

**REPLY EVIDENCE**

**MARKET HUB PARTNERS CANADA L.P.**

**FILE NO. EB-2005-0551**

**May 26, 2006**

Market Hub Partners Canada L.P. (“MHP Canada”) has prepared the following brief reply evidence with respect to Issue 2. It has also reviewed and supports the Reply Evidence filed contemporaneously on its behalf by Concentric Energy Advisors, Inc. (“CEA”).

MHP Canada’s principal interest is in affording additional choice to market participants in Ontario and surrounding regions. The development of additional market-area storage can only enhance the reliability of gas delivery infrastructure, add to market liquidity and assist in dampening gas volatility. There appears to be no disagreement that the development of additional storage accessible to Ontario market participants is a good thing and very much in the Ontario public interest. MHP Canada continues to believe that the storage market in Ontario is workably competitive. MHP Canada supports, therefore, the Ontario Energy Board (the “Board”) refraining from regulating storage rates and services in this market (“Forbearance”).

Short of Forbearance, MHP Canada requires market-based rates and contracting flexibility to develop storage in Ontario. Under a scenario of market-based rate authority, MHP Canada proposes to simply base its rate range on the Union Gas Limited (“Union Gas”) C1 rate range as approved by the Board.

To that end, MHP Canada is seeking an expedited decision with respect to the Core Points outlined in its evidence so that MHP Canada has an opportunity to develop the St. Clair Pool and provide 1.1 Bcf of working gas capacity to the market in 2007. The approvals requested, if granted by the Board, would provide MHP Canada with the confidence to move project plans forward and commit to necessary capital expenditures. MHP Canada assumes that market-based rate authority granted under any expedited decision would adopt the Board approved Union Gas C1 rate range at that time. An expedited decision on the Core Points in August 2006 will not

prejudge Forbearance. A final decision favouring Forbearance would then likely only enhance MHP Canada's pricing and contracting flexibility.

Further, MHP Canada notes that there appears to be little opposition to the granting of market-based rates and contracting flexibility to independent storage developers. IGUA/AMPCO and, to a certain extent, Mr. Stauff appear to be prepared to extend market-based rate authority and contracting flexibility to affiliated storage developers like MHP Canada provided that any contracts entered into with utilities, including affiliates, undergoes the conventional prudence review in connection with utility applications to recover costs.

While Ms. McConihe and the City of Kitchener appear opposed to granting MHP Canada market-based rate authority, from the attached analysis conducted by CEA, we believe their concerns to be unfounded. In the case of the City of Kitchener, MHP Canada's Open Season and negotiated rate processes will provide a full and fair opportunity for anyone interested in storage service to bid for the services available. In addition, the City of Kitchener will have the same ability as any other existing or prospective shipper on the Union Gas system to secure non-discriminatory access to the services MHP Canada intends to offer.

MHP Canada cautions the Board against accepting regulatory policy recommendations that may impair the vitality of the Dawn Hub. Nearly 20 years of experience with market-based storage rates combined with the geographic and geological advantages offered by storage in southwestern Ontario have created one of the most vibrant hubs in North America. MHP Canada believes that the Ontario public interest would be best served by enhancing access and flexibility for all users of the Dawn Hub rather than providing unnecessary restrictions or limitations.

A move toward cost-based rates for storage services appears to be regressive and unnecessary in terms of public policy. The end result of that approach will reflect the problem the United States Congress sought to redress when it prompted the Federal Energy Regulatory Commission to broaden its market power assessment to encourage the development of additional market area storage. Favouring cost-based rates for even non-affiliated independent storage developers would disrupt a recent entrant such as Tribute/Tipperary, who has already been certificated by the Board, and would have a cautionary effect on other potential entrants as well. MHP Canada has serious concerns about changing regulatory policy after the initial approvals are granted and

significant investments made. MHP Canada believes that virtually no new market area storage will be developed without market pricing, or market-based rate authority. Should concerns later arise with respect to market power or affiliate abuse, MHP Canada suggests that rectifying the impugned market power or affiliate conduct is the appropriate regulatory response rather than repealing market pricing, or market-based rate authority, and contracting flexibility.

In light of the apparent support for the development of new storage in Ontario, MHP Canada respectfully reiterates its request for an expedited Board decision on its Core Points such that incremental storage capacity can be developed in Ontario in 2007. MHP Canada will shortly notify the Board that it wishes to re-engage the St. Clair Pool facilities application in order to ensure that, if the Board finds that MHP Canada cannot exercise market power and if MHP Canada is granted market-based rate authority and contracting flexibility, the St. Clair Pool capacity can be developed and marketed at the earliest opportunity.