union's sole discretion.

	If Union supplies fuel Commodity Charge		Commodity Charges If Shipper supplies fuel Fuel Ratio		Commodity Charge Rate/GJ
	Apr.1-Oct.31 Rate/GJ	Nov.1-Mar.31 Rate/GJ	Apr.1-Oct.31 %	Nov.1-Mar.31 %	
a) Firm Transportation					
Between:					
St.Clair & Dawn	\$0.052	\$0.058	0.352%	0.431%	\$0.032
Ojibway & Dawn	\$0.060	\$0.065	0.496%	0.566%	\$0.032
Bluewater & Dawn	\$0.052	\$0.058	0.352%	0.431%	\$0.032
From:					
Parkway to Kirkwall	\$0.017	\$0.015	0.947%	0.923%	\$0.018
Parkway to Dawn	\$0.017	\$0.015	0.947%	0.923%	\$0.018
Kirkwall to Dawn	\$0.017	\$0.015	0.947%	0.923%	\$0.039
Dawn to Kirkwall	\$0.073	\$0.108	1.112%	1.731%	\$0.065
Dawn to Parkway	\$0.084	\$0.118	1.112%	1.731%	\$0.077
b) Firm Transportation within Dawn					
Dawn to Dawn-Vector	n/a	n/a	0.438%	n/a	\$0.001
Dawn to Dawn-TCPL	n/a	n/a	0.328%	0.638%	\$0.007

Authorized overrun for short-term firm transportation is available at negotiated rates.

Unauthorized Overrun:

The Unauthorized Overrun rate shall be the higher of the reported daily spot price of gas at either, Dawn, Parkway, Niagara, Iroquois or Chicago in the month of or the month following the month in which the overrun occurred plus 25% for all usage on any day in excess of 102% of Union's contractual obligation.

(D) Terms of Service

The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A" for contracts in effect before October 1, 2010. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A 2010" for contracts in effect on or after October 1, 2010.

(E) Nominations

Nominations under this rate schedule shall be in accordance with the attached Schedule "B" for contracts in effect before October 1, 2010. Nominations under this rate schedule shall be in accordance with the attached Schedule "B 2010" for contracts in effect on or after October 1, 2010.

(F) Receipt and Delivery Points and Pressures

Receipt and Delivery Points and Pressures under this rate schedule shall be in accordance with Schedule "C 2010" for contracts in effect on or after October 1, 2010.

Effective September 1, 2011
O.E.B. ORDER # EB-2010-xxxx

Chatham, Ontario

Supersedes EB-2010-0148 Rate Schedule effective January 1, 2011.

RATE C1
RECEIPT AND DELIVERY POINTS AND PRESSURES

SCHEDULE "C 2010"

1. Receipt and Delivery Points:

The following defines each Receipt Point and/or Delivery Point, as indicated (R= Receipt Point; D= Delivery Point)

- | | | |
|------|------------------------------------|--|
| R, D | <u>DAWN (FACILITIES):</u> | Union's Compressor Station site situated in the northwest corner of Lot Twenty-Five (25), Concession II, in the Township of Dawn-Euphemia, in the County of Lambton. This point is applicable for quantities of gas that have been previously transported or stored under other contracts that Shipper may have in place with Union. |
| R, D | <u>DAWN (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>DAWN (TECUMSEH):</u> | At the junction of Union's and Enbridge Gas Distribution Inc.'s (Enbridge) Tecumseh Gas Storage's facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>DAWN (TSLE):</u> | At the junction of Union's and Enbridge Gas Distribution Inc.'s (" Enbridge ") NPS 16 Tecumseh Sombra Line Extension facilities; at or adjacent to Dawn (Facilities) |
| R, D | <u>DAWN (VECTOR):</u> | At the junction of Union's and Vector Pipeline Limited Partnership (" Vector ") facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>PARKWAY (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Union's facilities situated in the Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga) |
| R, D | <u>KIRKWALL:</u> | At the junction of Union's and TCPL's facilities at or adjacent to Union's facilities situated in Part Lot Twenty-Five (25), Concession 7, Town of Flamborough. |
| D | <u>PARKWAY (CONSUMERS):</u> | At the junction of Union's and Enbridge's facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga) |
| D | <u>LISGAR:</u> | At the junction of the facilities of Union and Enbridge situated at 6620 Winston Churchill Boulevard, City of Mississauga. |
| R, D | <u>OJIBWAY:</u> | At the junction of Union's and Panhandle Eastern Pipe Line Company, LP's (" Panhandle ") facilities, located at the International Border between Canada and the United States in the St. Clair River. |
| R, D | <u>ST.CLAIR (MICHCON):</u> | At the junction of Michigan Consolidated Gas Company's (" MichCon ") and St. Clair Pipelines L.P.'s facilities, located at the International Border between Canada and the United States in the St. Clair River. |

R, D **BLUEWATER:** At the junction of Bluewater Gas Storage, LLC ("**Bluewater**") and St. Clair Pipelines L.P.'s facilities, located at the International Border between Canada and the United States in the St. Clair River.

2. Receipt and Delivery Pressures:

(a) All Gas tendered by or on behalf of Shipper to Union shall be tendered at the Receipt Point(s) at Union's prevailing pressure at that Receipt Point, or at such pressure as per operating agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(b) All Gas tendered by or on behalf of Union to Shipper shall be tendered at the Delivery Point(s) at Union's prevailing pressure at that Delivery Point or at such pressure as per agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(c) Under no circumstances shall Union be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Union be required to make any physical deliveries or to accept any physical receipts which its existing facilities cannot accommodate.

APPENDIX “B”

TO DECISION AND ORDER

BOARD FILE NO. EB-2010-0296

DATED: NOVEMBER 30, 2010, 2010



TRANSPORTATION RATES

(A) Applicability

The charges under this schedule shall be applicable to a Shipper who enters into a Transportation Service Contract with Union.

(B) Services

Transportation Service under this rate schedule shall be for transportation on Union's Dawn – Oakville facilities.

(C) Rates

The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

	Monthly Demand Charge (applied to daily contract demand) <u>Rate/GJ</u>	Commodity and Fuel Changes	
		Fuel Ratio %	AND Commodity Charge <u>Rate/GJ</u>
<u>Firm Transportation (1)</u>			
Dawn to Oakville/Parkway	\$2.332	Monthly fuel rates and ratios shall be in accordance with schedule "C".	
Dawn to Kirkwall	\$1.985		
Parkway to Dawn	n/a		
<u>M12-X Firm Transportation</u>			
Between Dawn, Kirkwall and Parkway	\$2.877	Monthly fuel rates and ratios shall be in accordance with schedule "C".	
<u>Limited Firm/Interruptible Transportation (1)</u>			
Dawn to Parkway – Maximum	\$5.597	Monthly fuel rates and ratios shall be in accordance with schedule "C".	
Dawn to Kirkwall - Maximum	\$5.597		
Parkway (TCPL) to Parkway (Cons) (2)		0.328%	

Authorized Overrun (3)

Authorized overrun rates will be payable on all quantities in excess of Union's obligation on any day. The overrun charges payable will be calculated at the following rates. Overrun will be authorized at Union's sole discretion.

	If Union supplies fuel Commodity Charge <u>Rate/GJ</u>	Commodity and Fuel Changes		Commodity Charge <u>Rate/GJ</u>
		Fuel Ratio %	AND	
<u>Transportation Overrun</u>				
Dawn to Parkway		Monthly fuel rates and ratios shall be in accordance with schedule "C".		\$0.077
Dawn to Kirkwall				\$0.065
Parkway to Dawn				\$0.077
Parkway (TCPL) Overrun (4)	n/a	0.54%		n/a
<u>M12-X Firm Transportation</u>				
Between Dawn, Kirkwall and Parkway		Monthly fuel rates and ratios shall be in accordance with schedule "C".		\$0.095



(C) Rates (Cont'd)

Unauthorized Overrun

Authorized Overrun rates will be payable on all quantities up to 2% in excess of Union's contractual obligation.

The Unauthorized Overrun shall be the higher of the reported daily spot price of gas at either Dawn, Parkway, Niagara or Iroquois in the month of or the month following the month in which the overrun occurred plus 25% for all usage on any day in excess of 102% of Union's contractual obligation.

Nomination Variances

Where Union and the shipper have entered into a Limited Balancing Agreement ("LBA"), the rate for unauthorized parking or drafting which results from nomination variances shall equal the "Balancing Fee" rate as described under Article XXII of TransCanada PipeLines Transportation Tariff.

Notes for Section (C) Rates:

- (1) The annual transportation commodity charge is calculated by application of the YCRR Formula, as per Section (D). The annual transportation fuel required is calculated by application of the YCR Formula, as per Section (D).
- (2) This rate is for westerly transportation within the Parkway yard, from Parkway (TCPL) to Parkway (Cons) or Lisgar.
- (3) For purposes of applying the YCRR Formula or YCR Formula (Section (D)) to transportation overrun quantities, the transportation commodity revenue will be deemed to be equal to the commodity charge of the applicable service as detailed in Section (B).
- (4) This ratio will be applied to all gas quantities for which Union is obligated to deliver to Parkway (Cons) or Lisgar and has agreed to deliver to Parkway (TCPL) on an interruptible basis. This will be in addition to any rate or ratio paid for transportation easterly to Parkway (Cons) or Lisgar.
- (5) A demand charge of \$0.690/GJ/day/month will be applicable for customers contracting for firm all day transportation service in addition to the demand charges appearing on this schedule for firm transportation service to either Kirkwall or Parkway

(D) Transportation Commodity

The annual fuel charge in kind or in dollars for transportation service in any contract year shall be equal to the sum of the application of the following equation applied monthly for the 12 months April through March (The "YCRR" or "YCR" Formula). An appropriate adjustment in the fuel charges will be made in May for the previous 12 months ending March 31st to obtain the annual fuel charges as calculated using the applicable "YCRR" or "YCR" Formula. At Union's sole discretion Union may make more frequent adjustments than once per year. The YCRR and YCR adjustments must be paid/remitted to/from Shippers at Dawn within one billing cycle after invoicing.



(D) Transportation Commodity (Cont'd)

$$YCR = \sum_1^4 [(0.003280 \times (QT1 + QT3)) + (DSF \times (QT1 + QT3)) + F_{ST}] \text{ For June 1 to Sept. 30}$$

plus

$$\sum_5^{12} [(0.003280 \times (QT1 + Q3)) + (DWF \times QT1) + F_{WT}] \text{ For Oct. 1 to May 31}$$

$$YCRR = \sum_1^4 [(0.003280 \times (QT1 + QT3)) + (DSF \times (QT1 + QT3)) + F_{ST}] \times R \text{ For June 1 to Sept. 30}$$

plus

$$\sum_5^{12} [(0.003280 \times (QT1 + Q3)) + (DWF \times QT1) + F_{WT}] \times R \text{ For Oct. 1 to May 31}$$

where: DSF = 0.00000 for Dawn summer fuel requirements
DWF = 0.0020 for Dawn winter fuel requirements

in which:

YCR Yearly Commodity Required

The sum of 12 separate monthly calculations of Commodity Quantities required for the period from April through March.

YCRR Yearly Commodity Revenue Required

The sum of 12 separate monthly calculations of Commodity Revenue required for the period April through March.

QT1 Monthly quantities in GJ transported easterly hereunder received at Dawn at not less than 4 850 kPa but less than 5 860 kPa (compression required at Dawn).

QT3 Monthly quantities in GJ transported westerly hereunder received at the Parkway (Oakville) Delivery Point.

F_{WT} The individual Shipper's monthly share of compressor fuel used in GJ which was required at Union's Lobo, Bright, Trafalgar and Parkway Compressor Stations ("Lobo", "Bright", "Trafalgar" and "Parkway") to transport the same Shipper's QT1 monthly quantities easterly.

Lobo, Bright, Trafalgar and Parkway compressor fuel required by each Shipper will be calculated each month.

The monthly Lobo and Bright compressor fuel will be allocated to each Shipper in the same proportion as the Shipper's monthly quantities transported is to the monthly transported quantity for all users including Union.

The monthly Parkway and Trafalgar compressor fuel used will be allocated to each Shipper in the same proportion as the



(D) Transportation Commodity (Cont'd)

monthly quantity transported to Parkway (TCPL) for each user is to the total monthly quantity transported for all users including Union.

F_{ST} The individual Shipper's monthly share of compressor fuel used in GJ which was required at Union's Lobo, Bright, Trafalgar and Parkway compressor stations to transport the same Shipper's quantity on the Trafalgar system.

Lobo, Bright, Trafalgar and Parkway compressor fuel required by each Shipper will be calculated each month.

R Union's weighted average cost of gas in \$/GJ.

Notes

(i) In the case of Easterly flow, direct deliveries by TCPL at Parkway to Union or on behalf of Union to Union's Transportation Shippers will be allocated to supply Union's markets on the Dawn-Oakville/Parkway facilities starting at Parkway and proceeding westerly to successive laterals until exhausted.

(E) Provision for Compressor Fuel

For a Shipper that has elected to provide its own compressor fuel.

Transportation Fuel

On a daily basis, the Shipper will provide Union at the delivery point and delivery pressure as specified in the contract, a quantity (the "Transportation Fuel Quantity") representing the Shipper's share of compressor fuel and unaccounted for gas for transportation service on Union's system.

The Transportation Fuel Quantity will be determined on a daily basis, as follows:

Transportation Fuel Quantity = Transportation Quantity x Transportation Fuel Ratio.

In the event that the actual quantity of fuel supplied by the Shipper was different from the actual fuel quantity as calculated using the YCR formula, an adjustment will be made in May for the previous 12 months ending March 31st.

Nominations

The Shipper will be required to nominate its Transportation Fuel Quantity in addition to its normal nominations for transportation services.

(F) Terms of Service

The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A" for contracts in effect before October 1, 2010. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A 2010" for contracts in effect on or after October 1, 2010.



(G) Nominations

Nominations under this rate schedule shall be in accordance with the attached Schedule "B" for contracts in effect before October 1, 2010. Nominations under this rate schedule shall be in accordance with the attached Schedule "B 2010" for contracts in effect on or after October 1, 2010.

(H) Monthly Fuel Rates and Ratios

Monthly fuel rates and ratios under this rate schedule shall be in accordance with Schedule "C".

(I) Receipt and Delivery Points and Pressures

Receipt and Delivery Points and Pressures under this rate schedule shall be in accordance with Schedule "D 2010" for contracts in effect on or after October 1, 2010.

RATE M12
RECEIPT AND DELIVERY POINTS AND PRESSURES

SCHEDULE "D 2010"

1. Receipt and Delivery Points:

The following defines each Receipt Point and/or Delivery Point, as indicated (R= Receipt Point; D= Delivery Point)

- | | | |
|------|------------------------------------|--|
| R, D | <u>DAWN (FACILITIES):</u> | Union's Compressor Station site situated in the northwest corner of Lot Twenty-Five (25), Concession II, in the Township of Dawn-Euphemia, in the County of Lambton. This point is applicable for quantities of gas that have been previously transported or stored under other contracts that Shipper may have in place with Union. |
| R | <u>DAWN (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities). |
| R | <u>DAWN (TECUMSEH):</u> | At the junction of Union's and Enbridge Gas Distribution Inc.'s (Enbridge) Tecumseh Gas Storage's facilities, at or adjacent to Dawn (Facilities). |
| R | <u>DAWN (TSLE):</u> | At the junction of Union's and Enbridge Gas Distribution Inc.'s ("Enbridge") NPS 16 Tecumseh Sombra Line Extension facilities; at or adjacent to Dawn (Facilities) |
| R | <u>DAWN (VECTOR):</u> | At the junction of Union's and Vector Pipeline Limited Partnership ("Vector") facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>PARKWAY (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Union's facilities situated in the Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga) |
| R, D | <u>KIRKWALL:</u> | At the junction of Union's and TCPL's facilities at or adjacent to Union's facilities situated in Part Lot Twenty-Five (25), Concession 7, Town of Flamborough. |
| D | <u>PARKWAY (CONSUMERS):</u> | At the junction of Union's and Enbridge's facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga) |
| D | <u>LISGAR:</u> | At the junction of the facilities of Union and Enbridge situated at 6620 Winston Churchill Boulevard, City of Mississauga. |

2. Receipt and Delivery Pressures:

(a) All Gas tendered by or on behalf of Shipper to Union shall be tendered at the Receipt Point(s) at Union's prevailing pressure at that Receipt Point, or at such pressure as per operating agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(b) All Gas tendered by or on behalf of Union to Shipper shall be tendered at the Delivery Point(s) at Union's prevailing pressure at that Delivery Point or at such pressure as per agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(c) Under no circumstances shall Union be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Union be required to make any physical deliveries or to accept any physical receipts which its existing facilities cannot accommodate.