UNION GAS LIMITED

Undertaking of Mark Kitchen
To Ms. Campbell

For Union Gas Limited to file the amended T1 Tariff.

See attached amended T1 Tariff schedule.

Witness: Mark Kitchen
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

STORAGE AND TRANSPORTATION RATES
FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer

a) whose combined firm and interruptible service minimum annual transportation of natural gas is 5 000 000 m^3 or greater; and

b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and

c) who has meters with electronic recording at each Point of Consumption; and

d) who has site specific energy measuring equipment installed at each Point of Consumption that will be used in determining energy balances; and

e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher or lower than the identified rates.

STORAGE SERVICE:

			For Customers Providing Their Own Compressor Fuel	
	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	Fuel Ratio	Commodity Charge Rate/GJ
a) Annual Firm Storage Space				
Applied to contracted Maximum				
Annual Storage Space	$0.010			
b) Annual Firm Injection/Withdrawal Right:				
Applied to the contracted Maximum				
Annual Firm Injection/Withdrawal Right				
Union provides deliverability Inventory	$1.966			
Customer provides deliverability Inventory (4)	$1.023			
c) Incremental Firm Injection Right:				
Applied to the contracted Maximum				
Incremental Firm Injection Right	$1.023			
d) Annual Interruptible Withdrawal Right:				
Applied to the contracted Maximum				
Annual Interruptible Withdrawal Right	$1.023			

	Demand Charge Rate/GJ/mo	Commodity Charge Rate/GJ	For Customers Providing Their Own Compressor Fuel: Fuel Ratio	For Customers Providing Their Own Compressor Fuel: Commodity Charge Rate/GJ
e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity		$0.056	0.631%	$0.004
f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity		$0.056	0.631%	$0.004
g) Short Term Storage / Balancing Service Maximum		$3.000		

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.

3. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union. Storage and withdrawal rights are for the exclusive purpose of meeting the requirements of the specific locations included in each contract.

4. Deliverability Inventory being defined as 20% of annual storage space.

5. Short Term Storage / Balancing Service is:
   i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, OR
   ii) short-term firm deliverability, OR
   iii) a component of an operational balancing service offered.

   In negotiating the rate to be charged for service, the matters that are to be considered include:
   i) The minimum amount of storage service to which a customer is willing to commit,
   ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
   iii) Utilization of facilities, and
   iv) Competition

uniongas

TRANSPORTATION CHARGES:

	Demand Charge Rate/m^3/mo	Commodity Charge Rate/m^3	For Customers Providing Their Own Compressor Fuel: Fuel Ratio (5) (6)	For Customers Providing Their Own Compressor Fuel: Commodity Charge Rate/m^3
a) Annual Firm Transportation Demand Applied to the Firm Daily Contract Demand (CD)				
First 140,870 m^3 per month	16.9379			
All over 140,870 m^3 per month	12.2359			
CD < 140,870 m^3	31.5303			
140,870 m^3 ≤ CD < 422,610 m^3	23.0820			
422,610 m^3 ≤ CD < 1,126,964 m^3	14.6293			
CD ≥ 1,126,964 m^3	10.6872			
b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption		0.2912	0.554%	0.0943
First 2,360,653 m^3 per month		0.3151	0.584%	0.1336
All over 2,360,653 m^3 per month		0.2598	0.584%	0.0783
c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption				
Maximum		2.6211¢ 2.9613¢	0.584% 0.554%	2.5658¢2.7644¢

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.

2. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:
   a) The amount of the interruptible transportation for which customer is willing to contract,

   b) The anticipated load factor for the interruptible transportation quantities,

   c) Interruptible or curtailment provisions, and

   d) Competition.

3. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.

4. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

5. Transportation fuel ratio does not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.

6. Transportation fuel ratio does not apply to T1 transportation customers with firm contract demand in excess of 1,126,964 10*3m*3/ day and who contract with Union for and are served by M12 Dawn to Parkway transmission services equivalent to 100% of their contracted demand.

SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule “A”.

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer’s contracted Maximum Storage Space. Overrun will be authorized by Union at is sole discretion. Storage Space Overrun equal to the customer’s firm deliveries from TCPL: less the customer’s Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1.

Unauthorized

If at any time in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be $1.745 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union’s approved weighted average cost of gas. If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

	Union Providing Fuel	For Customers Providing Their Own Compressor Fuel Firm or Interruptible Service	
	Firm or Interruptible Service	Fuel Ratio	Commodity Charge
Storage Injections	\$0.155/GJ	1.05%	\$0.069/GJ
Storage Withdrawals	\$0.155/GJ	1.05%	\$0.069/GJ
Transportation	0.8719 ¢/m^3	0.584%	0.6905 ¢/m^3

Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged 6.5705¢ per m^3 or \$1.745 per GJ, as appropriate.

3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

	Firm Service Rate/GJ
Space	\$0.937
Injection / Withdrawal Maximum	\$3.000

OTHER SERVICES & CHARGES:

1. Monthly Charge

In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

Monthly Charge	\$1 800

2. Diversion of Gas

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(D) Delayed Payment

When payment of the monthly bill has not been made in full 16 days after the bill has been issued, the unpaid balance including previous arrears shall be increased by 1.5%.

UNION GAS LIMITED

Undertaking of Mark Kitchen
To Mr. Brown

To provide average volume incorporated into system design, to present averaged volume as a percentage.

The requested information for the T1 rate class based on the 2007 forecast is provided below:

Average Daily Firm Volume	12,684 $10^3 m^3$/day
Total Firm Contracted Demand	15,965 $10^3 m^3$/day
Percent	81%

Witness: Mark Kitchen
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

UNION GAS LIMITED

Undertaking of Libby Passmore
To Mr. Brown

To provide where in the interruptibility ranking order, interruptible deliverability service under T1 would stand.

Per the dispatch priority ranking for Union's services for both storage and transportation, interruptible services under the T1 rate schedule are in Tier 4. The policy was produced in Exhibit J5.11, RP-2003-0063.

Witness: Libby Passmore
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

UNION GAS LIMITED
Answer to Interrogatory
from the City of Kitchener

Reference: Issue A7.3 Level of Priority of Service

Question

Please produce Union's policy and all of its written and verbal instructions to staff respecting level of priority of service.

Answer

Please find attached Union's policy concerning Priority of Service. This policy has been in place and been applied by Union on a consistent basis since at least 1994. Earlier versions have been distributed and discussed in prior regulatory proceedings including:

- EBRO 486 - Exhibit K14, question 37 (attached)
- RP-2002-0130 - Exhibit C4.26 (attached)

Staff are instructed to administer the priority of service as described in the attached document.

Witness: Sarah VanderPaelt
Question: July 24, 2003
Answer: August 7, 2003
Docket: RP-2003-0063

Union Gas
Priority of Service Ranking Policy

The dispatch priority ranking for Union's services for both storage and transportation, as applied to both in-franchise and ex-franchise customers are as follows:

1. Firm Service/Entitlement under Rate Schedules M2, M4, M5A, M6A, M7, M9, M10, M12, C1, T1, T3, U2, U5, U7
2. Non-LCU Service under Rate Schedule M12
3. Limited Firm Service under Rates Schedules M12 and C1
4. Interruptible Service under Rate Schedules M5A, M7, T1, U5, U7
5. Peak Storage and Loans
6. Overrun Service
7. Off Peak Storage and Loans
8. Hub Activity
9. Diversion Activity and Suspensions
10. Late Nominations

The priority ranking is such that those services that require facilities and are classified as firm receive highest priority, as the costs of these firm facilities are recovered through firm rates. In all cases firm services have a higher priority than interruptible services. For services that are not firm, the priority ranking is depending on the current operational constraints on Union's system and the economics of the services currently being provided.

Witness: Sarah VanderPaelt
Question: July 24, 2003
Answer: August 7, 2003
Docket: RP-2003-0063

UNION GAS LIMITED

Undertaking of Chris Shorts
To Mr. Brown

To provide side-by-side comparison illustrating the similarities and differences between the existing T1 service and the new options that you're proposing in your supplementary evidence regarding the non-obligated DCQ for a customer situated east of Dawn.

Please find the attached chart which outlines the similarities and differences between the existing TI service and the proposed T1 service alternatives as outlined in Union's Supplemental Evidence.

Please note that this proposal is applicable for new or existing customers with incremental firm demands of at least 1,126,964 m^3 per day.

Witness: Chris Shorts
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

Undertaking # 28: Summary Comparison Chart

	T1	T1	T1	U7	U7	T1 Option 1	T1 Option 2	T1 Option 3
	Current West of Dawn	**Current West of Dawn**	**Current East of Dawn**	**Current West of Dawn**	**Current East of Dawn**	**Supplemental Evidence East of Dawn**	**Supplemental Evidence East of Dawn**	**Supplemental Evidence East of Dawn**
Supply	Obligated DCQ	Non-Obligated Supply	Obligated DCQ	No required Call Back	Required Call back	Obligated DCQ	Non-Obligated Supply	Hourly deliveries from TCPL matching hourly consumption *
DCQ/Supply Calculation	Annual forecast divided by 365	100% CD	Annual forecast divided by 365	100% CD	100% CD	100% CD	100% CD	Matching hourly deliveries from TCPL (max. = peak hour) *
Primary Receipt Point	Dawn	Dawn	Parkway	Dawn	Parkway	Parkway	Dawn	Parkway
Action to Change Supply Amount	Authorization Notice	N/A	Authorization Notice	Nomination	Nomination	Authorization Notice	N/A	Nomination
Action to Request Alternate Receipt Point	Authorization Notice	Authorization Notice	Authorization Notice	Nomination	Nomination	Authorization Notice	Authorization Notice	Authorization Notice
Nomination of Consumption	No (hourly profile required)	No (hourly profile required)	No (hourly profile required)	Yes	Yes	No (hourly profile required)	No (hourly profile required)	No (hourly profile required and Union will monitor hourly consumption)
Calculation of Storage Space	Aggregate excess	TBD	Aggregate excess	Aggregate excess	Aggregate excess	Aggregate excess	TBD	TBD
Requires Nomination of Storage (Inj/W/d)	No	No	No	Yes	Yes	No	No	No
Overrun Allowed?	Yes - Authorized/ Unauthorized	TBD	Yes - Authorized/ Unauthorized	Yes - Authorized/ Unauthorized	Yes - Authorized/ Unauthorized	Yes - Authorized/ Unauthorized	TBD	TBD
Nomination Windows	4 NAESB	4 NAESB	4 NAESB	4 NAESB	4 NAESB	4 NAESB	4 NAESB	FTSN Windows
Balancing	Allocated storage injections/withdrawals	Allocated storage injections/withdrawals	Allocated storage injections/withdrawals	Nominated activity Into or out of storage	Nominated activity Into or out of storage	Allocated storage injections/withdrawals	Allocated storage injections/withdrawals	Allocated storage injections/withdrawals
Deliverability	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market	firm 1.2% of allocated storage space at cost; remainder at market
Transportation Firm Throughout the Day?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
M12 Transport Required?	N/A	N/A	No	N/A	No	No	Yes	No
M12 Assigned to Union?	N/A	N/A	N/A	N/A	No	N/A	Yes	N/A

Note: The above assumes new customer or new incremental load with a firm CD >=1,123,964 m^3/d

***Houlry and daily allowable imbalance limits between amount consumed and the amount delivered by customer to Union via TCPL are still to be determined.**

UNION GAS LIMITED

Undertaking of Mark Kitchen
To Mr. Thompson

To produce Union evidence in response to Board directive in case in which Coral sought modifications to T1.

Please see attached schedules.

Witness: Mark Kitchen
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

unionGas

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

2004-07-30

Ontario Energy Board
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Attention: Mr. Peter O'Dell, Acting Board Secretary

Re: RP-2003-0063 – Union Gas Limited - Response to Board Directive

The RP-2003-0063 Rate Order contains the following directive:

> *"Union shall submit detailed evidence respecting the reasonably anticipated load profile associated with the Brighton Beach facility, in order to determine, by no later than August 1, 2004, if there is a basis consistent with applicable ratemaking principles, for establishing a new rate class for customers with Coral's load profile and if so, apply for Board approval."*

Attached is the evidence referenced in the above-noted directive.

Certain information contained in the evidence was provided by Coral and, at Coral's request, has been redacted from all public copies on the grounds that it is commercially sensitive and, therefore, confidential. Union's proposal for the treatment of this confidential information is in accordance with past practice, as set out below:

1. Union will file three copies of the unredacted evidence, clearly identified and marked "Confidential," with the Board.

2. Redacted copies will be provided to the Board (10) and to all intervenors of record in Union's 2004 rate case.

3. Intervenors, or their counsel, who sign a confidentiality agreement will be permitted access to an unredacted copy of the evidence on prescribed terms and conditions.

4. Certain intervenors — commercial competitors of Coral such as other power generators — will not be provided with access, although their counsel may have access provided the undertaking is given not to disclose the information to any one else, including their client.

5. In the event of an oral hearing and in the event that a party considers it necessary to conduct cross-examination on the confidential information, appropriate arrangements will be made with the Board panel conducting the hearing for in camera sessions. Similar arrangements will be made with respect to the filing of any argument.

6. Any party wishing to challenge the confidentiality of the materials, or these arrangements, may do so by means of a motion before the Board on notice to all parties.

Should you wish to discuss this matter in more detail please contact me at (519) 436-4538 or Bryan Goulden at (519) 436-4637.

Mike Packer
Director, Regulatory Affairs

cc: M. Penny (Torys)
RP-2003-0063 Intervenors

PREFILED EVIDENCE OF

MARK KITCHEN, MANAGER, RATES AND PRICING

PAT MCMAHON, MANAGER, PRODUCT AND SERVICES COSTING

The purpose of this evidence is to provide Union's response to the Board's directive (RP-2003-0063 Decision with Reasons, pg. 177) to determine if there is a basis for establishing a new rate class (the "Prospective Rate Class") for customers with load profiles similar to that of the Brighton Beach Power Station ("BBPS").

The evidence is presented under the following headings:

a) Introduction
b) Cost Allocation Approach
c) Rate Design Approach
d) Merchant Power Generator Load Profile
e) Analysis
f) Conclusions

INTRODUCTION

The Board found in its RP-2003-0063 Decision with Reasons that:

> *"…the Board does not have sufficient evidence before it now to assess the extent to which this load profile justifies, on the basis of generally accepted rate design principles, a unique rate class for such undertakings, nor the implications such an approach may have for members of the current T1 rate class, or other rate classes."(RP-2003-0063, Decision with Reasons, pg. 177)*

The Board further found:

> *"Accordingly, pursuant to Section 21, of the Act, the Board directs Union to begin immediately to prepare and submit detailed evidence respecting the reasonably anticipated load profile associated with the Brighton Beach facility, based on the extrapolation of available data, in consultation with Coral and other interested parties. It is the Board's expectation that Union will use the cost allocation methodology approved in EBRO 499. Union should determine if there is a basis, consistent with applicable ratemaking principles, for establishing a new rate class for customers with Coral's load profile and if so, apply for Board approval. Union shall do this by no later than August 1, 2004. The procedure timeline to be followed will be established in a Procedural Order, which will include provision for late intervention requests by interested parties who are not currently intervenors." (RP-2003-0063, Decision with Reasons, pg. 177)*

Consistent with the direction provided by the Board, Union began its analysis of the appropriateness of a new rate class for customers with load profiles similar to that of the BBPS upon completion and approval of the 2004 Rate Order. The approach taken is consistent with the cost allocation and rate design principles approved by the Board, and that underlie our current rate classes. Should a new rate class be appropriate, it would be available to all eligible customers in Union's Southern Operations area, including merchant power generation customers.

Union's analyses used forecast peak day and volumetric consumption information supplied by Coral as the basis for each cost allocation and rate design scenario. For the purposes of the analysis, Union used the 2004 approved cost allocation model assuming both E.B.R.O. 499 and RP-2003-0063 Board approved cost allocation methods. The E.B.R.O. 499 methodology was used because the Board's direction mentioned it. The RP-2003-0063 methodology was used because it is the last methodology approved by the

Board. By completing the analysis using both methodologies, the difference that results between the two methodologies can be quantified. (The main methodology difference relates to the allocation of distribution capacity-related costs.) Further, Union formally requested input from all of its other current power generation customers and various other market participants with respect to the load profiles merchant power generators are expected to exhibit within Union's franchise area. Union received only one response to these requests.

In considering whether or not there was a basis for establishing a new rate class for customers with load profiles similar to Coral, Union focused its analysis on the provision of firm transportation service. All load and unit rate comparisons are made to the T1 firm transportation service.[1] Union did not prepare any analysis assuming entirely interruptible service being provided under the Prospective Rate Class because Union's existing approved T1 rate structure already allows for interruptible service to be provided at negotiated rates. Accordingly no new rate class would be required to accommodate interruptible service.

1 The T1 rate is applicable to customers in Union's Southern Operation area whose combined annual firm and interruptible load is 5,000 10^3m^3 or greater. There is no minimum contract demand on load factor required to be eligible for the service.

Union notes that the introduction of Rate 100 Large Volume High Load Factor Firm Service in 1994 and the redesign of Rate 20 Medium Volume Firm Service in 2003 address respectively the high volume, high load factor and the low volume, low load factor firm service scenarios in Union's Northern and Eastern Operations area. As such, Union has only considered whether or not a new rate class is appropriate in the context of rates offered to customers in the Southern Operations area.

Also, the costs associated with contracting for storage services were not included in the average unit rate comparisons. This is appropriate because customers within the T1 rate class contract separately for storage based on their individual requirements for storage space, deliverability and commodity at Union's overall embedded cost of each service component. Also, all infranchise classes receive an allocation of storage costs at the same average unit rate. Union has assumed that independent of whether or not a new rate class is warranted, the same rate for storage service would apply and, like T1, a customer in a new rate class would contract separately for storage services.

The results of the analysis have been summarized in Table 1 below.

Table 1

Line No.		Scenario	Average Unit Rates (cents/m^3)
		High Volume	
	(a)	Excluding Dawn-Trafalgar Costs & E.B.R.O. 499 Cost Allocation Methodology	
1		Mer Gen in T1	1.0154
2		Mer Gen Separate	1.0223
	(b)	Excluding Dawn-Trafalgar Costs & RP-2003-0063 Cost Allocation Methodology	
3		Mer Gen in T1	0.6918
4		Mer Gen Separate	0.5265
	(c)	Including Dawn-Trafalgar Costs & E.B.R.O. 499 Cost Allocation Methodology	
5		Mer Gen in T1	1.0645
6		Mer Gen Separate	1.3430
	(d)	Including Dawn-Trafalgar Costs & RP-2003-0063 Cost Allocation Methodology	
7		Mer Gen in T1	0.7409
8		Mer Gen Separate	0.8472
		Low Volume	
	(e)	Excluding Dawn-Trafalgar Costs & E.B.R.O. 499 Cost Allocation Methodology	
9		Mer Gen in T1	5.1383
10		Mer Gen Separate	5.0468
	(f)	Excluding Dawn-Trafalgar Costs & RP-2003-0063 Cost Allocation Methodology	
11		Mer Gen in T1	3.3234
12		Mer Gen Separate	2.2660
	(g)	Including Dawn-Trafalgar Costs & E.B.R.O. 499 Cost Allocation Methodology	
13		Mer Gen in T1	5.4139
14		Mer Gen Separate	6.8469
	(h)	Including Dawn-Trafalgar Costs & RP-2003-0063 Cost Allocation Methodology	
15		Mer Gen in T1	3.5988
16		Mer Gen Separate	4.0654

Based on the analyses that were completed using load profile information supplied by Coral, Union's current approved cost allocation methodology and the application of generally accepted rate design principles, Union has concluded that:

1. Cost differences are not significant and the resulting rate differences are solely attributable to location and distribution capacity allocation methods;
2. There appears to be insufficient justification for a new rate class for customers with load profiles similar to those provided by Coral; and
3. The T1 rate class appears to be the appropriate rate class for customers with load profiles similar to that supplied by Coral.

COST ALLOCATION APPROACH

In conducting its analysis and preparing this evidence, Union has used the Board approved cost allocation methodologies. These methods which were described in RP-2003-0063, and prior cases, are described here again for easy reference.

The objective of the cost allocation process is to allocate the test year cost of service to customer rate classes. Its primary use is to support the rate design process. A fully distributed cost allocation study is used to provide an indication of cost responsibility at a specific point in time. It cannot, and should not be viewed, as a precise measurement of the actual cost to serve a particular rate class, much less a particular customer.

To prepare a cost of service study a three step approach is followed. The steps are:

1. Functionalization: The first step of the cost allocation process is to associate asset and operating costs with the various utility service functions. There are four functions generally accepted as necessary to obtain and move gas to market; purchase and production of gas; storage; transmission; and distribution.

2. Classification: The second step, categorizes functionalized asset and operating costs into classifications according to cost incurrence. The three main classifications are demand-related, commodity-related, and customer-related. Demand-related costs, also known as capacity-related costs are costs that vary with peak day usage of the system. Commodity-related costs are costs that are typically variable in nature and vary with the level of gas consumed. Customer-related costs are costs that are incurred by virtue of a customer taking service and do not vary with either peak day demand or consumption.

3. Allocation: The final step in the cost allocation process attributes the three types of costs classified above. Allocation factors that reflect the underlying cause for incurring the cost are used in the allocation process. For example, demand-related costs are allocated using the peak day demands of each rate class. Commodity-related costs are allocated based on rate class consumption. Customer-related costs are allocated based on the number of customers in a rate class.

When investigating the potential for establishing a new rate class the primary focus of the cost allocation analysis is to determine whether or not, based on differences in cost causality, one group of customers causes costs to be incurred in a distinct way, which is different than others. For example, if a group of customers within a class exhibits a load profile where the demand peaks at a different time of the year than the rest of the class, justification for a new rate class may exist on the grounds that the costs each group are causing will be different in nature.

CURRENT ALLOCATION OF COSTS TO THE T1 RATE CLASS

Table 2 below summarizes approved the costs allocated to the T1 firm transportation service by classification.

Table 2

Classification	Allocated Cost ($000's)	%
Distribution demand-related	5,757	22%
Transmission demand-related	15,588	58%
Total demand-related	21,345	80%
Commodity-related	3,723	14%
Customer-related	1,611	6%
Total	26,679	100%

(Source: RP-2003-0063, Rate Order, Working Papers, Schedule 9, Pg. 8 of 10, Column (e).)

Distribution demand-related costs consist primarily of a portion of the costs of 2 – 24" plastic or steel main (split between demand and customer-related components on the basis of the minimum plant method in the Southern Operations area). Also included are costs related to measuring and regulating station equipment, structures and other costs (including distribution land, land rights and communication equipment).

Transmission demand-related costs consist primarily of plant such as land, land rights, mains relating to the Dawn-Trafalgar, Ojibway/St. Clair and Other transmission systems, compressor equipment, measuring and regulating equipment. Also, included are operating and maintenance expenses associated with these plant items.

Commodity-related costs are costs that vary directly with the volume of gas purchased or delivered such as compressor fuel costs and unaccounted for gas. Also included are a portion of costs related to general plant and working capital as well as a portion of advertising costs and general expenses related to operating, engineering and administration.

Customer-related costs are costs that relate to providing services at customer locations or vary with the number of customers. These costs are affected directly by the number of customers served. Customer-related costs related to distribution mains, services, customer stations, etc., as well as operating and maintenance costs associated with these assets. Other operating expenses include customer accounting related expenses (i.e. billing, meter reading, etc.), advertising and general administration expenses.

To justify separate rate class treatment for a customer or group of customers from that of the existing T1 rate class it would be necessary to show that material cost differences exist between customers within the class. Table 1 demonstrates that 80% of the costs allocated to T1 related to the provision of firm transportation service are demand-related based on the T1 rate class peak day use of Union's distribution and transmission facilities. 58% of the total costs are transmission demand-related and 22% are distribution demand-related. Volumetric factors, on the other hand, account for 14% of total firm transportation-related costs. As a result, given the relatively low proportion of volumetrically allocated costs and the high proportion of demand-related costs, Union would not expect that the difference in costs allocated to low and high volume customers within the class would be significant.

DEMAND-RELATED COSTS

Distribution Demand-Related Costs

In the Board's RP-2003-0063 Decision with Reasons, the Board approved, for the purposes of setting 2004 rates, Union's proposal to allocate distribution demand-related costs in the Southern Operations area using the design day demands exclusive of the demands of customers served directly off transmission main. The rationale for Union's proposal was:

1. The allocation provided a better representation of cost causality because the demands of customers served directly off transmission main were excluded, resulting in only the demands of customers that caused distribution facilities to be

constructed being included in the allocator.

2. In the approved cost allocation methodology for the Northern and Eastern Operations area the demands of customers served entirely by sole use mains are excluded from the allocation factor used to allocate the costs of grid and joint use mains. By excluding the demands of customers served directly off transmission main from the distribution demand allocator in the Southern Operations area, Union harmonized the treatment of distribution demand-related costs between the Southern Operations area and Northern and Eastern Operations area while recognizing the physical and operational differences between the distributions systems.
3. Costs and rates were not aligned when the Board did not accept that the demands of customers served directly off transmission main could be excluded from the distribution demand allocator for cost allocation purposes while approving it for rate design. Union's proposal aligned the cost allocation study with the method approved for designing rates providing a more correct reflection of cost causation, allocated costs, and revenue to cost ratios.

This was addressed in detail at Exh. G1/T1, pp 9-13 of Union's RP-2003-0063 evidence and further discussed beginning at TR Volume 19, para. 335. The allocation of these costs was also addressed at pg. 155 of Union's RP-2003-0063 Reply Argument.

Between 1989 and 2004, the approved cost allocation method for allocating distribution demand-related costs included the demands of customers served directly off transmission main. Prior to 1989 the demands of customers served directly off transmission main were not included in the allocator for distribution demand-related costs.

Under the current approved methodology for allocating distribution demand-related costs, rate classes with more customers served directly off transmission are allocated less distribution demand-related costs than rate classes with fewer customers served directly off transmission. It is important to note, however, under this methodology that it is the rate class as a whole (not the individual customers within the class) that receives the benefit of not being allocated distribution costs because some members of the class are served off transmission main. Location, therefore, in the context of allocating distribution demand-related costs, has an impact on the overall level of costs allocated to a rate class. Location, however, does not represent and has not historically represented a criterion for separate rate class treatment.

In the 2004 cost study, there are 30 customers served directly off transmission main of which 20, including the BBPS, are in the T1 rate class. The remaining 10 customers served directly off the transmission main are in Rate M4, Rate M5 and Rate M7. As a result, the T1 rate class receives a significant benefit associated with the allocation of distribution demand-related costs. Union notes that the Board's approval of this change in allocation methodology in the RP-2003-0063 Decision with Reasons was for the 2004 test year only. Union was directed to "develop and present in its next rates application a more appropriate methodology to allocate distribution capacity-related costs in its cost allocation study". (RP-2003-0063, Decision with Reasons, pg. 133)

Transmission Demand-Related Costs

Within the cost allocation study, transmission demand-related costs are separately distinguished for each transmission system. That is, within the transmission function, costs associated with the Dawn-Trafalgar, Ojibway/St. Clair and Other Transmission systems are allocated to rate classes separately based on the peak day demands of each transmission system (i.e. Dawn-Trafalgar transmission costs are allocated in proportion to the demands on the Dawn-Trafalgar transmission system and Ojibway/St. Clair and Other Transmission costs are allocated in proportion to the demands on these systems).

Dawn-Trafalgar transmission costs are allocated between infranchise and exfranchise customers in proportion to distance weighted design day demand on the Dawn-Trafalgar system. Dawn-Trafalgar transmission costs allocated to infranchise customers are allocated amongst infranchise rate classes in proportion to each rate class' demand on the Dawn-Trafalgar system. This was explained in further detail at RP-2003-0063, Ex. G3/T1/S1, pp. 14-16.

Ojibway/St. Clair transmission costs are allocated between infranchise and exfranchise rate classes using Ojibway/St. Clair capacities. Ojibway/St. Clair transmission costs allocated to infranchise customers are allocated amongst infranchise rate classes in proportion to each rate class' design day demand.

Other Transmission costs include the costs associated with the transmission facilities in the Southern Operations area not related to the Dawn-Trafalgar or Ojibway/St. Clair systems. These are primarily laterals off of the Dawn-Trafalgar transmission system. These facilities are not used in the provision of exfranchise services and, therefore, like distribution costs, are allocated to infranchise rate classes only. Other Transmission costs are allocated to infranchise rate classes in proportion to each rate class' design day demand.

Based on the above, from a cost allocation perspective, the location of individual customers within a rate class has an impact on the allocation of costs to the rate class depending on the transmission facilities used in the provision of service and whether or not a customer is served using distribution facilities. Once total costs are allocated to a rate class, however, all customers within the rate class share in the recovery of those costs independent of specific customers' location.

Commodity-Related Costs

The allocation of transmission-related commodity costs between infranchise and exfranchise customers is based on fuel and unaccounted for gas usage. Infranchise costs are allocated to rate classes on the basis of delivery volumes.

Distribution commodity-related costs are allocated to infranchise rate classes in proportion to delivery volumes.

Customer-Related Costs

These costs relate to having a customer on the line and are affected directly by the number of customers served. Several approved methodologies are used to allocate the components of customer-related costs. These include such measurements as service replacement costs, service calls and weighted average number of customers. Costs which are directly assigned costs relate to distribution sales promotion and demand side management costs.

RATE DESIGN APPROACH

Union's rates are designed based on common rate class groupings which reflect differences in load factor, contract demand levels, load profile and quality of service (i.e. firm vs. interruptible). In other words, customers of similar load profile and characteristics are grouped together for the purposes of cost allocation and rate design. The Board approved rate making principles used by Union do not consider or distinguish customers on the basis of location or end use. Currently, Union's rates do not distinguish on the basis of location or end use because to do so would impart an advantage or discriminatory benefit on one geographic area or industry relative to another. As such, the Board has historically approved for Union postage stamp rates arrived at through the application of class rate-making principles. These rate design principles are generally accepted and applied by regulators.

The Board has frequently reiterated its support for postage stamp rates. As identified in para. 3.65 of the Board's E.B.R.O. 410-II, 411-II, 412-II Decision with Reasons, the Board found that postage stamp rates met the dual objective of administrative simplicity and operational efficiency. The alternative, distance based rates, give preference to customer locations, which are in close proximity to pipelines. Distance based distribution rates have been found to be contrary to the public interest, which has tried to encourage balanced economic development throughout the province independent of location. The Board clearly indicated its preference for postage stamp rates in its EBRO 471 Decision with Reasons at para. 4.0.2-4.0.4, which stated:

> *"…postage stamp rates within each class of customers are a basic building block of utility regulation in Ontario. It can be argued that without such rates the Province's regional development would have been severely hampered."*

The Board also stated its support of class rate making in its RP-2003-0063 Decision with Reasons in that:

> *"The development and design of a rate or rate class is a process that is governed by principles which have been developed by scholars and practitioners. Principles are necessary because of the high degree of interdependence of gas distribution system participants. Of all the principles governing the establishment of rates and rate classes, the most fundamental is that requiring that rate classes should be responsible for a reasonable proportion of the costs they cause the system to incur."*

Further in reference to the inappropriateness of end use rates, the Board stated:

> *"Where a disproportionate amount of the revenue requirement is visited upon a rate class, that rate class is either subsidizing or being subsidized by other system participants. Rates are developed to avoid any such disproportionality to the extent reasonably possible. For this reason, so-called end-use rates have not been a common feature of regulated markets. In order to ensure that the appropriate cost*

causation allocation is made respecting a specific category of user, the regulator must first establish the demands placed upon the system by the consumer arising from the consumer's usage profile, not the category of its business undertaking." (RP-2003-0063, pg. 176)

Union continues to support the principles of class rate making and postage stamp rates for the reasons provided above. In responding to the Board's directive to determine if there is a basis for establishing a new rate class for customers that exhibit a load profile similar to that of Coral as a representative of merchant generators, Union has considered the following well established rate design principles:

1. *Rate Class Homogeneity*: Customers that exhibit a high degree of similarity with respect to their size, load profile and load factor should be grouped together for the purposes of designing rates.
2. *Rate Stability*: Rates should not be subject to unexpected changes that seriously impact customers. Customers should be reasonably confident that the rates they pay would not be subject to wide swings.
3. *Allocated Costs*: The rates charged to a customer should reasonably reflect the level of costs that the customer attracts to the class.

These rate design principles are consistent with those used by Union and the former Centra Gas Ontario in the past to determine whether or not a new rate class should be established (E.B.R.O. 483/484, Exhibit H1) or whether or not rate redesigns are necessary (RP-2002-0130, Exhibit B, Tab 10, pgs. 6-13 and RP-2003-0063, Exhibit H1, Tab 1, pgs. 16-22).

MERCHANT POWER GENERATOR LOAD PROFILE

The Board indicated in the RP-2003-0063 Decision with Reasons that it did not have sufficient evidence to assess whether or not the load profile of the BBPS justified, on the basis of generally accepted rate design principles, a rate class unique from Union's existing rate classes and, in particular, unique from the T1 rate class. In accordance with the Board's direction, Union requested from Coral the forecast peak day demands and volumetric consumption that could reasonably be expected at a merchant generating facility like the BBPS. Coral responded by providing scenarios reflecting various volumes and load factors for the near and long term.

To cover the range of scenarios provided by Coral, Union used, in the preparation of the cost allocation studies and rate impact analysis, the low volume load profile for the year 2005 and the high volume load profile for the year 2020. In Union's view the load profile information provided by Coral is sufficiently broad enough (in that it allows for a wide range of load factors to be examined) that it can be used to analyze the appropriateness of creating a new rate class which would be available to all eligible customers in Union's Southern Operations area, including merchant power generation customers.

For both the low volume and high volume scenarios the same peak daily Contract Demand (CD) of [redacted] 10^3 m^3/day was required to reflect the merchant power generators maximum daily gas demand requirement. The volume scenarios, in combination with the CD level of 10^3 m^3/day, result in a low volume/low load factor scenario and high volume/high load factor scenario.

[redacted]

By applying the low volume/low load factor and high volume/high load factor load profiles as described, Union is able to determine whether there is a basis for establishing a new rate class. Union has, in effect, using the information provided by Coral, established parameters around the results of the cost allocation study and rate impact analysis such that all other relevant load profiles in either the high or low scenario will fall in between the low volume/low load factor and high volume/high load factor scenarios. These load profiles, contract demands and load factors for both the high volume and low volume cases are provided in Table 3, below. Neither the high nor the low volume scenario matches the 2004 forecast for BBPS approved by the Board in the RP-2003-0063 Decision with Reasons. However, the 2004 forecast for BBPS approved by the Board is within these parameters.

Table 3

Month	High Volume Load Profile (10^3 m^3)	Low Volume Load Profile (10^3 m^3)
January	[redacted]	[redacted]
February	[redacted]	[redacted]
March	[redacted]	[redacted]
April	[redacted]	[redacted]
May	[redacted]	[redacted]
June	[redacted]	[redacted]
July	[redacted]	[redacted]
August	[redacted]	[redacted]
September	[redacted]	[redacted]
October	[redacted]	[redacted]
November	[redacted]	[redacted]
December	[redacted]	[redacted]
Total	[redacted]	[redacted]
Firm CD	[redacted]	[redacted]
Load Factor	[redacted]	[redacted]

ANALYSIS

Union took a two-step approach to assessing whether or not a unique rate class is warranted for customers with a load profile similar to that provided by BBPS. First, a comparative analysis of load and load factors to that of existing T1 customers was prepared to determine if there is a basis for a separate rate class from T1. Differences in load factor, although an indicator of the potential for cost differences and rate class divisions, do not provide sufficient justification of the requirement for separate rate class treatment alone. Load factor is not a sufficient indicator on its own because customers with very different load factors may incur costs on the system in the same manner and at the same level. As noted above, the majority of the costs allocated to T1 are demand-related and, therefore, customers with similar peak day demands will incur a similar level of cost irrespective of their load factor. Therefore, Union's second step in assessing the appropriateness of establishing a new rate class was to prepare a rate impact analysis to determine if, when customers that exhibited the qualifying load characteristics were considered on a stand-alone basis, their allocated costs and unit rates differed in any material way from what they would be if not treated on a stand-alone basis. The analytical approach and the results of the analysis are discussed in more detail below.

LOAD AND LOAD FACTOR COMPARISONS

Union prepared three charts to compare the load and load factor provided by Coral to that of the existing pool of T1 customers. The first chart consists of a scatter diagram plotting percentage load factor by customer against daily contract demand (CD). The second chart consists of a scatter diagram plotting percentage load factor by customer against annual consumption. The third chart plots the monthly load profile of T1 customers as contained in the 2004 approved forecast and the anticipated load under the high volume/high load factor and low volume/low load factor scenarios. The purpose of the charts is to illustrate whether the load characteristics provided by Coral are significantly different from other customers in the T1 rate class. This would be one indication that a new rate class was warranted. In summary the charts identify that:

1. On a CD basis merchant power generators could be much larger than most other customers in the T1 rate class (Chart 1).
2. On an annual volume basis merchant power generators are only larger than other customers under the high volume scenario. Under the low volume scenario many other customers exceed their annual volume (Chart 2).
3. On a load factor basis merchant power generators are similar to other T1 customers under the high volume scenario and have lower load factors under the low volume scenario (Charts 1 and 2).
4. On a monthly basis the load profile is similar to other T1 customers under the high volume scenario but are much more “peaky” in the summer and winter under the low volume scenario (Chart 3).

All charts are provided in Appendix A.

The scatter diagrams show the distribution of firm annual load factor by customer at various levels of CD (Chart 1) and annual volume (Chart 2) for the T1 rate class. All load factors were calculated based on annual volumes. The scatter diagram also identifies the class average load factor associated with the average CD and volume and the load factors associated with the scenarios provided by Coral.

High Volume/High Load Factor Scenario

As shown in the scatter diagrams, Chart 1 and Chart 2 of Appendix A, individual customer load factors within the T1 rate class range from approximately 44% to 100% over a range of CD's of approximately 20 10^3m^3/day to 1,400 10^3m^3/day and a range of volume of approximately 2,700 10^3m^3 to 397,000 10^3m^3. The average firm load factor for the T1 class is 80%. The scatter diagram also shows that the firm load factor of the high volume/high load fac[redacted] %) scenarios are within the range of load factors for the T1 rate class. This is an indication that, based on load factor, the high volume/high load factor scenario for a merchant power generator does not provide justification for a new rate class.

Chart 3, which compares the monthly load profiles of each scenario to the T1 load profile, demonstrates that the load profile of the high volume/high load factor scenario is not materially different from the T1 load profile. In addition, even though summer volumes are high, the high volume/high load factor profile, like T1, exhibits a monthly winter peak.

Based on the load factor and load profile analysis, there does not appear to be justification for a new rate class for customers exhibiting a load profile similar to the high volume/high load factor scenario. This is the case because load factor and load profile of the high volume/high load factor scenario, as shown in the Charts contained in Appendix A are well within the range of individual T1 customers and do not differ materially from the load factor and load profile of T1.

Low Volume/Low Load Factor Scenario

The load factor associated with the low volume/low load factor scenario is approximately [redacted] %. As demonstrated by Charts 1 and 2 the low volume/low load factor scenario load facto[redacted] % is well outside the range of load factors exhibited by individual customers within T1. The next closest load factor to that of the low volume/low load factor scenario within the T1 class is a load factor of 44%. In terms of load profile, Chart 3 of Appendix A shows that the low volume/low load factor load profile differs from that of the rest of T1, with much higher winter volumes relative to summer volumes. It is important to note however that like T1 the low volume/low load factor scenario exhibits a monthly winter peak.

The load factor and load profile comparison for the low volume/low load factor scenario indicates that there may be a basis for establishing a new rate class due to load differences relative to T1. Whether or not a rate class should actually be created will depend in large part on whether or not the load profile differences result in material differences in cost incurrence. If load and load profile differences do not result in differences in cost incurrence than there is no basis for establishing a new rate class. The cost and rate impact analysis are discussed in more detail below.

RATE IMPACT ANALYSIS

Union also prepared a rate impact analysis to assess whether or not there was any justification for establishing a rate class for merchant power generators. The rate impact analysis appears at Appendix B. It summarizes, for each scenario, the volumetric parameters, the level of allocated costs and the average unit firm transportation rate applicable to T1, the average unit firm transportation rate applicable to a merchant power generator within the T1 rate class and, the average unit firm transportation rate applicable to a merchant power generator assuming separate rate class treatment.

Analytical Approach

Cost allocation studies were prepared using the approved 2004 cost allocation study assuming approved E.B.R.O. 499 and RP-2003-0063 cost allocation methods for both the high volume/high load factor and low volume/low load factor scenarios. The cost studies prepared using 2004 cost allocation methods assumed that the demands of customers served directly off transmission mains were excluded from the distribution demand allocator. The 2004 cost allocation methods underpin 2004 approved rates. The cost studies prepared using E.B.R.O. 499 cost allocation methods assumed that the demands of customers served directly off transmission mains were included in the distribution demand allocator.

As noted above, transmission demand-related costs are allocated to rate classes based on the peak day demands of customers using each transmission system. This means a customer, that located west of Dawn will not be included in the allocation factor used to allocate Dawn-Trafalgar costs to the rate class. Therefore, to recognize that customers that exhibited the qualifying load characteristics could locate anywhere within Union's franchise, Union also prepared cost allocation studies assuming that the demands of the customer would attract Dawn-Trafalgar related costs (i.e. would be located east of Dawn). These additional scenarios were prepared to assess the rate impact and potential destabilizing effects to a rate class of a customer with similar load and load profile to that of a merchant power generator locating east of Dawn. In Union's view the siting of new merchant power generation will, and should be driven by factors other than the cost of natural gas distribution (which would exist if there were different distribution rates for customers east and west of Dawn), such as where the power is needed, access to the electricity transmission grid and the availability of suitable sites. In Union's view, the design of a gas distribution utility's rates should not influence the location of new power generation within the province (unless some overriding public interest objective can be demonstrated).

Based on the costs allocated to T1 and the merchant generator, Union determined the average unit firm transportation rate for:

1. The T1 rate class including the demands of the merchant generator (based on the scenarios provided by Coral);
2. The merchant power generator as a member of the T1 rate class; and
3. The merchant power generator assuming separate rate class treatment.

Union notes that because the load and load factor scenarios provided by Coral differed from the BBPS forecast demand originally included in the RP-2003-0063 approved T1 forecast for 2004, and the costs allocated in this analysis to T1 and all other rate classes differ from those found in the approved 2004 cost allocation study. Different cost levels for infranchise rate classes may have impacted Union's proposed rate design for T1 had the profile now provided by Coral been available during the 2004 rate case. To ensure that all average unit rates were comparable, Union, maintained the revenue to cost ratio at the 2004 approved level for T1 in determining firm transportation unit rates for all scenarios. Additionally, the average unit rates for the merchant power generator within the T1 rate class reflect the approved T1 rate redesign.

The results of the rate impact analysis are provided below for the high volume/high load factor and low volume/low load factor scenarios.

High Volume/High Load Factor Scenario Results

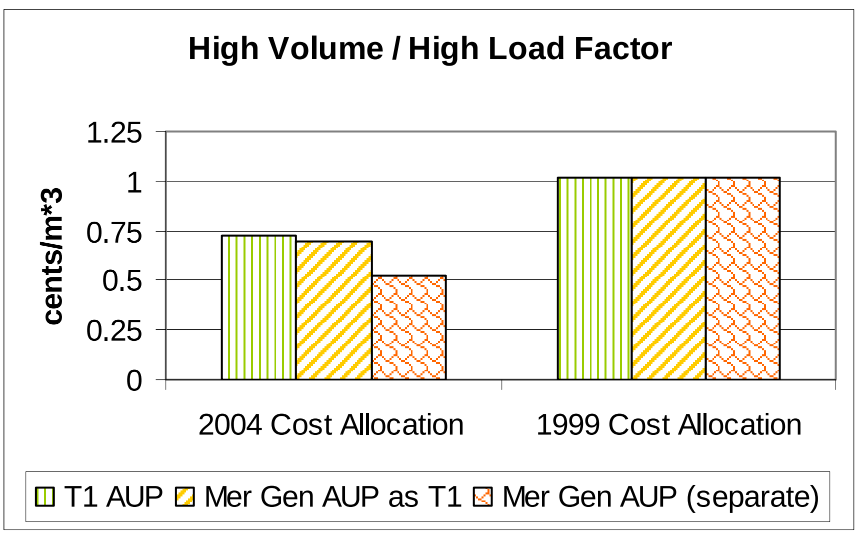
The results of the rate impact analysis for the high volume/high load factor scenario are found in Table 1 of Appendix B. Table 1 provides for the high volume/high load factor scenario the level of allocated costs, the average unit firm transportation rate applicable to T1, the average unit firm transportation rate applicable to the merchant generator within the T1 class and the average unit firm transportation rate applicable to the merchant generator assuming separate rate class treatment. Lines 1 to 4 of Table 1 assume that the merchant generator is located west of Dawn while lines 5 to 8 assume the merchant generator is located east of Dawn.

Lines 1 to 4 show that the average unit firm transportation rate for the T1 class when the merchant generator is included in the class is 0.7284 cents/m^3. This compares favourably to the average unit firm transportation rate of 0.6918 cents/m^3 for the merchant generator as a T1 customer. When the merchant generator is afforded separate rate class treatment the average unit firm transportation rate decreases to 0.5265 cents/m^3. This average unit rate benefit is entirely attributable to not being allocated distribution demand-related costs as a result of being served directly off transmission main. It is not a function of load (annual volume or contract demand) or load profile.

This is demonstrated on lines 3 and 4 of Table 1. When the E.B.R.O. 499 approved cost allocation methodology, which assumes that customers served directly off transmission main are included in the distribution demand allocator, is used the average unit firm transportation rates for T1 and the merchant generator when included in the T1 rate class (line 3 , columns (j) and (k)) are virtually identical. Further, the average unit firm transportation rates for the stand alone rate class and T1 are within approximately 0.7% (0.007 cents/m^3) of each other.

Chart 1 graphically shows the average unit firm transportation rates under both the approved 2004 and E.B.R.O. 499 cost allocation methodologies and demonstrates that the lower average unit rate for the merchant generator is entirely attributable to whether or not customers are served directly off transmission main.

Chart 1



(AUP – Average Unit Price)

It is important to note that since the average unit rate benefit is not a function of load or load profile but rather geography, any customer included in the T1 rate class located west of Dawn and served directly off of transmission main would see unit rates of similar magnitude to that of the high volume/high load factor merchant generator if treated on a stand alone basis.

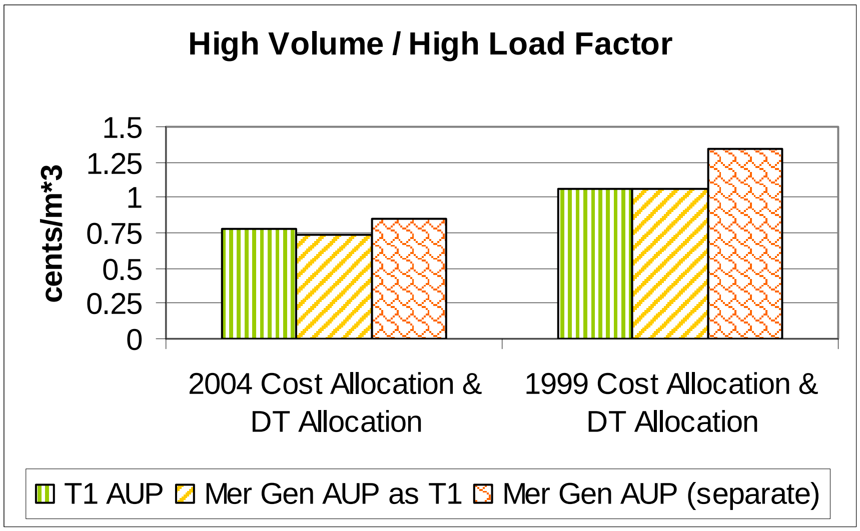
As indicated above, Union also prepared cost allocation studies and rate impact analysis assuming that the merchant power generator was located east of Dawn and as a result would be allocated Dawn Trafalgar-related costs. This analysis is required even though the BBPS is located west of Dawn, since other merchant power generators may locate east of Dawn in the future. As such it is important to understand the impact this may have on the cost allocation and rate stability of a potential rate class.

The results of this analysis are provided at Appendix B, Table 1, lines 5 to 8. The average unit firm transportation rate, provided at line 5, for the T1 rate class including the merchant generator and for the merchant generator within the T1 rate class are 0.7719 cents/m^3 and 0.7409 cents/m^3, respectively. When considered on a stand alone basis from T1, the average unit firm transportation rate that the merchant generator would face is 0.8472 cents/m^3 (line 6, column (k)). These average unit rates, in addition to assuming the customer is served off the Dawn-Trafalgar, exclude the demands of customers served directly off transmission main.

Based on the average unit firm transportation rates provided above, a merchant generator locating east of Dawn would face an average unit firm transportation rate in excess of the T1 class if treated on a stand alone basis. This is because, on a stand alone basis, the customer would not receive the benefit of diversity of location (i.e. the benefit of being part of a class of customers located both east and west of Dawn) that currently results from being part of the T1 rate class. It is also important to note that the average unit firm transportation rates, when the customer is assumed to be located east of Dawn, and therefore Dawn-Trafalgar costs are allocated, for the merchant generator become closer to the T1 class average. Location, in this case in relation to Dawn rather than the proximity to a transmission main, drives the differences in the average unit firm transportation rate. The differences in average unit firm transportation rates are not a function of load (volume or contract demand) or load profile.

Chart 2 below graphically demonstrates the differences in average unit rate based on both the RP-2003-0063 2004 and E.B.R.O 499 cost allocation methodology when Dawn-Trafalgar costs are allocated in the high volume/high load factor scenario.

Chart 2



Appendix B, Table 1 demonstrates that although there appears to be average unit rate benefits associated with establishing a separate rate class based on the high volume/high load factor scenario these benefits are entirely attributable to:

1. Whether of not a customer is served directly off transmission main; and
2. The customer's location relative to Dawn.

It is not the load profile of merchant power generators as provided by Coral that results in the differences in average unit rates. Based on these results, it does not appear to Union that there is sufficient justification to create a separate and distinct rate class for merchant power generators exhibiting the high volume/high load factor load profile provided by Coral.

Low Volume/Low Load Factor Scenario Results

The load profile comparisons discussed above for the low volume/low load factor profile scenario indicated that based on differences between load profiles for the low volume/low load factor scenario and the T1 rate class, a new rate class may be warranted. However Union also indicated above that a rate class should be created only if differences in load profile result in material differences in cost incurrence. If load and load profile differences do not result in differences in cost incurrence then there may be no basis for establishing a new rate class.

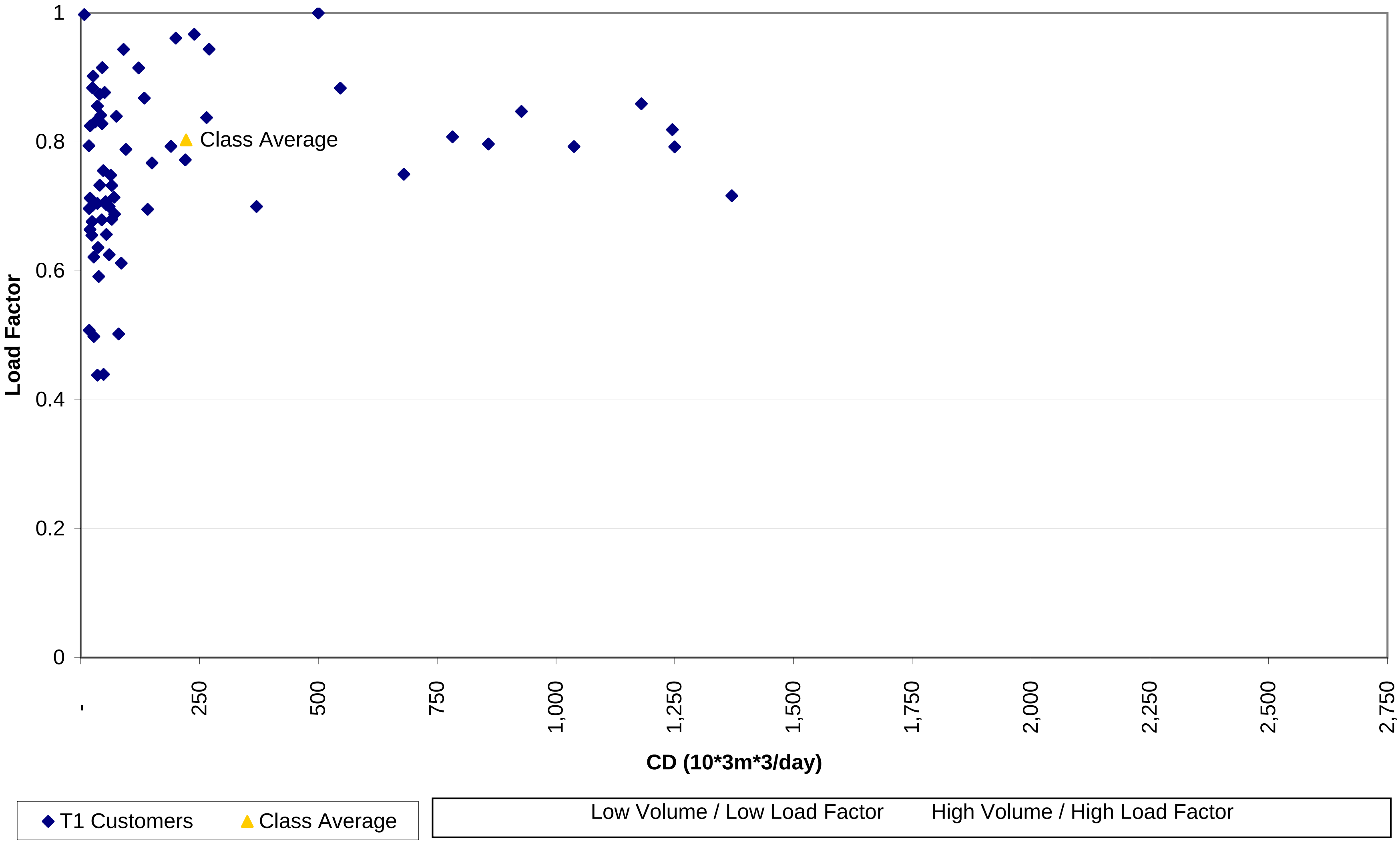
Table 2 of Appendix B summarizes the rate impact analysis of the low volume/low load factor scenario. Table 2 indicates that, as is the case with the high volume/ high load factor scenario, differences between allocated costs in each scenario are primarily driven by the customer's location relative to Dawn and whether or not the customer's demands are excluded from the distribution demand allocator. This is demonstrated by the fact that although the average unit rates are significantly higher in all cases under the low volume/low load factor scenario, the capacity-related costs are not materially different from the corresponding high volume/high load factor scenarios. For example the capacity- related costs under the low volume/low load factor scenario applying E.B.R.O. 499 cost allocation methodologies is approximately $5.4 million while under the high volume/high load factor scenario the allocated cost is $5.5 million. This is the case because at Appendix B, Table 1 and Table 2, line 4, Columns (g, h and i), the majority of costs are capacity related and do not vary with volumetric load. The costs associated with peak day capacity requirements do not vary between the high and low scenarios. The fact that the total allocated costs are not materially different between the high and low scenarios supports a conclusion that there appears to be no justification for a new separate and distinct rate class.

CONCLUSIONS

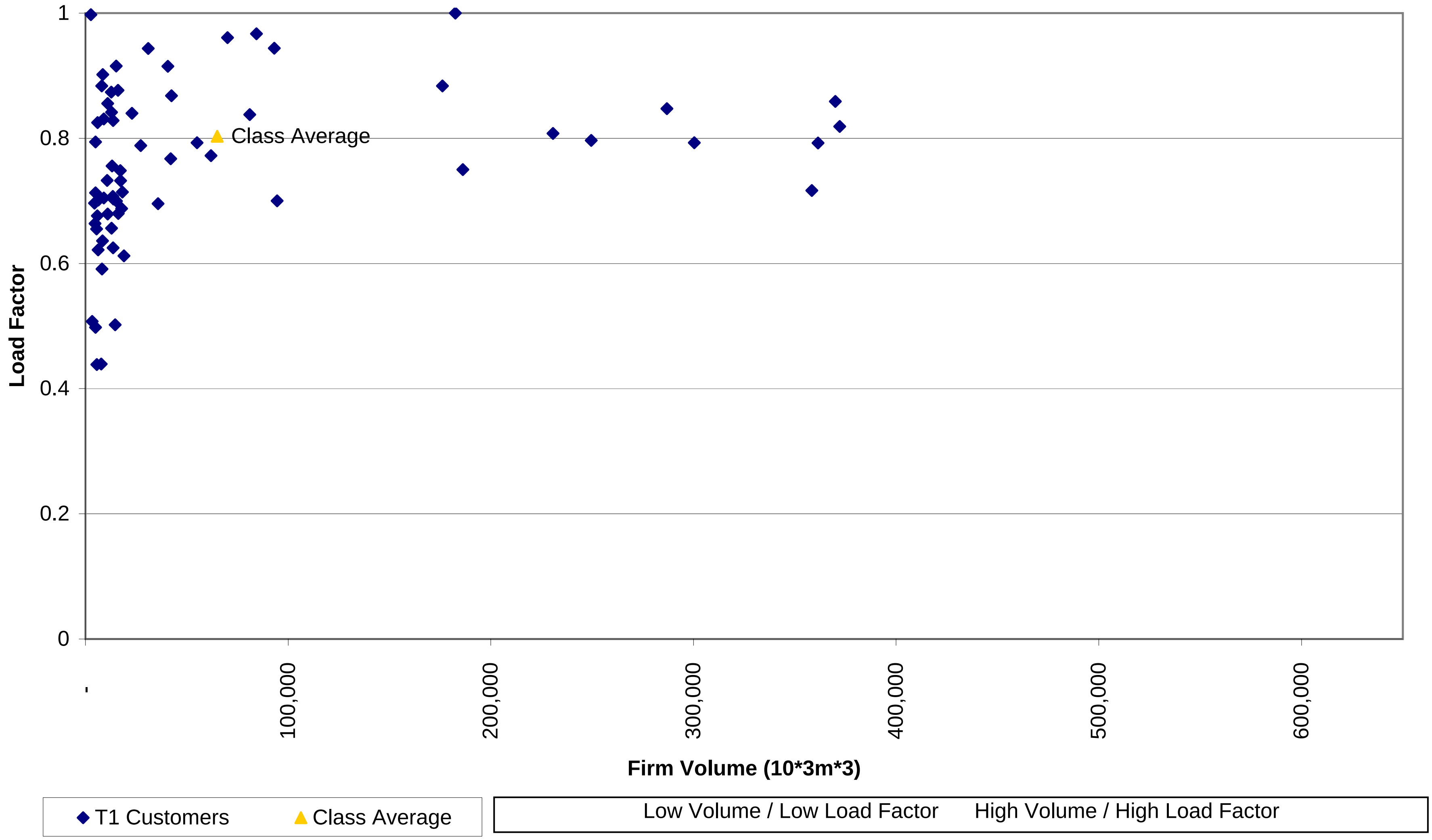
Based on the analyses that were completed using load profile information supplied by Coral, Union's current approved cost allocation methodology and the application of generally accepted rate design principles, Union has concluded that:

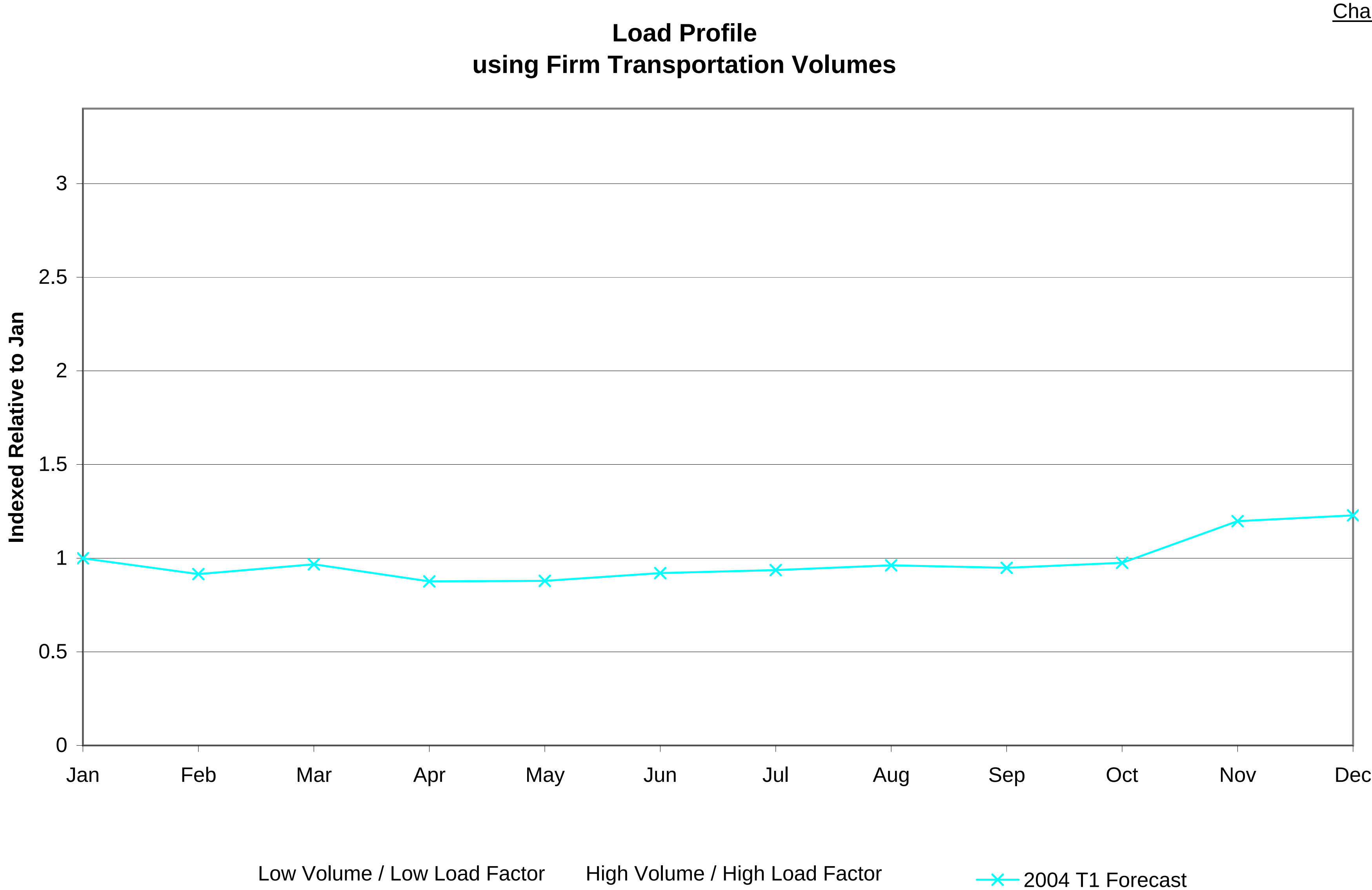
1. Cost differences and the resulting rate differences are solely attributable to location and distribution capacity allocation methods;
2. There appears to be insufficient justification for a new rate class for customers with load profiles similar to merchant power generators; and
3. The T1 rate class appears to be the appropriate rate class for merchant power generators.

Scatter Diagram of Load Factor and Contract Demand
T1 Customers (Firm CD and Load Factor) - 2004 Forecast



Scatter Diagram of Firm Load Factor and Firm Annual Volume
T1 Customers - 2004 Forecast




Load Profile
using Firm Transportation Volumes
Indexed Relative to Jan
3
2.5
2
1.5
1
0.5
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Low Volume / Low Load Factor
High Volume / High Load Factor
2004 T1 Forecast

RP-2003-0063
EB-2004-0397
Exhibit A1
Appendix B
Table 1

UNION GAS LIMITED
Summary of Merchant Power Generators Rate Analysis

		Cost Allocation		Mer Gen Parameters				Mer Gen Transportation Costs ($000's)			Average Unit Rates (cents/m*3)	
Line No.	Scenario	Excludes Demands of Customers Served Off Transmission	Mer Gen Dawn Trafalgar Allocation	Firm Volume (10*3m*3)	Interruptible Volume (10*3m*3)	Firm CD (10*3m*3)	Firm Load Factor	Total	Capacity and Customer Related	Volumetric Related	T1	Mer Gen
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) = (g - h)	(j)	(k)
	Excluding Dawn-Trafalgar Costs											
1	High Volume - T1 Including Mer Gen	Y	N					3,048	2,440	608	0.7284	0.6918
2	High Volume - Mer Gen Separate	Y	N					3,048	2,440	608	0.7658	0.5265
3	High Volume - T1 Including Mer Gen	N	N					6,130	5,522	608	1.0153	1.0154
4	High Volume - Mer Gen Separate	N	N					6,130	5,522	608	1.0140	1.0223
	Including Dawn-Trafalgar Costs											
5	High Volume - T1 Including Mer Gen	Y	Y					5,042	4,434	608	0.7719	0.7409
6	High Volume - Mer Gen Separate	Y	Y					5,042	4,434	608	0.7579	0.8472
7	High Volume - T1 Including Mer Gen	N	Y					8,123	7,516	608	1.0589	1.0645
8	High Volume - Mer Gen Separate	N	Y					8,123	7,516	608	1.0061	1.3430

RP-2003-0063
EB-2004-0397
Exhibit A1
Appendix B
Table 2

UNION GAS LIMITED
Summary of Merchant Power Generators Rate Analysis

Line No.	Scenario	Cost Allocation: Excludes Demands of Customers Served Off Transmission	Cost Allocation: Mer Gen Dawn Trafalgar Allocation	Mer Gen Parameters: Firm Volume (10*3m*3)	Mer Gen Parameters: Interruptible Volume (10*3m*3)	Mer Gen Parameters: Firm CD (10*3m*3)	Mer Gen Parameters: Firm Load Factor	Mer Gen Transportation Costs ($000's): Total	Mer Gen Transportation Costs ($000's): Capacity and Customer Related	Mer Gen Transportation Costs ($000's): Volumetric Related	Average Unit Rates (cents/m*3): T1	Average Unit Rates (cents/m*3): Mer Gen
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) = (g - h)	(j)	(k)
	Excluding Dawn-Trafalgar Costs											
1	Low Volume - T1 Including Mer Gen	Y	N					2,469	2,355	114	0.8231	3.3234
2	Low Volume - Mer Gen Separate	Y	N					2,469	2,355	114	0.7753	2.2660
3	Low Volume - T1 Including Mer Gen	N	N					5,550	5,436	114	1.1524	5.1383
4	Low Volume - Mer Gen Separate	N	N					5,550	5,436	114	1.0235	5.0468
	Including Dawn-Trafalgar Costs											
5	Low Volume - T1 Including Mer Gen	Y	Y					4,463	4,348	114	0.8731	3.5988
6	Low Volume - Mer Gen Separate	Y	Y					4,463	4,348	114	0.7674	4.0654
7	Low Volume - T1 Including Mer Gen	N	Y					7,544	7,430	114	1.2024	5.4139
8	Low Volume - Mer Gen Separate	N	Y					7,544	7,430	114	1.0156	6.8469

UNION GAS LIMITED

Undertaking of Mark Isherwood / Carol Cameron
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

What are the available service substitutes to M12 transportation service for ex-franchise customers that store gas at Dawn or deliver their gas at Dawn (i.e., what are the transportation routes)/ How do these alternatives compare to the M12 transportation service in terms of availability, quality and price?

The substitutes for Dawn to Parkway M12 Transportation Service include contracting for TCPL Dawn based services, buying market based services such as exchanges from marketers, or buying capacity in the secondary market. TCPL currently has in excess of 700,000 Gj/d of service from Dawn to Parkway and points east of Parkway. Of Union's total Dawn to Parkway capacity, approximately 75% of the capacity is contracted by third parties. These third parties could provide secondary market activity.

These alternatives can be provided on a firm or interruptible basis, and can be contracted for a variety of terms. Shippers can elect to acquire services that meet their specific needs. These services can range from a 10 day peaking type service, to a 151 day winter only exchange service, to an annual service.

The price of a firm TCPL service is outlined in their tariff, while the price of TCPL IT service is subject to a daily auction. Services purchased from third party providers are subject to market negotiation and are usually based on the current and future difference between the value of gas at Dawn and Parkway.

UNION GAS LIMITED

Undertaking of Mark Isherwood / Carol Cameron
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

What are the parameters that trigger Union to seek a leave to construct for additional pipeline capacity for ex-franchise customers? Are these the same parameters that trigger a leave to construct for in-franchise customers?

The Dawn to Parkway system is typically fully contracted. Union may build additional capacity when incremental market need (both in-franchise and ex-franchise) is sufficient to justify an expansion. Union has testified in the past that as a rule of thumb, Union is prepared to consider the purchase of third party services if incremental market needs are less than 100,000 GJ/d. In that case, Union would consider the purchase of a short term service until sufficient market interest existed to justify a new facility. Union can add incremental capacity on the Dawn to Parkway system by constructing additional pipeline looping or through the addition of compression. Additional pipeline looping requires a leave to construct application.

Witness: Mark Isherwood / Carol Cameron
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

UNION GAS LIMITED

Undertaking of Mark Isherwood / Carol Cameron
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

As part of the 2006 and 2007 open seasons, did Union provide information pertaining to anticipated capacity constraints and how Union intended to allocate the capacity available? Please file a copy of all binding or non-binding open season documentation that Union provided to existing or potential ex-franchise customers.

In the 2006 Expansion Open Season offer, Union indicated that it had received over 3 Bcf/d of non-binding requests for transportation from Dawn to Parkway or Kirkwall starting in November 1, 2006 and beyond (as part of an earlier non-binding open season). This provided an indication of the market demands for Union's Dawn to Parkway assets. The Open Season offer outlines that in the event that insufficient capacity exists to satisfy all requests for capacity, Union would award bids based on the product of M12 tolls + premium and term, with bids having the highest total product value awarded first.

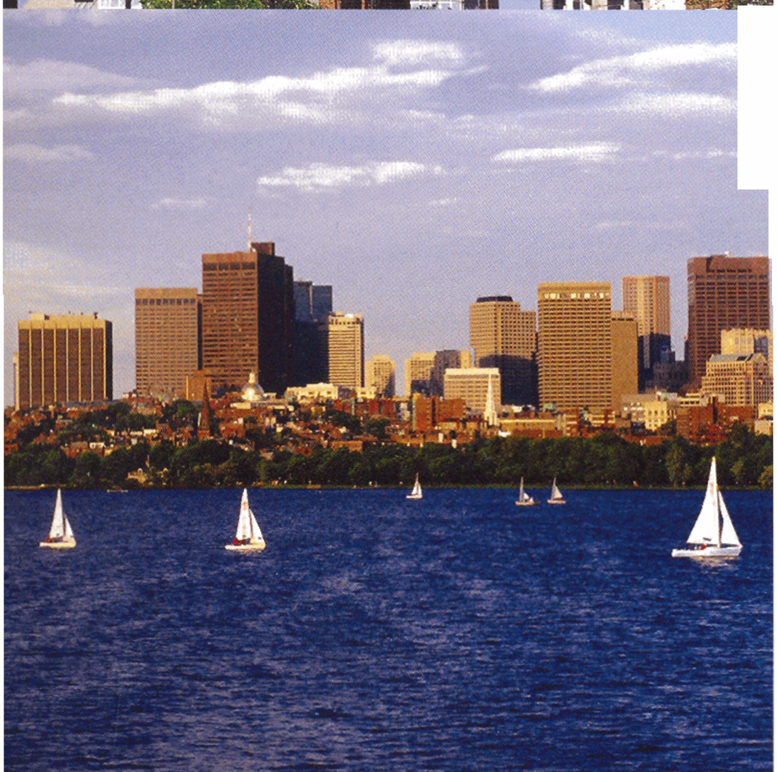
In the 2007 Open Season offer, Union did not indicate the size of the potential market demands. The 2007 Open Season offer did contain the same language regarding bid evaluation as the 2006 Open Season as outlined above. For both the 2006 and the 2007 Open Seasons, all customers that submitted a binding bid, were awarded capacity.

The following attachments are included:

1. Non-binding open season package dated August 3, 2004,
2. 2006 binding open season package dated November 17, 2004, and
3. 2007 binding open season packages dated February 7, 2005 and October 3, 2005.

Witness: Mark Isherwood / Carol Cameron
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

Duke Energy® Gas Transmission



Eastern North America Open Season Request Package

AUGUST 3, 2004 TO SEPTEMBER 30, 2004

Duke Energy Gas Transmission Eastern North America Open Season

Duke Energy Gas Transmission's unique opportunity for moving additional gas supplies to the growing markets in eastern Canada and the Northeast U.S.

Duke Energy Gas Transmission Eastern North America – Open Season

Duke Energy Gas Transmission (DEGT), a leading transporter of natural gas in North America, is offering a unique opportunity to provide additional supplies of natural gas to the high growth markets of eastern Canada and the Northeast U.S.

Through three of its operating companies, *Algonquin Gas Transmission, Texas Eastern Transmission and Union Gas Limited,* DEGT is simultaneously conducting Open Seasons to address demand-driven transportation and storage infrastructure expansion opportunities.

The Open Seasons highlight the company's industry-leading access to major existing and potential new supply sources.

DEGT offers unparalleled access to supplies, transportation, storage services and markets across Eastern North America.

DEGT's natural gas system includes more than 17,500 miles of transmission pipeline and more than 250 billion cubic feet (Bcf) of storage capacity. Through the DEGT natural gas infrastructure shippers can access supplies from existing and new sources in the U.S., and eastern and western Canada.

Duke Energy Gas Transmission Open Season Advantages

- Unparalleled access to North American supplies of natural gas and storage services as well as to the high growth markets of eastern Canada and the Northeast U.S.
- Ability to participate in any one or a combination of Duke Energy Gas Transmission operating unit Open Seasons: Algonquin Gas Transmission, Texas Eastern Transmission and Union Gas Limited.
- Access to gas transmission infrastructure designed and operated to deliver the flexible and reliable services that the market requires.

Duke Energy® Gas Transmission

AGT

Algonquin Open Season

Algonquin Gas Transmission's opportunity for moving additional gas supplies to markets in the Northeast and New England

Algonquin Open Season

Algonquin Gas Transmission is proposing an expansion project that will meet the needs of the high growth Northeast and New England markets for additional firm capacity. This Open Season is for shippers desiring to move gas from existing pipeline interconnects or supply points on Algonquin, and from the numerous new and proposed supply projects and upstream pipeline expansion projects connecting to Algonquin, including the Texas Eastern Open Season project. As a result of recent expansion projects, Algonquin has increased access to eastern Canada, western Canada, traditional U.S. and new or potential LNG supplies.

Algonquin offers a unique opportunity to transport gas from various supply points with the addition of minimal new pipeline facilities. By utilizing and expanding the existing Algonquin system, the facility modifications would minimize impacts on landowners and the environment.

Algonquin can deliver this capacity to market in a phased-in manner if required to assure customers that their desired contract path will be available for them when it is needed.

Project Rates

Rates will be determined upon the conclusion of the Algonquin Open Season and are dependent upon the required facilities for the customer's transportation path. It is anticipated that some receipt and delivery point combinations could result in an expansion at or near the existing Algonquin tariff rates.

Open Season Process

During the August 3, 2004 to September 30, 2004 Open Season, parties desiring firm service may submit requests for service. Customers should specify the desired quantity, receipt point(s), delivery point(s) and contract term (minimum 10 years). Upon the close of the Open Season, an Algonquin representative will contact you to discuss your service requirements. Requesting parties will then have the option to proceed with negotiations on a definitive agreement.

All definitive transactions will be subject to the terms and conditions of Algonquin's FERC Gas Tariff, including capacity allocation requirements.

Algonquin's Open Season *advantages* include:

- Competitive rates to high growth Northeast and New England markets.
- Valuable expansion capacity with minimal impact to landowners and the environment.
- Access to existing and new supply sources.
- Flexible in-service dates and contract terms.

Duke Energy® Gas Transmission

For more information on the Algonquin Open Season please contact your Account Manager or:

Tina Faraca
Director, Business Development
Phone: (617) 560-1462
e-mail: tvfaraca@duke-energy.com

Algonquin Open Season

Algonquin Gas Transmission, LLC

Service Request Form

Customer Information

Company

Contact

Title

Address

Telephone *Fax*

Email Address

Contract Requirements

Maximum Daily Transportation Quantity

Point of Receipt *Point of Delivery*

Service Commencement Date

Contract Term

Signature of Requestor/Customer *Date*

If you have any questions, please contact your Algonquin Account Manager, or the contact listed below In addition, please send your completed Open Season Nomination form to:

Tina Faraca
Director, Business Development
Duke Energy Gas Transmission – Algonquin Gas
890 Winter Street Suite 300
Waltham, MA 02451
Fax: (617) 560-1592 Phone: (617) 560-1462
e-mail: tvfaraca@duke-energy.com

TETLP

Texas Eastern Open Season

Texas Eastern Transmission's opportunity for moving additional gas supplies to the growing Mid-Atlantic and Northeast markets

Texas Eastern Open Season

Texas Eastern is proposing a project that will combine new and existing firm capacity to move gas at low cost to the high growth Mid-Atlantic and Northeast markets, as well as to the New England market which could include the Algonquin Open Season. This Texas Eastern Open Season is for shippers interested in moving gas from various supply regions including the Gulf Coast access area, Chicago/Lebanon Lateral as well as several existing and newly proposed upstream pipeline and storage interconnections on the Texas Eastern system.

Texas Eastern has historically offered its shippers low cost access to abundant, competitively priced natural gas supply and storage services. This access has been recently enhanced by the expansion of DEGT's Egan and Moss Bluff supply area storage assets as well as several new or proposed upstream projects to deliver additional supplies, storage, and LNG services into the Texas Eastern system. This Open Season will enable Texas Eastern shippers to capture the advantage of these new supply and service sources for their supply portfolios.

In addition to low cost access, the limited nature of the facility modifications will minimize the impact on landowners and the environment. Texas Eastern can deliver this capacity to the market quickly, in a phased-in manner if required, with flexible contract terms to assure customers that their desired contract path will be available for them when it is needed.

Project Rates

Through utilization of existing capacity, Texas Eastern can offer a unique project to move gas from the supply areas of the Gulf Coast and from Chicago to the rapidly growing markets of the Mid-Atlantic and the Northeast with the addition of minimal new pipeline facilities. Because of this, Texas Eastern anticipates that it will be able to provide additional reliable and flexible service to shippers for rates at or near Texas Eastern's existing tariff rates to delivery points in Market Zone 3. A limited amount of this capacity is available immediately with the ability to expand this service as demand requires.

Some delivery points which are constrained or fully subscribed may require an additional delivery surcharge. Surcharges, if necessary, would be proposed based upon the contracted volume.

Open Season Process

During the August 3, 2004 to September 30, 2004 Open Season, parties interested in firm service under Texas Eastern's FT-1 Rate Schedule may submit requests for service. Parties should specify the desired quantity, delivery point(s), receipt point(s) and contract term (minimum 10 years). Upon the close of the Open Season, a Texas Eastern representative will contact you to discuss your service requirements. Requesting parties will then have the option to proceed with negotiations on a definitive agreement.

All definitive transactions will be subject to the terms and conditions of Texas Eastern's FERC Gas Tariff, including capacity allocation requirements.

Texas Eastern's Open Season *advantages* include:

- Competitive rates and access to the high growth Mid-Atlantic and Northeast Markets.
- Valuable additional capacity with minimal environmental impacts.
- Access to existing high value supply sources and to new upstream supply projects.
- Flexible in-service dates and contract terms.

Duke Energy® Gas Transmission

For more information on the Texas Eastern Open Season please contact your Account Manager or:
Bob Riga
Managing Director, Project Development
Phone: (617) 560-1436
e-mail: rgriga@duke-energy.com

Texas Eastern Open Season Service Request Form

Texas Eastern Transmission, LP

Custom

Company

Contact

Title

Address

Telephone

Email Address

Contract Requirements

Maximum Daily Quan

Point of Receipt

int of Delivery

Service Commencement Date

Contract Term

Signature of Requestor/Customer

If you have any questions, please contact your Texas Eastern Account Manager, or the contact listed below. In addition, please send your completed Open Season Nomination form to:

Bob Riga
Managing Director, Project Development
Duke Energy Gas Transmission – Texas Eastern
890 Winter Street Suite 300
Waltham, MA 02451
Fax: (617) 560-1581 Phone: (617) 560-1430
e-mail: rgriga@duke-energy.com

Union

Union Gas Limited – Transportation and Storage Open Season

Union Gas' opportunity for storing additional supplies at Dawn and moving additional gas supplies from Dawn to Eastern Canadian and Northeast US markets

Union Gas Transportation Open Season

Union Gas is proposing an expansion project that will meet its customers' transportation requirements to Parkway and points east. This Open Season is for shippers desiring to move gas from Dawn to Parkway or Kirkwall.

Participating in the Transportation Open Season will provide shippers access to the Dawn to Parkway corridor. Shippers within Ontario will be able to satisfy their Parkway contractual requirements with transportation from Dawn. Shippers outside of Ontario will be able to integrate Dawn to Parkway/Kirkwall transportation as an important part of their transportation portfolio.

Union Gas Storage Open Season

Union Gas is concurrently offering a long term Storage Open Season. Access to Dawn's high deliverability storage assets becomes an important segment of a shipper's overall natural gas portfolio. Contracting for storage at Dawn provides benefits to shippers providing natural gas services within Ontario and those whose needs extend beyond Parkway/Kirkwall.

Union Gas Transportation and Storage Opportunities

The combined Transportation and Storage Open Season offers shippers the opportunity to source their gas supply needs at Dawn. Union Gas has key interconnects with TCPL, Vector, MichCon, Bluewater Storage and Panhandle, which combined bring over 5 Bcfd of supply to Dawn. Union Gas has the ability to withdraw over 2 Bcfd from Dawn storage facilities on a peak winter day. This all combines to create a diverse supply and market hub with exceptional liquidity, price transparency and competitive pricing.

With a wide array of services available – storage, balancing, gas loans, transport, and peaking services – and the ability to expand transmission capacity in a phased-in manner, Union Gas is able to tailor services to meet your specific needs.

Project Rates

Union Gas will negotiate a market based demand rate for both transportation and storage.

Open Season Process

During the August 3, 2004 to September 30, 2004 Open Season, parties desiring firm transportation or storage service may submit requests for service.

Transportation customers should submit the attached service request form to specify the desired quantity, receipt and delivery points, demand rate and contract term (minimum 10 years).

Storage customers should submit the attached service request form to specify the maximum storage balance, firm daily injection and withdrawal quantity, demand rate and contract term (minimum 10 years).

Upon close of the Open Season, a Union Gas representative will contact you to discuss your service requirements. Requesting parties will then have the option to proceed with negotiations on a definitive agreement.

All definitive agreements will be subject to the terms and conditions of Union Gas' C1 Rate Schedule.

Union Gas' Transportation and Storage *advantages* include:

- *Location* – Dawn is strategically located in southwestern Ontario, linking key U.S. and Canadian supply basins with growing Eastern Canadian and Northeast U.S. market areas.
- *Diversity of supply* – Sourcing supplies at Dawn does not obligate the shipper to any individual supply basin.
- *Diversity of destination* – Transporting gas from Dawn provides shippers access to a wide array of downstream markets.
- *Liquidity* – Dawn is an active market hub.
- *Storage* – Access to significant high deliverability storage facilities and associated storage services.
- *Lower fixed costs* – Sourcing supplies closer to the areas of consumption reduces overall fixed costs.

Duke Energy® Gas Transmission

For more information on the Union Gas Limited – Transportation and Storage Open Season please contact your Account Manager or:

Carol Cameron
Phone: (519) 436-5258
e-mail: ccameron@uniongas.com

Union Gas Limited – Transportation and Storage Open Season

Union Gas Limited

Service Request Form

Customer Information

Company

Contact Title

Address

Telephone Fax Email

Transportation Contract Requirements

(Please circle requested units of measure – GJ or MMBtu and currency – Cdn$ or US$)

Maximum Daily Quantity GJ/d MMBtu/d

Point of Receipt Point of Delivery

Service Commencement Date Contract Term

(Union is targeting a November 1, 2006 start date but will entertain any request for an earlier or later date)

Proposed Rate: Demand Cdn $/GJ US $/MMBtu

Storage Contract Requirements

(Please circle requested units of measure – GJ or MMBtu and currency – Cdn$ or US$)

Maximum Storage Balance GJ/d MMBtu/d

Firm Maximum Daily Injection GJ/d MMBtu/d

Firm Maximum Daily Withdrawal GJ/d MMBtu/d

Service Commencement Date Contract Term

Proposed Rate: Demand Cdn $/GJ US $/MMBtu

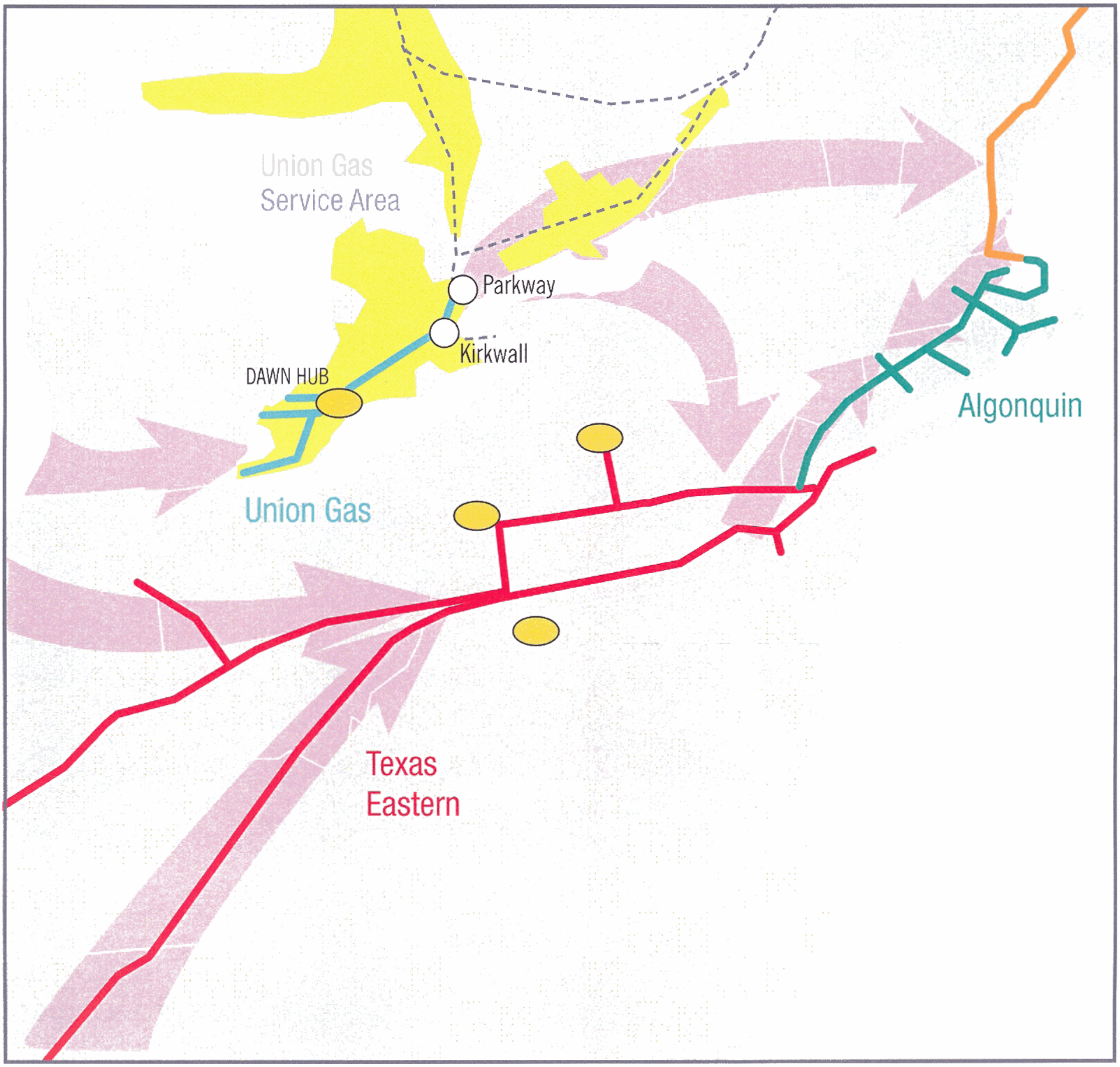
Signature of Requestor/Customer Date

If you have any questions, please contact your Union Gas Account Manager, or the contact listed below. In addition, please send your completed Open Season Nomination form to:

Carol Cameron
Duke Energy Gas Transmission – Union Gas
50 Keil Drive North
Chatham, ON N7M 5M1
Fax: (519) 436-4643 Phone: (519) 436-5258
e-mail: ccameron@uniongas.com

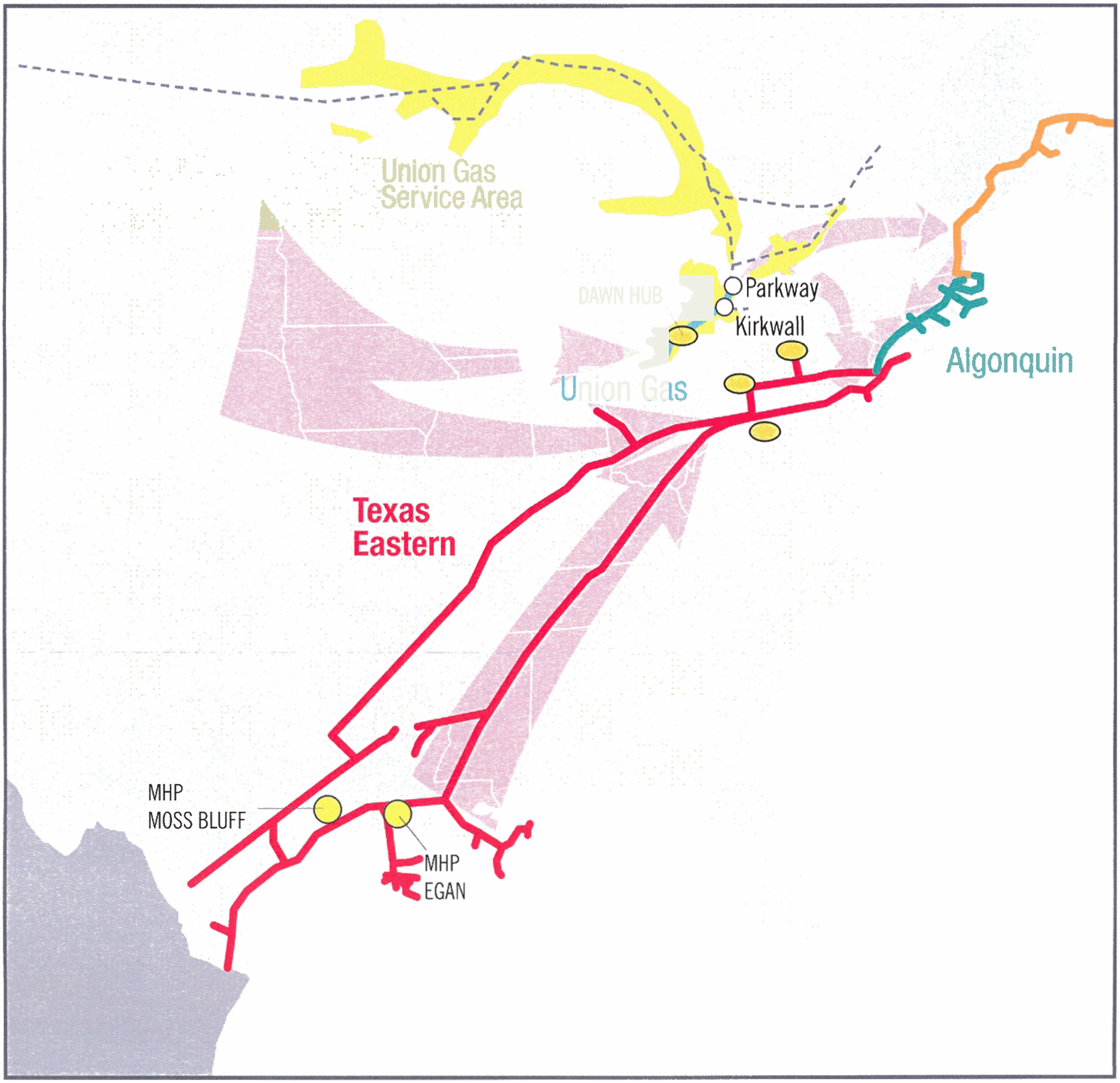
Duke Energy® Gas Transmission

Eastern North America - Open Season



Duke Energy® Gas Transmission

Eastern North America - Open Season



Duke Energy
Gas Transmission

For more information on the Eastern North America Open Season please contact your Algonquin, Texas Eastern or Union Gas Account Manager or:

Algonquin
Tina Faraca
Director, Business Development
Phone: (617) 560-1462
e-mail: tvfaraca@duke-energy.com

Texas Eastern
Bob Riga
Managing Director, Project Development
Phone: (617) 560-1436
e-mail: rgriga@duke-energy.com

Union Gas
Carol Cameron
Phone: (519) 436-5258
e-mail: ccameron@uniongas.com

Duke Energy Gas Transmission is the Houston-based unit of Duke Energy responsible for the company's North American natural gas transmission, storage and distribution operations.

Duke Energy is a diversified energy company with a portfolio of natural gas and electric businesses, both regulated and unregulated, and an affiliated real estate company. Duke Energy supplies, delivers and processes energy for customers in North America and selected international markets. In 2004, the company celebrates a century of service with the 100th anniversary of its electric utility Duke Power. Headquartered in Charlotte, N.C., Duke Energy is a Fortune 500 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available on the internet at www.duke-energy.com.

Duke Energy. Gas Transmission

DUKE ENERGY GAS TRANSMISSION

November 17, 2004

Union Gas
Carol Cameron
Buyer, Asset Acquisitions
50 Keil Drive North
Chatham,Ontario N7M 5M1

Attention: Carol Cameron:

Re: Union Gas Limited Long Term Firm Dawn to Parkway/Kirkwall Transportation Offer (the "Offer')

Dear Carol:

Thank you for expressing interest in Union Gas Limited's ("Union") non-binding open season. Union received over 3 Bcfd of requests for transportation from Dawn to Parkway or Kirkwall, starting November 1, 2006 and beyond.

Union invites your company to submit a binding offer for long term firm transportation from Dawn to Parkway or Kirkwall for service commencing November 1, 2006. Service will be in accordance with Union's M12 Rate Schedule. Union will evaluate all binding offers using the product of rate (M12 tolls + premium) and term (years) (the "Value"), with bids resulting in the highest overall total Value having the highest priority. If two or more bids have an equivalent Value, and insufficient capacity exists to satisfy all bids with an equivalent Value, the remaining capacity will be prorated. All offers received will be deemed to be for "any quantities available" to a maximum of the quantity indicated by Shipper.

<u>Service Parameters</u>

- All offers that include a premium will be adjusted to reflect a demand charge which will be invoiced monthly for the term of the contract.
- Fuel will be provided by shipper according to Union's M12 Rate schedule which is subject to revision from time to time. A copy of this rate schedule is available at http://www.uniongas.com/aboutus/regulatory/rates/ratesindex.asp
- Receipt point will be Dawn
- Delivery point will be Parkway or Kirkwall
- Term of the contract will be as bid, minimum 10 years
- Transportation service will commence November 1, 2006.
- Payment to Union will be in accordance with Union's standard form General Terms & Conditions.

Please confirm your interest in this service by signing and returning this letter agreement by fax to (519) 436-4643, Attention: Carol Cameron on or before 12:00 noon Eastern Time on Monday December 6, 2004. Union will advise each shipper on or before 2:30 p.m. Eastern Time Thursday, December 16, 2004 of the actual quantity which will be awarded to Shipper.

Union reserves the right to make its acceptance of your offer conditional upon the conditions precedent as outlined in Section 3.01 and Section 3.04 of Union's Transportation Contract (the "Contract"), which is attached hereto. Union also provides two conditions precedent which benefit the Shipper in Section 3.01 of the Contract. A copy of Union's Financial Backstopping Agreement is also attached.

By submitting this binding offer for transportation service, Union and Shipper will execute the Contract and Financial Backstopping Agreement to replace this letter agreement no later than January 28th, 2005 or such other date as mutually agreed upon by both parties. Until such time this letter agreement shall govern.

Union reserves the right to reject any bids which do not conform to this Offer.

Please provide your offer under the above terms and conditions by signing this letter agreement and by indicating the rate, maximum quantity, and term desired.

Yours truly,

Carol Cameron

Carol Cameron
Union Gas Limited

Shipper hereby commits to contract for long term firm transportation service with Union under the terms and conditions outlined in this letter agreement, the Contract and the Financial Backstopping Agreement, subject to Union's acceptance and notification of quantities allocated to Shipper.

Receipt Point	**Dawn**	
Delivery Point (chose one)	Parkway	Kirkwall
Start Date	**November 1, 2006**	
Quantity (GJ/d)	Maximum __________	Minimum ____________
Term (years) (10 year minimum)	____________	
Rate ($Cdn/GJ) (please specify premium, if any)	M12 tolls + ____________	

Dated this ______ day of ______________, 2004

____
Signature
(I have authority to bind the Shipper)

________________________________ ______________________
Name Phone

________________________________ ______________________
Title Fax

____
Company

Contract No. M12xxx

FIRM TRANSPORTATION CONTRACT

(___________ TO ____________)

BETWEEN

UNION GAS LIMITED

AND

(SHIPPER)

DATED Month, Day, Year

Schedule "A" Points and Pressures

FIRM

TRANSPORTATION CONTRACT

(____________ TO _____________)

CONTENTS

THIS FIRM TRANSPORTATION CONTRACT dated as of the ____ day of *Month*, 20___,

BETWEEN:

UNION GAS LIMITED, a company incorporated under the laws of the Province of Ontario,
(hereinafter referred to as "Union")

PARTY OF THE FIRST PART

- and -

___________________________________, a company incorporated under the laws of the (Province, State, Country) of _________,
(hereinafter referred to as "Shipper")

PARTY OF THE SECOND PART

WHEREAS, Union owns and operates a natural gas transmission system in southwestern Ontario, through which Union offers "Transportation Services", as defined in Article V herein;

AND WHEREAS, Shipper wishes to retain Union to provide such Transportation Services, as set out herein, and Union has agreed, subject to the terms and conditions of this Contract, to provide the Transportation Services requested;

NOW THEREFORE, this Contract witnesses that, in consideration of the mutual covenants and agreements herein contained and the exchange of one ($1.00) dollar between the parties hereto, the payment and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I - INTERPRETATION AND DEFINITIONS

1.01 Divisions, Headings and Index: The division of this Contract into Articles, Sections and Subsections, and the insertion of headings and any table of contents or index provided are for convenience of reference only, and shall not affect the construction or interpretation hereof.

1.02 Industry Usage: Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of the transportation, storage, and distribution or sale of natural gas have an accepted meaning shall have that meaning.

1.03 Extended Meaning: Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. The words "herein" and "hereunder" and words of similar import refer to the entirety of this Contract, including the Schedules incorporated into this Contract, and not only to the Section in which such use occurs.

1.04 Conflict: In the event of any conflict between the provisions of this Contract and those of Schedule "A" attached to it, and Union's M12 Rate Schedule, as defined below, the provisions of

Schedule "A" shall prevail over the provisions of this Contract, and the provisions of this Contract shall prevail over those of Union's M12 Rate Schedule.

1.05 Measurements: Units set out in Imperial measurement in parentheses beside their SI (metric) equivalent are for reference only and in the event of a conflict between SI (metric) and Imperial measurement herein, SI (metric) shall prevail.

1.06 Currency: All reference to dollars in this Contract shall mean Canadian dollars.

1.07 Schedules: Refers to the schedules attached hereto which are specifically included as part of this Contract, and include:

Schedule "A" - Points and Pressures

1.08 Rate Schedule: "Union's M12 Rate Schedule" or the "M12 Rate Schedule" or "M12" shall mean Union's M12 Rate Schedule, (including Schedules attached thereto), or such other replacement rate schedule which may be applicable to the Transportation Services provided hereunder as approved by the Ontario Energy Board from time to time, and is incorporated into this Contract by reference as if fully set forth hereto.

1.09 Definitions: Capitalized terms and certain other terms used in this Contract and not specifically defined shall have the meaning set forth in Schedule "A" attached hereto and/or Union's M12 Rate Schedule, General Terms & Conditions and Nominations, unless the context hereof otherwise clearly requires. The following definitions shall be read and interpreted as though included in the aforementioned:

(a) "Authorized Quantity" shall have the meaning as set forth in Schedule "B" of Union's M12 Rate Schedule;

(b) "Contract Year" shall have the meaning as defined in Union's M12 Rate Schedule, General Terms & Conditions beginning on November 1, of each year, except for the first Contract Year which shall commence on the date as specified in Section 4.01 herein, and end on October 31, 2007;

(c) "Delivery Point" shall mean the point where Union shall deliver gas to Shipper, as described in Schedule "A" attached hereto;

(d) "Receipt Point" shall mean the point where Union shall receive gas from Shipper, as described in Schedule "A" attached hereto; and,

(e) "Unauthorized Overrun" shall have the meaning as set forth in Schedule "B" of Union's M12 Rate Schedule.

ARTICLE II - GENERAL TERMS & CONDITIONS

2.01 The General Terms & Conditions for the Transportation Services provided under this Contract will be those specified in Schedule "A" of Union's M12 Rate Schedule (hereinafter referred to as the "General Terms & Conditions"). The General Terms & Conditions, as specified, are hereby incorporated into and form an integral part of this Contract by reference, as if fully set forth hereto. For purposes of the General Terms & Conditions, all references to "Customer" shall be deemed to be references to Shipper.

ARTICLE III - CONDITIONS PRECEDENT

3.01 The following conditions precedent shall be satisfied or waived by the party benefiting from the condition, subject to Section 3.03 herein, before the commencement of service obligations hereunder:

i) Conditions benefiting Union:

(a) Union shall have obtained the governmental, regulatory and other approvals or authorizations that are required to enable Union to render the Transportation Services contemplated herein, and to render an account in accordance with the provisions of this Contract, including the Schedules attached hereto;

(b) Union shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations required to construct any facilities necessary to provide the Transportation Services hereunder, which approvals and authorizations, if granted upon conditions, shall be conditions satisfactory to Union;

(c) Union shall, where applicable, have completed those facilities necessary to provide the Transportation Services hereunder;

(d) Union shall have received from Shipper the requisite security of financial assurances reasonably necessary to ensure its ability to honour the provisions of this Contract as determined solely by Union.

ii) Conditions benefiting Shipper:

(a) Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including upstream and downstream contracts, and shall specifically, have an executed and valid Limited Balancing Agreement or Interruptible HUB Service Contract with Union; and shall have entered into the necessary contracts to purchase the gas quantities handled under this Contract; and,

(b) Shipper shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations that are required from the United States of America ("U.S.A."), or any State therein, and from Canada or any Province therein, for the gas quantities handled under this Contract, which authorizations if granted upon conditions, shall be conditions satisfactory to Shipper.

3.02 Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil their respective conditions precedent specified in Section 3.01. Each party shall notify the other forthwith in writing of their respective fulfilment or waiver of such conditions.

3.03 In the event that the conditions precedent, as specified in Subsections 3.01 i) (d), 3.01 ii) (a) and (b) are not satisfied or waived by the party deriving the benefit from that condition precedent by November 1, 2005 or such later date as may be mutually agreed upon by both parties (the "Conditions Precedent Date"), then the parties hereto shall, upon notice by either party to the other party, be released from all of their obligations hereunder, and this Contract shall thereupon be terminated subject to any Shipper liabilities as may have arisen under the Financial Backstopping Agreement in section 3.04.

3.04 Union shall receive from Shipper, on or before February 1, 2005 (the "Indemnity Date"), an executed Financial Backstopping Agreement, in a form acceptable to both parties.

ARTICLE IV - TERM OF CONTRACT

4.01 This Contract shall be effective as of the date of execution hereof; however, the service obligations, terms and conditions hereunder shall, subject to Article III, commence on the later of November 1, 2006 or, if applicable, the day following the date that the conditions precedent in Section 3.01 are satisfied or waived (the "Commencement Date"), and shall be subject to Section 4.03 and continue in full force and effect until October 31, *Year* (the "Initial Term").

4.02 Without limiting the generality of the foregoing, this Contract may be terminated in accordance with Section XII of the General Terms & Conditions.

4.03 In the event that Union's facilities, as set out in Subsection 3.01 (c) hereof, are not fully completed and operational by November 1, 2006 any firm capacity which may be available to those shippers requesting incremental capacity will be allocated between shippers based on the Net Present Value ("NPV") of the Contract. The NPV shall be calculated by multiplying the Contract rate, as outlined in Section 8.01, by the term of the Contract, as outlined in Section 4.01. This allocation policy shall continue until such time as Union's facilities are fully completed and operational.

4.04 This Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, in accordance with Section 13.02, subject to notice in writing by either party of termination at least two (2) years prior to the expiration thereof. Union and Shipper, in good faith, will reasonably communicate and negotiate any desired changes in advance of any said notice of termination as set out in the previous sentence

4.05 For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, this Contract shall be deemed to be in effect for an extended period equal to the time during which the companies, that transport the gas contemplated herein for Union and Shipper, retain the right to amend their statements. Such extended period of time shall not exceed three (3) years from the date of termination of this Contract.

ARTICLE V - TRANSPORTATION SERVICES

5.01 Transportation Services: Union shall, on a firm basis and subject to the terms and conditions herein, transport Shipper's gas on Union's system (the "Transportation Services"). Shipper agrees to the terms and conditions set out herein upon nomination to Union for the provision of the Transportation Services, as follows:

A/Contract Demand:

Union shall not be obligated to transport, on a firm basis, a quantity of gas on any one day, in excess of ___________ GJ (__________ MMBtu) (the "Contract Demand").

B/Gas Transported by Union:

(a) Union agrees, on any day, and subject to Subsections 5.01 (b) and (c) of this Section 5.01 B, to receive on Shipper's behalf at the Receipt Point, any quantity of gas which Shipper nominates and which Union has authorized for Transportation Service and to deliver that quantity of gas to

Shipper at the Delivery Point;

(b) Under no circumstances shall Union be required to transport a quantity of gas in excess of the Contract Demand; and,

(c) Union agrees that it shall, upon the request of Shipper, use reasonable efforts to transport gas in excess of the Contract Demand, on an interruptible basis, if operating conditions permit, in Union's sole opinion.

C/Fuel:

Shipper shall provide the fuel requirements per the M12 Rate Schedule or such other replacement Rate Schedule which may be applicable to the Transportation Services provided hereunder as approved by the Ontario Energy Board from time to time.

5.02 Authorized Overrun: The amount by which Shipper's Authorized Quantity exceeds the Contract Demand.

5.03 Accounting for Transportation Services: All quantities of gas transported by Union shall be accounted for on a daily basis. Transportation Services provided hereunder shall be in accordance with the prescribed nominations procedure herein.

5.04 Commingling: Union shall have the right to commingle the quantity of gas referenced herein with gas owned by Union or gas being stored and/or transported by Union for third parties.

5.05 Imbalances: The parties hereto recognize that with respect to Section 5.01, on any day, receipts of gas by Union and deliveries of gas by Union may not always be exactly equal, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, and any imbalances arising shall be allocated to Shipper's Limited Balancing Agreement or the Balancing Service pursuant to Shipper's Interruptible Service HUB Contract, and shall be subject to the respective terms and charges contained therein, and shall be resolved in a timely manner.

ARTICLE VI - FORCE MAJEURE

6.01 An event of force majeure on Union's system, as defined in Section XI of the General Terms & Conditions, will excuse a delay in either the delivery of the gas by Union or the acceptance of receipt of the gas by Union hereunder, and will extend the time required for Union's or Shipper's obligation to be fulfilled on a day for day basis. If Union is prevented, by reason of an event of force majeure, from delivering gas to the Delivery Point on the day or days upon which Union has accepted gas from Shipper at the Receipt Point, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such day or days as are agreed to by Shipper.

6.02 An event of force majeure, as contemplated under Section 6.01, or, upstream or downstream of Union's system, shall not relieve Shipper of any charges payable under Article VIII.

6.03 If on any day Union fails to accept gas from Shipper at the Receipt Point, by reason of an occurrence of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the Contract Demand, then for that day the monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this Section, multiplied by the difference between the quantity of gas actually delivered by Union during the said day and the quantity of gas which Shipper in good faith nominated on such day. "Daily Demand

Rate" shall mean the Demand Charge (as stipulated in the Rate Schedule as defined in Article VIII) divided by the number of days in the month for which such rate is being calculated.

6.04 If due to the occurrence of an event of force majeure as set out in Section 6.03, the capacity for gas deliveries by Union is impaired, making it necessary for Union to curtail Shipper's gas receipts to Union hereunder, then Union agrees that the Contract Demand for Transportation Service under this Contract shall be combined with the firm contract demand set out in other Union contracts then in effect with Union's customers utilizing such facilities as well as quantities set out in Union's peak day requirements for such facilities, and Shipper's service entitlement during such period of impairment, shall be pro rated. This pro rationing shall be determined by multiplying the daily capability of such facilities, as available downstream of the impairment, by a fraction, the numerator of which is Shipper's Contract Demand and the denominator of which is the total of all such firm contract demands, including the Contract Demand hereunder and Union's said peak day requirements downstream of the impairment.

ARTICLE VII – SERVICE CURTAILMENT

7.01 Capacity Sharing: Where requests for interruptible Transportation Services hereunder exceed the capacity available for such Transportation Services, Union will accept nominations from shippers and allocate capacity in the order of pricing for Transportation Services and prior quantities moved, and shippers shall be so advised. Any interruptible services provided herein are subordinate to any and all firm services supplied by Union.

7.02 Capacity Procedures: Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.

7.03 Maintenance: Union's facilities from time to time may require maintenance or construction. In the event that such event occurs and in Union's sole opinion, acting reasonably, may impact its ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper. In the event the maintenance impacts on Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of this Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the monthly demand charge shall be reduced in accordance with Section 6.03 and available capacity allocated in accordance with Section 6.04 herein. Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, that can be scheduled and completed, and which would normally be expected to impact on Union's ability to meet its obligations of any Contract Year, during the period from April 1 through to November 15.

ARTICLE VIII - CHARGES AND RATES

8.01 Except as otherwise stated herein, the charges and rates to be billed by Union and paid by Shipper for the Transportation Services provided under this Contract will be those specified in Union's M12 Rate Schedule or such other replacement Rate Schedule which may be applicable to the Services provided hereunder as approved by the Ontario Energy Board from time to time. Union will invoice Shipper the M12 charges and rates plus a monthly demand charge of $____/GJ ($___/MMBtu), if applicable.

8.02 Prices exclude any applicable Goods and Services Tax or other taxes, royalties or levies imposed currently or subsequent to the commencement of this Contract.

8.03 Set Off: If Shipper shall, at any time, be in arrears under any of its payment obligations to Union, under this Contract, or otherwise indebted to Union, then Union shall be entitled to reduce the amount payable by Union to Shipper under this Contract by an amount equal to the amount of such arrears or other indebtedness to Union.

ARTICLE IX - PRESSURES

9.01 For Transportation Services provided pursuant to Article V hereof:

(a) Receipts of gas by Union for the account of Shipper, at the Receipt Point, shall be made at pressures in accordance with Schedule “A” attached hereto; and,

(b) Deliveries of gas by Union for the account of Shipper, at the Delivery Point, shall be made at pressures in accordance with Schedule “A” attached hereto.

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.

ARTICLE X - MEASUREMENT AND QUALITY

10.01 For Transportation Services provided pursuant to Article V hereof:

(a) The quality of the gas and the measurement of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in the General Terms & Conditions, but, Union will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out therein. Union will also accept gas of a quality as set out in TCPL's or any other interconnecting pipeline’s general terms and conditions.

(b) Union shall cause Shipper to obtain measurement of the total quantity of gas to be received by Union hereunder from the upstream transporter(s) (or Union where applicable). Such measurement shall be done in accordance with established practices between Union and the upstream transporter(s) (or Union where applicable).

10.02 In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Union shall ask Shipper or Shipper's Agent to invoke its rights as Shipper with the upstream transporter(s) (or Union where applicable). Shipper shall exercise due diligence in the enforcement of any inspection and/or verification rights and procedures which Shipper or Shipper's Agent may have in relation to the meters owned and operated by the upstream transporter(s) (or Union where applicable) at the Receipt Point.

ARTICLE XI - NOMINATIONS

11.01 Nominations shall be pursuant to Schedule “B” of Union’s M12 Rate Schedule. Schedule “B” of Union’s M12 Rate Schedule is hereby incorporated into and forms an integral part of this Contract. For purposes of the Nominations Section, all references to “Customer” shall be deemed to be references to Shipper.

ARTICLE XII - SHIPPER'S REPRESENTATIONS AND WARRANTIES

12.01 Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, such certificates, permits, licenses and authorizations from regulatory bodies or other governmental agencies in the U.S.A. and Canada, as the case may be, as are necessary to enable Shipper, or others designated by Shipper, to deliver to Union at the Receipt Point and to export from the U.S.A. and import and deliver into Canada and/or export from Canada and import and deliver into the U.S.A., the quantities of gas to be handled by Union under this Contract. Shipper further warrants that it shall maintain the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein.

12.02 Financial Representations: Shipper represents and warrants that the financial assurances and representations provided to Union at the commencement of this Contract (if any) shall remain in place throughout the term hereof. Shipper shall notify Union in the event of any changes to the financial assurances and representations throughout the term hereof. Should Union, have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under this Contract as a result of one of the following events (“Material Event”);

(a) Shipper is in material default, which default has not been remedied, of any other material contract with Union or another third party;

(b) Shipper’s corporate or debt rating falls below investment grade according to at least two nationally recognized rating agencies;

(c) Shipper is not rated by a nationally recognized agency;

(d) Shipper has exceeded credit available as outlined in the Union Gas letter dated ___________.

Shipper shall within fourteen (14) days of receipt of such notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the “Security”), not to exceed twelve (12) months of monthly demand charges multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security, Union may deem a default under the Default and Termination provisions of Section XII of the General Terms & Conditions.

In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated the Security shall be returned to the Shipper within fourteen (14) business days after receipt of the request.

12.03 & 12.04 Optional Clauses:

(Representation of Consumption in U.S. for Non-Resident, Non GST Registrant)

12.03 Point of Consumption Warranty: Shipper represents and warrants that, throughout the term of this Contract, all quantities of gas received by Union hereunder at the Receipt Point and/or all Loaned Quantities will be consumed in the U.S.A. Should any quantities of gas hereunder be directed to an end user in Canada, Shipper shall immediately notify Union that such quantities of gas will be consumed in Canada, as failure to do so will make Shipper liable to Union for any government taxes or levies and related interest and penalties thereon, made as a result of such change.

12.04 Tax Registration re GST: Shipper warrants and represents that it is unregistered and a Non-Resident for purposes of the GST. Shipper agrees to notify Union within ten (10) working days if it becomes registered. GST shall mean The Government of Canada's Goods and Services Tax as legislated under The Excise Tax Act, as may be amended from time to time.

ARTICLE XIII - MISCELLANEOUS PROVISIONS

13.01 (a) Assignment: Shipper may assign this Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"), in total with the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee, as defined in Subsection 13.01 (b), providing, amongst other things, financial assurances as per Subsection 3.01 (d), herein. Any such assignment will be for the full rights, obligations and remaining term of this Contract as relates to the Capacity Assigned.

(b) Partial Assignment: Shipper may, upon notice to Union, assign a part of its service entitlement under this Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee for not less than one calendar month. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.

13.02 Notices: Subject to the express provisions of this Contract, 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 below 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.

Communications to the parties hereto shall be directed as follows:

IF TO SHIPPER:	____________________ ____________________ ____________________ ____________________
Nominations: Attention:	____________________ Telephone: ___-___-____ Facsimile: ___-___-____
Secondary Contact: Attention:	____________________ Telephone: ___-___-____ Facsimile: ___-___-____
IF TO UNION:	Union Gas Limited, 50 Keil Drive North, CHATHAM, Ontario N7M 5M1

Nominations: Attention: Manager, Gas Control
Telephone: 519-436-5217
Facsimile: 519-436-4635

Secondary Contact: Attention: Managing Director
Telephone: 617-560-1436
Facsimile: 617-560-1581

Notwithstanding the above, nominations shall be made by facsimile or other recorded electronic means, subject to execution of the “Agreement for Use of the Secured Portion of Union Gas Limited’s Website,” or such other agreement, satisfactory to Union, and will be deemed to be received on the same day and same time as sent. Each party may from time to time change its address for the purpose of this Section by giving notice of such change to the other party in accordance with this Section.

13.03 Law of Contract: Union and Shipper agree that this Contract is made in the Province of Ontario and that the courts of the Province of Ontario shall have exclusive jurisdiction in all matters contained herein. The parties further agree this Contract shall be construed exclusively in accordance with the laws of the Province of Ontario.

13.04 Possession of Gas:

(a) Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

(b) Shipper agrees that Union is not a common carrier and is not an insurer of Shipper’s gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union’s possession, except to the extent such loss is caused entirely by Union’s negligence.

13.05 Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title or legal authority to all gas delivered to Union hereunder, which gas is not subject to litigation. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of royalties, taxes, license fees, or other charges thereon.

13.06 Entire Contract: This Contract constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof. This Contract supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the parties in respect of the subject matter hereof.

13.07 Time of Essence: Time shall be of the essence hereof.

13.08 Counterparts: This Contract may be executed in any number of counterparts, each of which when so executed shall be deemed to be an originally executed copy, and it shall not be necessary in making proof of this Contract to produce all of such counterparts.

13.09 Amendments and Waivers: No amendment or waiver of any provision of this Contract nor consent to any departure of either party hereto shall in any event be effective unless the same shall be in writing and signed by each of the Shipper and Union and then such waiver or consent shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under this Contract shall operate as a waiver thereof.

13.10 Severability: If any provision hereof is invalid or unenforceable in any jurisdiction, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out the intention of the parties as nearly as possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any provision in any other jurisdiction.

13.11 General Liability: The liability of the parties hereunder is limited to direct damages only and all other remedies or damages are waived. In no event shall either party be liable for consequential, incidental, punitive, or indirect damages, in tort, contract or otherwise.

THIS CONTRACT SHALL BE BINDING UPON and shall enure to the benefit of the parties hereto and their respective successors and permitted and lawful assigns.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

UNION GAS LIMITED

I have authority to bind Union

____

SHIPPER

I have authority to bind Shipper

____

Title:

____

Title:

Contract No. M12xxx

SCHEDULE "A"

Contract No. M12XXX

POINTS AND PRESSURES

The following defines each Receipt Point:
(Choose any one)

DAWN (TCPL): At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities).

DAWN (FACILITIES): 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.

DAWN (TECUMSEH): At the junction of Union's and Tecumseh Gas Storage's, a division of Enbridge Gas Distribution Inc. ("Enbridge") facilities, at or adjacent to Dawn (Facilities).

DAWN (VECTOR): At the junction of Union's and Vector pipeline Limited Partnership ("Vector") facilities, at or adjacent to Dawn (Facilities).

The following defines each Delivery Point:
(May be only one)

PARKWAY: 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.

KIRKWALL: 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.

Dated: ________________

SCHEDULE "A"

Contract No. M12XXX

RECEIPT PRESSURES

DAWN (TCPL): Receipts by Union shall be at a pressure of not less than 4,825 kPa.

DAWN (FACILITIES): Receipts by Union shall be at a pressure of not less than 4,825 kPa.

DAWN (TECUMSEH): Receipts by Union shall be at a pressure of not less than 4,825 kPa.

DAWN (VECTOR): Receipts by Union shall be at a pressure of not less than 4,930 kPa.

DELIVERY PRESSURES

PARKWAY: Deliveries by Union to TCPL shall be made at a pressure in accordance with the Parkway Operating Agreement between TCPL and Union dated October 1, 1993, as may be amended from time to time (the "Parkway Operating Agreement")

KIRKWALL: Deliveries by Union to TCPL shall be made at Union's prevailing line pressure which shall be in accordance with the Parkway Operating Agreement.

.

Dated: _______________

THIS FINANCIAL BACKSTOPPING AGREEMENT made as of the ____ day of ________, 20___

BETWEEN:

UNION GAS LIMITED, a company incorporated under the laws of the Province of Ontario,

(hereinafter referred to as "Union")

- and -

______________________, a company incorporated under the laws of the (Province, State, Country) of ___________________,

(hereinafter referred to as "Shipper")

WHEREAS Union and Shipper have entered into a Firm Transportation Contract, dated *Day, Month, Year* (M12______) (the "Contract"), for transportation service on Union's pipeline system ;

AND WHEREAS pursuant to the Contract certain Required Facilities as defined hereinafter must be constructed by Union in order to enable Union to provide the required transportation service for Shipper and all other 2004 Open Season Shippers by the Commencement Date, as set out in the Contract;

AND WHEREAS certain Conditions Precedent listed in Section 3.03 of the Contract (the "Listed Conditions") must be satisfied or waived by the party deriving the benefit of each Listed Condition prior to *Day , Month, Year* (the "Conditions Precedent Date");

AND WHEREAS Shipper has agreed to financially indemnify Union on and after the Indemnity Date, subject to certain limitations, for any and all Shipper Carrying Charges, as defined hereinafter;

THIS CONTRACT WITNESSETH that in consideration of the foregoing and mutual covenants herein contained, the parties hereto agree as follows:

DEFINITIONS

"2004 Open Season Shippers" means all Shippers who executed Firm Transportation Agreements as a result of the 2004 Open Season.

"Required Facilities" means the facilities necessary for Union to provide to the 2004 Open Season Shippers their required transportation services.

"Cancelled Facilities" means that portion of the Required Facilities not built pursuant to the original schedule for the Required Facilities, as a result of Shipper (or Shipper along with other Shippers) failing to satisfy or waive their Listed Conditions in their Firm Transportation Agreements by the Conditions Precedent date.

"Construction Costs and Expenses" shall mean all out of pocket (i.e., not general) costs and expenses incurred by Union related to the Cancelled Facilities including engineering, procurement, handling and maintenance of goods, service contracts, construction, and cancellation charges.

"Carrying Charges" means all reasonable interest and other carrying expenses related to the Construction Costs and Expenses for the Cancelled Facilities. The interest rate shall be the lesser of Union's short-term borrowing rate and the prime lending rate published by the Canadian Imperial Bank of Commerce, as determined on a monthly basis, on the first business day of the month for the outstanding monthly balance of any Construction Costs and Expenses.

"Shipper Carrying Charges" shall be the proportion of the Carrying Charges allocated to the Shipper pursuant to Union's allocation, which shall be a formula whereby the Carrying Charges are multiplied by a number, the numerator of which is the Contract Demand of any Shipper who fails to satisfy or waive the Listed Conditions by the Conditions Precedent Date, and the denominator of which is the total of all Contract Demands of all 2004 Open Season Shippers which failed to satisfy or waive the Listed Conditions in their Firm Transportation Agreements by the Conditions Precedent Date.

"Indemnity Date" shall mean February 1, 2005.

Any capitalized term used herein not specifically defined shall have the definition given to it in the Contract.

TERMS

If Shipper has failed to satisfy or waive the Listed Conditions as of the Conditions Precedent Date, but Union has nevertheless proceeded with and completed construction of the Required Facilities, then such Shipper will pay a penalty of one month demand charges (equal to the product of $/GJ/month and Shipper's Contract Demand) and shall pay demand charges every month thereafter for twelve (12) months or until a replacement Shipper of equal or superior net present value to Union has executed a Firm Transportation Contract, whichever occurs first (a total of no more than the product of $/GJ/month, Shipper's Contract Demand and thirteen (13)).

If Shipper fails to satisfy or waive the Listed Conditions by the Conditions Precedent Date, and Union, based on such Shipper's failure and the similar failure of any and all other 2004 Open Season Shippers, has decided to cancel the Required Facilities or build only a portion of the Required Facilities, then such Shipper shall pay Shipper Carrying Charges pertaining to the Cancelled Facilities. From the Indemnity Date until the earlier of the date such facilities are in place or November 1, 2007, Union will calculate the Carrying Charges on a monthly basis. Subject to the foregoing, Union will forward to such Shipper an invoice for the accrued Shipper Carrying Charges by fax, electronic mail or other means on or before the 15th day of the calendar month following the month during which the Conditions Precedent Date occurs, and then every month thereafter.

If the Listed Conditions are all satisfied or waived on or before the Conditions Precedent Date, this Financial Backstopping Agreement shall be terminated and the Shipper shall have no liability to Union whatsoever with respect to this Financial Backstopping Agreement.

INVOICING PROCESS

Payment on the invoice (demand charges or Shipper Carrying Charges, as applicable) will be made by Shipper as invoiced by Union, to the following account:

Account Number: 00282-010-03301

Bank Name: Canadian Imperial Bank of Commerce

Payment must reach the account by the later of close of business on the 10th day after the invoice is received or the 25th day of the month in which the invoice is provided. Interest shall accrue and be calculated for any undisputed amount overdue in Shipper's Account. Amount overdue shall mean the billable amount accumulated during the previous month and not paid as of the later of the due date or the 25th day of the then current month. All funds received shall be applied as follows: firstly against any late payment interest due; secondly to the currently invoiced Carrying Costs. The interest rate on late payments shall be the lesser of Union's short-term borrowing rate and the prime lending rate published by the Canadian Imperial Bank of Commerce plus two per cent, as determined on a monthly basis for the outstanding monthly balance for any amount overdue.

The parties hereto shall not assign this Financial Backstopping Agreement without the prior written consent of the other party, which shall not be unreasonably withheld. This Financial Backstopping Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their permitted successors and assigns.

This Financial backstopping Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and each of the parties shall attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

IN WITNESS WHEREOF this Financial Backstopping Agreement has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

SHIPPER	UNION GAS LIMITED
I have authority to bind Shipper	I have authority to bind Union
____________________________	____________________________
Title:	
____________________________	
Title:	

Duke Energy. Gas Transmission

DUKE ENERGY GAS TRANSMISSION

February 7, 2005

Attention:

Re: Union Gas Limited Long Term Firm Dawn to Parkway/Kirkwall Transportation Offer (the "Offer')

Dear:

Union Gas Limited ("Union") is conducting an open season in response to interest expressed during the combined DEGT non-binding open season conducted by Algonquin Gas Transmission, Texas Eastern Transmission and Union during the summer of 2004.

Union invites your company to submit a binding offer for long term firm transportation from Dawn to Parkway or Kirkwall for service commencing November 1, 2007. Service will be in accordance with Union's M12 Rate Schedule. Union will evaluate all binding offers using the product of rate (M12 tolls + premium) and term (years) (the "Value"), with bids resulting in the highest overall total Value having the highest priority. If two or more bids have an equivalent Value, and insufficient capacity exists to satisfy all bids with an equivalent Value, the remaining capacity will be prorated. All offers received will be deemed to be for "any quantities available" to a maximum of the quantity indicated by Shipper.

Service Parameters

- All offers that include a premium will be adjusted to reflect a demand charge which will be invoiced monthly for the term of the contract.
- Fuel will be provided by shipper according to Union's M12 Rate schedule which is subject to revision from time to time. A copy of this rate schedule is available at http://www.uniongas.com/aboutus/regulatory/rates/ratesindex.asp
- Receipt point will be Dawn.
- Delivery point will be Parkway or Kirkwall.
- Term of the contract will be as bid, minimum 10 years.
- Transportation service will commence November 1, 2007.
- Payment to Union will be in accordance with Union's standard form General Terms & Conditions.

Please confirm your interest in this service by signing and returning this letter agreement by fax to (519) 436-4643, Attention: Carol Cameron on or before 12:00 noon Eastern Time on Friday, February 18, 2005. Union will advise each shipper on or before 2:30 p.m. Eastern Time Friday, February 25, 2005 of the actual quantity which will be awarded to Shipper.

Union reserves the right to make its acceptance of your offer conditional upon the conditions precedent as outlined in Section 3.01 and Section 3.04 of Union's Transportation Contract (the "Contract"), which is attached hereto. Union also provides two conditions precedent which benefit the Shipper in Section 3.01 of the Contract. A copy of Union's Financial Backstopping Agreement is also attached.

By submitting this binding offer for transportation service, Union and Shipper will execute the Contract and Financial Backstopping Agreement to replace this letter agreement no later than 5:00 p.m. Eastern Time March 30, 2005 or such other date as mutually agreed upon by both parties. Until such time this letter agreement shall govern.

Union reserves the right to reject any bids which do not conform to this Offer.

Please provide your offer under the above terms and conditions by signing this letter agreement and by indicating the rate, maximum quantity, and term desired.

Yours truly,

Carol Cameron

Carol Cameron
Union Gas Limited

Shipper hereby commits to contract for long term firm transportation service with Union under the terms and conditions outlined in this letter agreement, the Contract and the Financial Backstopping Agreement, subject to Union's acceptance and notification of quantities allocated to Shipper.

Receipt Point	**Dawn**	
Delivery Point (chose one)	Parkway	Kirkwall
Start Date	**November 1, 2007**	
Quantity (GJ/d)	Maximum __________	
Term (years) (10 year minimum)	____________	
Rate ($Cdn/GJ) (please specify premium, if any)	M12 tolls + ____________ ($/GJ/day)	

Dated this ______ day of ______________, 2005

____
Signature
(I have authority to bind the Shipper)

_______________________________ ______________________
Name Phone

_______________________________ ______________________
Title Fax

____
Company

M12 Transportation Contract

Financial Backstop Agreement

Duke Energy Gas Transmission

October 3, 2005

Carol Cameron
Union Gas
50 Keil Drive North,
Chatham, ON N7M 5M1

Attention: Carol Cameron

Re: Union Gas Limited Long Term Firm Dawn to Parkway/Kirkwall Transportation Offer (the "Offer')

Dear Carol:

In response to continuing customer interest in Dawn to Parkway or Kirkwall capacity, Union Gas Limited ("Union") is pleased to offer an open season for service commencing November 1, 2007.

Union invites your company to submit a binding offer for long term firm transportation from Dawn to Parkway or Kirkwall for service commencing November 1, 2007. Service will be in accordance with Union's M12 Rate Schedule. Union will evaluate all binding offers using the product of rate (M12 tolls + premium) and term (years) (the "Value"), with bids resulting in the highest overall total Value having the highest priority. If two or more bids have an equivalent Value, and insufficient capacity exists to satisfy all bids with an equivalent Value, the remaining capacity will be prorated. All offers received will be deemed to be for "any quantities available" to a maximum of the quantity indicated by Shipper.

<u>Service Parameters</u>

- All offers that include a premium to M12 tolls will be adjusted to reflect a demand charge which will be invoiced monthly for the term of the contract.
- Fuel will be provided by shipper according to Union's M12 Rate schedule which is subject to revision from time to time. A copy of this rate schedule is available at http://www.uniongas.com/aboutus/regulatory/rates/ratesindex.asp
- Receipt point will be Dawn.
- Delivery point will be Parkway or Kirkwall.
- Term of the contract will be as bid, minimum 10 years.
- Transportation service will commence November 1, 2007.
- Payment to Union will be in accordance with Union's standard form General Terms & Conditions.

Please confirm your interest in this service by signing and returning this letter agreement by fax to (519) 436-4643, Attention: Carol Cameron on or before 12:00 noon Eastern Time on Tuesday, October 18, 2005. Union will advise each shipper on or before 2:30 p.m. Eastern Time Thursday, October 20, 2005 of the actual quantity which will be awarded to Shipper.

Union reserves the right to make its acceptance of your offer conditional upon the conditions precedent as outlined in Section 3.01 and Section 3.04 of Union's Transportation Contract (the "Contract"), which is attached hereto. Union also provides two conditions precedent which benefit the Shipper in Section 3.01 of the Contract.   A copy of Union's Financial Backstopping Agreement is also attached.

By submitting this binding offer for transportation service, Union and Shipper will execute the Contract and Financial Backstopping Agreement to replace this letter agreement no later than 5:00 p.m. Eastern Time November 15, 2005 or such other date as mutually agreed upon by both parties. Until such time this letter agreement shall govern.

Union reserves the right to reject any bids which do not conform to this Offer.

Please provide your offer under the above terms and conditions by signing this letter agreement and by indicating the rate, maximum quantity, and term desired.

Yours truly,

Carol Cameron

Carol Cameron
Union Gas Limited

Shipper hereby commits to contract for long term firm transportation service with Union under the terms and conditions outlined in this letter agreement, the Contract and the Financial Backstopping Agreement, subject to Union's acceptance and notification of quantities allocated to Shipper.

Receipt Point	**Dawn**	
Delivery Point (chose one)	Parkway	Kirkwall
Start Date	**November 1, 2007**	
Quantity (GJ/d)	Maximum __________	
Term (years) (10 year minimum)	____________	
Rate ($Cdn/GJ) (please specify premium, if any)	M12 tolls + ____________ ($/GJ/day)	

Dated this ______ day of ______________, 2005

____
Signature
(I have authority to bind the Shipper)

_______________________________ ______________________
Name Phone

_______________________________ ______________________
Title Fax

____
Company

M12 Transportation Contract.pdf

Financial Backstopping Agreem

Contract No. M12xxx

FIRM TRANSPORTATION CONTRACT

(____________ TO _____________)

BETWEEN

UNION GAS LIMITED

AND

(SHIPPER)

DATED Month, Day, Year

Schedule "A" Points and Pressures

FIRM

TRANSPORTATION CONTRACT

(____________ TO _____________)

CONTENTS

THIS FIRM TRANSPORTATION CONTRACT dated as of the ____ day of *Month*, 20___,

BETWEEN:

UNION GAS LIMITED, a company incorporated under the laws of the Province of Ontario,
(hereinafter referred to as "Union")

PARTY OF THE FIRST PART

- and -

___________________________________, a company incorporated under the laws of the (Province, State, Country) of _________,
(hereinafter referred to as "Shipper")

PARTY OF THE SECOND PART

WHEREAS, Union owns and operates a natural gas transmission system in southwestern Ontario, through which Union offers "Transportation Services", as defined in Article V herein;

AND WHEREAS, Shipper wishes to retain Union to provide such Transportation Services, as set out herein, and Union has agreed, subject to the terms and conditions of this Contract, to provide the Transportation Services requested;

NOW THEREFORE, this Contract witnesses that, in consideration of the mutual covenants and agreements herein contained and the exchange of one ($1.00) dollar between the parties hereto, the payment and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I - INTERPRETATION AND DEFINITIONS

1.01 Divisions, Headings and Index: The division of this Contract into Articles, Sections and Subsections, and the insertion of headings and any table of contents or index provided are for convenience of reference only, and shall not affect the construction or interpretation hereof.

1.02 Industry Usage: Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of the transportation, storage, and distribution or sale of natural gas have an accepted meaning shall have that meaning.

1.03 Extended Meaning: Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. The words "herein" and "hereunder" and words of similar import refer to the entirety of this Contract, including the Schedules incorporated into this Contract, and not only to the Section in which such use occurs.

1.04 Conflict: In the event of any conflict between the provisions of this Contract and those of Schedule "A" attached to it, and Union's M12 Rate Schedule, as defined below, the provisions of

Schedule "A" shall prevail over the provisions of this Contract, and the provisions of this Contract shall prevail over those of Union's M12 Rate Schedule.

1.05 Measurements: Units set out in Imperial measurement in parentheses beside their SI (metric) equivalent are for reference only and in the event of a conflict between SI (metric) and Imperial measurement herein, SI (metric) shall prevail.

1.06 Currency: All reference to dollars in this Contract shall mean Canadian dollars.

1.07 Schedules: Refers to the schedules attached hereto which are specifically included as part of this Contract, and include:

Schedule "A" - Points and Pressures

1.08 Rate Schedule: "Union's M12 Rate Schedule" or the "M12 Rate Schedule" or "M12" shall mean Union's M12 Rate Schedule, (including Schedules attached thereto), or such other replacement rate schedule which may be applicable to the Transportation Services provided hereunder as approved by the Ontario Energy Board from time to time, and is incorporated into this Contract by reference as if fully set forth hereto.

1.09 Definitions: Capitalized terms and certain other terms used in this Contract and not specifically defined shall have the meaning set forth in Schedule "A" attached hereto and/or Union's M12 Rate Schedule, General Terms & Conditions and Nominations, unless the context hereof otherwise clearly requires. The following definitions shall be read and interpreted as though included in the aforementioned:

(a) "Authorized Quantity" shall have the meaning as set forth in Schedule "B" of Union's M12 Rate Schedule;

(b) "Contract Year" shall have the meaning as defined in Union's M12 Rate Schedule, General Terms & Conditions beginning on November 1, of each year, except for the first Contract Year which shall commence on the date as specified in Section 4.01 herein, and end on October 31, 2008;

(c) "Delivery Point" shall mean the point where Union shall deliver gas to Shipper, as described in Schedule "A" attached hereto;

(d) "Receipt Point" shall mean the point where Union shall receive gas from Shipper, as described in Schedule "A" attached hereto; and,

(e) "Unauthorized Overrun" shall have the meaning as set forth in Schedule "B" of Union's M12 Rate Schedule.

ARTICLE II - GENERAL TERMS & CONDITIONS

2.01 The General Terms & Conditions for the Transportation Services provided under this Contract will be those specified in Schedule "A" of Union's M12 Rate Schedule (hereinafter referred to as the "General Terms & Conditions"). The General Terms & Conditions, as specified, are hereby incorporated into and form an integral part of this Contract by reference, as if fully set forth hereto. For purposes of the General Terms & Conditions, all references to "Customer" shall be deemed to be references to Shipper.

ARTICLE III - CONDITIONS PRECEDENT

3.01 The following conditions precedent shall be satisfied or waived by the party benefiting from the condition, subject to Section 3.03 herein, before the commencement of service obligations hereunder:

i) Conditions benefiting Union:

(a) Union shall have obtained the governmental, regulatory and other approvals or authorizations that are required to enable Union to render the Transportation Services contemplated herein, and to render an account in accordance with the provisions of this Contract, including the Schedules attached hereto;

(b) Union shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations required to construct any facilities necessary to provide the Transportation Services hereunder, which approvals and authorizations, if granted upon conditions, shall be conditions satisfactory to Union;

(c) Union shall, where applicable, have completed those facilities necessary to provide the Transportation Services hereunder;

(d) Union shall have received from Shipper the requisite security of financial assurances reasonably necessary to ensure its ability to honour the provisions of this Contract as determined solely by Union.

ii) Conditions benefiting Shipper:

(a) Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including upstream and downstream contracts, and shall specifically, have an executed and valid Limited Balancing Agreement or Interruptible HUB Service Contract with Union; and shall have entered into the necessary contracts to purchase the gas quantities handled under this Contract; and,

(b) Shipper shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations that are required from the United States of America ("U.S.A."), or any State therein, and from Canada or any Province therein, for the gas quantities handled under this Contract, which authorizations if granted upon conditions, shall be conditions satisfactory to Shipper.

3.02 Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil their respective conditions precedent specified in Section 3.01. Each party shall notify the other forthwith in writing of their respective fulfilment or waiver of such conditions.

3.03 In the event that the conditions precedent, as specified in Subsections 3.01 i) (d), 3.01 ii) (a) and (b) are not satisfied or waived by the party deriving the benefit from that condition precedent by December 1, 2005 or such later date as may be mutually agreed upon by both parties (the "Conditions Precedent Date"), then the parties hereto shall, upon notice by either party to the other party, be released from all of their obligations hereunder, and this Contract shall thereupon be terminated subject to any Shipper liabilities as may have arisen under the Financial Backstopping Agreement in section 3.04.

3.04 Union shall receive from Shipper, on or before December 1, 2005 (the "Indemnity Date"), an executed Financial Backstopping Agreement, in a form acceptable to both parties.

ARTICLE IV - TERM OF CONTRACT

4.01 This Contract shall be effective as of the date of execution hereof; however, the service obligations, terms and conditions hereunder shall, subject to Article III, commence on the later of November 1, 2007 or, if applicable, the day following the date that the conditions precedent in Section 3.01 are satisfied or waived (the "Commencement Date"), and shall be subject to Section 4.03 and continue in full force and effect until October 31, *Year* (the "Initial Term").

4.02 Without limiting the generality of the foregoing, this Contract may be terminated in accordance with Section XII of the General Terms & Conditions.

4.03 In the event that Union's facilities, as set out in Subsection 3.01 (c) hereof, are not fully completed and operational by November 1, 2007 any firm capacity which may be available to those shippers requesting incremental capacity will be allocated between shippers based on the Value of the Contract. The Value shall be calculated by multiplying the Contract rate, as outlined in Section 8.01, by the term of the Contract, as outlined in Section 4.01. This allocation policy shall continue until such time as Union's facilities are fully completed and operational.

4.04 This Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, in accordance with Section 13.02, subject to notice in writing by either party of termination at least two (2) years prior to the expiration thereof. Union and Shipper, in good faith, will reasonably communicate and negotiate any desired changes in advance of any said notice of termination as set out in the previous sentence

4.05 For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, this Contract shall be deemed to be in effect for an extended period equal to the time during which the companies, that transport the gas contemplated herein for Union and Shipper, retain the right to amend their statements. Such extended period of time shall not exceed three (3) years from the date of termination of this Contract.

ARTICLE V - TRANSPORTATION SERVICES

5.01 Transportation Services: Union shall, on a firm basis and subject to the terms and conditions herein, transport Shipper's gas on Union's system (the "Transportation Services"). Shipper agrees to the terms and conditions set out herein upon nomination to Union for the provision of the Transportation Services, as follows:

A/Contract Demand:

Union shall not be obligated to transport, on a firm basis, a quantity of gas on any one day, in excess of ___________ GJ (__________ MMBtu) (the "Contract Demand").

B/Gas Transported by Union:

(a) Union agrees, on any day, and subject to Subsections 5.01 (b) and (c) of this Section 5.01 B, to receive on Shipper's behalf at the Receipt Point, any quantity of gas which Shipper nominates and which Union has authorized for Transportation Service and to deliver that quantity of gas to

Shipper at the Delivery Point;

(b) Under no circumstances shall Union be required to transport a quantity of gas in excess of the Contract Demand; and,

(c) Union agrees that it shall, upon the request of Shipper, use reasonable efforts to transport gas in excess of the Contract Demand, on an interruptible basis, if operating conditions permit, in Union's sole opinion.

C/Fuel:

Shipper shall provide the fuel requirements per the M12 Rate Schedule or such other replacement Rate Schedule which may be applicable to the Transportation Services provided hereunder as approved by the Ontario Energy Board from time to time.

5.02 Authorized Overrun: The amount by which Shipper's Authorized Quantity exceeds the Contract Demand.

5.03 Accounting for Transportation Services: All quantities of gas transported by Union shall be accounted for on a daily basis. Transportation Services provided hereunder shall be in accordance with the prescribed nominations procedure herein.

5.04 Commingling: Union shall have the right to commingle the quantity of gas referenced herein with gas owned by Union or gas being stored and/or transported by Union for third parties.

5.05 Imbalances: The parties hereto recognize that with respect to Section 5.01, on any day, receipts of gas by Union and deliveries of gas by Union may not always be exactly equal, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, and any imbalances arising shall be allocated to Shipper's Limited Balancing Agreement or the Balancing Service pursuant to Shipper's Interruptible Service HUB Contract, and shall be subject to the respective terms and charges contained therein, and shall be resolved in a timely manner.

ARTICLE VI - FORCE MAJEURE

6.01 An event of force majeure on Union's system, as defined in Section XI of the General Terms & Conditions, will excuse a delay in either the delivery of the gas by Union or the acceptance of receipt of the gas by Union hereunder, and will extend the time required for Union's or Shipper's obligation to be fulfilled on a day for day basis. If Union is prevented, by reason of an event of force majeure, from delivering gas to the Delivery Point on the day or days upon which Union has accepted gas from Shipper at the Receipt Point, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such day or days as are agreed to by Shipper.

6.02 An event of force majeure, as contemplated under Section 6.01, or, upstream or downstream of Union's system, shall not relieve Shipper of any charges payable under Article VIII.

6.03 If on any day Union fails to accept gas from Shipper at the Receipt Point, by reason of an occurrence of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the Contract Demand, then for that day the monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this Section, multiplied by the difference between the quantity of gas actually delivered by Union during the said day and the quantity of gas which Shipper in good faith nominated on such day. "Daily Demand

Rate" shall mean the Demand Charge (as stipulated in the Rate Schedule as defined in Article VIII) divided by the number of days in the month for which such rate is being calculated.

6.04 If due to the occurrence of an event of force majeure as set out in Section 6.03, the capacity for gas deliveries by Union is impaired, making it necessary for Union to curtail Shipper's gas receipts to Union hereunder, then Union agrees that the Contract Demand for Transportation Service under this Contract shall be combined with the firm contract demand set out in other Union contracts then in effect with Union's customers utilizing such facilities as well as quantities set out in Union's peak day requirements for such facilities, and Shipper's service entitlement during such period of impairment, shall be pro rated. This pro rationing shall be determined by multiplying the daily capability of such facilities, as available downstream of the impairment, by a fraction, the numerator of which is Shipper's Contract Demand and the denominator of which is the total of all such firm contract demands, including the Contract Demand hereunder and Union's said peak day requirements downstream of the impairment.

ARTICLE VII – SERVICE CURTAILMENT

7.01 Capacity Sharing: Where requests for interruptible Transportation Services hereunder exceed the capacity available for such Transportation Services, Union will accept nominations from shippers and allocate capacity in the order of pricing for Transportation Services and prior quantities moved, and shippers shall be so advised. Any interruptible services provided herein are subordinate to any and all firm services supplied by Union.

7.02 Capacity Procedures: Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.

7.03 Maintenance: Union's facilities from time to time may require maintenance or construction. In the event that such event occurs and in Union's sole opinion, acting reasonably, may impact its ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper. In the event the maintenance impacts on Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of this Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the monthly demand charge shall be reduced in accordance with Section 6.03 and available capacity allocated in accordance with Section 6.04 herein. Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, that can be scheduled and completed, and which would normally be expected to impact on Union's ability to meet its obligations of any Contract Year, during the period from April 1 through to November 15.

ARTICLE VIII - CHARGES AND RATES

8.01 Except as otherwise stated herein, the charges and rates to be billed by Union and paid by Shipper for the Transportation Services provided under this Contract will be those specified in Union's M12 Rate Schedule or such other replacement Rate Schedule which may be applicable to the Services provided hereunder as approved by the Ontario Energy Board from time to time. Union will invoice Shipper the M12 charges and rates plus a monthly demand charge of $____/GJ ($___/MMBtu) (if applicable).

8.02 Prices exclude any applicable Goods and Services Tax or other taxes, royalties or levies imposed currently or subsequent to the commencement of this Contract.

8.03 Set Off: If Shipper shall, at any time, be in arrears under any of its payment obligations to Union, under this Contract, or otherwise indebted to Union, then Union shall be entitled to reduce the amount payable by Union to Shipper under this Contract by an amount equal to the amount of such arrears or other indebtedness to Union.

ARTICLE IX - PRESSURES

9.01 For Transportation Services provided pursuant to Article V hereof:

(a) Receipts of gas by Union for the account of Shipper, at the Receipt Point, shall be made at pressures in accordance with Schedule "A" attached hereto; and,

(b) Deliveries of gas by Union for the account of Shipper, at the Delivery Point, shall be made at pressures in accordance with Schedule "A" attached hereto.

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.

ARTICLE X - MEASUREMENT AND QUALITY

10.01 For Transportation Services provided pursuant to Article V hereof:

(a) The quality of the gas and the measurement of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in the General Terms & Conditions, but, Union will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out therein. Union will also accept gas of a quality as set out in TCPL's or any other interconnecting pipeline's general terms and conditions.

(b) Union shall cause Shipper to obtain measurement of the total quantity of gas to be received by Union hereunder from the upstream transporter(s) (or Union where applicable). Such measurement shall be done in accordance with established practices between Union and the upstream transporter(s) (or Union where applicable).

10.02 In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Union shall ask Shipper or Shipper's Agent to invoke its rights as Shipper with the upstream transporter(s) (or Union where applicable). Shipper shall exercise due diligence in the enforcement of any inspection and/or verification rights and procedures which Shipper or Shipper's Agent may have in relation to the meters owned and operated by the upstream transporter(s) (or Union where applicable) at the Receipt Point.

ARTICLE XI - NOMINATIONS

11.01 Nominations shall be pursuant to Schedule "B" of Union's M12 Rate Schedule. Schedule "B" of Union's M12 Rate Schedule is hereby incorporated into and forms an integral part of this Contract. For purposes of the Nominations Section, all references to "Customer" shall be deemed to be references to Shipper.

ARTICLE XII - SHIPPER'S REPRESENTATIONS AND WARRANTIES

12.01 Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, such certificates, permits, licenses and authorizations from regulatory bodies or other governmental agencies in the U.S.A. and Canada, as the case may be, as are necessary to enable Shipper, or others designated by Shipper, to deliver to Union at the Receipt Point and to export from the U.S.A. and import and deliver into Canada and/or export from Canada and import and deliver into the U.S.A., the quantities of gas to be handled by Union under this Contract. Shipper further warrants that it shall maintain the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein.

12.02 Financial Representations: Shipper represents and warrants that the financial assurances and representations provided to Union at the commencement of this Contract (if any) shall remain in place throughout the term hereof. Shipper shall notify Union in the event of any changes to the financial assurances and representations throughout the term hereof. Should Union, have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under this Contract as a result of one of the following events (“Material Event”);

(a) Shipper is in material default, which default has not been remedied, of any other material contract with Union or another third party;

(b) Shipper’s corporate or debt rating falls below investment grade according to at least two nationally recognized rating agencies;

(c) Shipper is not rated by a nationally recognized agency;

(d) Shipper has exceeded credit available as outlined in the Union Gas letter dated ___________.

Shipper shall within fourteen (14) days of receipt of such notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the “Security”), not to exceed twelve (12) months of monthly demand charges multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security, Union may deem a default under the Default and Termination provisions of Section XII of the General Terms & Conditions.

In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated the Security shall be returned to the Shipper within fourteen (14) business days after receipt of the request.

12.03 & 12.04 Optional Clauses:

(Representation of Consumption in U.S. for Non-Resident, Non GST Registrant)

12.03 Point of Consumption Warranty: Shipper represents and warrants that, throughout the term of this Contract, all quantities of gas received by Union hereunder at the Receipt Point and/or all Loaned Quantities will be consumed in the U.S.A. Should any quantities of gas hereunder be directed to an end user in Canada, Shipper shall immediately notify Union that such quantities of gas will be consumed in Canada, as failure to do so will make Shipper liable to Union for any government taxes or levies and related interest and penalties thereon, made as a result of such change.

12.04 Tax Registration re GST: Shipper warrants and represents that it is unregistered and a Non-Resident for purposes of the GST. Shipper agrees to notify Union within ten (10) working days if it becomes registered. GST shall mean The Government of Canada's Goods and Services Tax as legislated under The Excise Tax Act, as may be amended from time to time.

ARTICLE XIII - MISCELLANEOUS PROVISIONS

13.01 (a) Assignment: Shipper may assign this Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"), in total with the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee, as defined in Subsection 13.01 (b), providing, amongst other things, financial assurances as per Subsection 3.01 (d), herein. Any such assignment will be for the full rights, obligations and remaining term of this Contract as relates to the Capacity Assigned.

(b) Partial Assignment: Shipper may, upon notice to Union, assign a part of its service entitlement under this Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee for not less than one calendar month. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.

13.02 Notices: Subject to the express provisions of this Contract, 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 below 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.

Communications to the parties hereto shall be directed as follows:

IF TO SHIPPER:	_____________________ _____________________ _____________________ _____________________
Nominations: Attention:	_____________________ Telephone: ___-___-____ Facsimile: ___-___-____
Secondary Contact: Attention:	_____________________ Telephone: ___-___-____ Facsimile: ___-___-____
IF TO UNION:	Union Gas Limited, 50 Keil Drive North, CHATHAM, Ontario N7M 5M1

Nominations: Attention: Manager, Gas Control
Telephone: 519-436-5217
Facsimile: 519-436-4635

Secondary Contact: Attention: Managing Director
Telephone: 617-560-1436
Facsimile: 617-560-1581

Notwithstanding the above, nominations shall be made by facsimile or other recorded electronic means, subject to execution of the "Agreement for Use of the Secured Portion of Union Gas Limited's Website," or such other agreement, satisfactory to Union, and will be deemed to be received on the same day and same time as sent. Each party may from time to time change its address for the purpose of this Section by giving notice of such change to the other party in accordance with this Section.

13.03 Law of Contract: Union and Shipper agree that this Contract is made in the Province of Ontario and that the courts of the Province of Ontario shall have exclusive jurisdiction in all matters contained herein. The parties further agree this Contract shall be construed exclusively in accordance with the laws of the Province of Ontario.

13.04 Possession of Gas:

(a) Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.

(b) Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence.

13.05 Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title or legal authority to all gas delivered to Union hereunder, which gas is not subject to litigation. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of royalties, taxes, license fees, or other charges thereon.

13.06 Entire Contract: This Contract constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof. This Contract supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the parties in respect of the subject matter hereof.

13.07 Time of Essence: Time shall be of the essence hereof.

13.08 Counterparts: This Contract may be executed in any number of counterparts, each of which when so executed shall be deemed to be an originally executed copy, and it shall not be necessary in making proof of this Contract to produce all of such counterparts.

13.09 Amendments and Waivers: No amendment or waiver of any provision of this Contract nor consent to any departure of either party hereto shall in any event be effective unless the same shall be in writing and signed by each of the Shipper and Union and then such waiver or consent shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under this Contract shall operate as a waiver thereof.

13.10 Severability: If any provision hereof is invalid or unenforceable in any jurisdiction, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out the intention of the parties as nearly as possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any provision in any other jurisdiction.

13.11 General Liability: The liability of the parties hereunder is limited to direct damages only and all other remedies or damages are waived. In no event shall either party be liable for consequential, incidental, punitive, or indirect damages, in tort, contract or otherwise.

THIS CONTRACT SHALL BE BINDING UPON and shall enure to the benefit of the parties hereto and their respective successors and permitted and lawful assigns.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

UNION GAS LIMITED

I have authority to bind Union

____

SHIPPER

I have authority to bind Shipper

____

Title:

____

Title:

Contract No. M12xxx

POINTS AND PRESSURES

The following defines each Receipt Point:
(Choose any one)

DAWN (TCPL):	At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities).
DAWN (FACILITIES):	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.
DAWN (TECUMSEH):	At the junction of Union's and Tecumseh Gas Storage's, a division of Enbridge Gas Distribution Inc. ("Enbridge") facilities, at or adjacent to Dawn (Facilities).
DAWN (VECTOR):	At the junction of Union's and Vector pipeline Limited Partnership ("Vector") facilities, at or adjacent to Dawn (Facilities).

The following defines each Delivery Point:
(May be only one)

PARKWAY:	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.
KIRKWALL:	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.

Dated: ________________

RECEIPT PRESSURES

DAWN (TCPL): Receipts by Union shall be at a pressure of not less than 4,825 kPa.

DAWN (FACILITIES): Receipts by Union shall be at a pressure of not less than 4,825 kPa.

DAWN (TECUMSEH): Receipts by Union shall be at a pressure of not less than 4,825 kPa.

DAWN (VECTOR): Receipts by Union shall be at a pressure of not less than 4,930 kPa.

DELIVERY PRESSURES

PARKWAY: Deliveries by Union to TCPL shall be made at a pressure in accordance with the Parkway Operating Agreement between TCPL and Union dated October 1, 1993, as may be amended from time to time (the "Parkway Operating Agreement")

KIRKWALL: Deliveries by Union to TCPL shall be made at Union's prevailing line pressure which shall be in accordance with the Parkway Operating Agreement.

.

Dated: _______________

THIS FINANCIAL BACKSTOPPING AGREEMENT made as of the ____ day of ________, 20___

BETWEEN:

UNION GAS LIMITED, a company incorporated under the laws of the Province of Ontario,

(hereinafter referred to as "Union")

- and -

_____________________, a company incorporated under the laws of the (Province, State, Country) of _________________,

(hereinafter referred to as "Shipper")

WHEREAS Union and Shipper have entered into a Firm Transportation Contract, dated *Day, Month, Year* (M12______) (the "Contract"), for transportation service on Union's pipeline system ;

AND WHEREAS pursuant to the Contract certain Required Facilities as defined hereinafter must be constructed by Union in order to enable Union to provide the required transportation service for Shipper and all other 2005 Open Season Shippers by the Commencement Date, as set out in the Contract;

AND WHEREAS certain Conditions Precedent listed in Section 3.03 of the Contract (the "Listed Conditions") must be satisfied or waived by the party deriving the benefit of each Listed Condition prior to *Day , Month, Year* (the "Conditions Precedent Date");

AND WHEREAS Shipper has agreed to financially indemnify Union on and after the Indemnity Date, subject to certain limitations, for any and all Shipper Carrying Charges, as defined hereinafter;

THIS CONTRACT WITNESSETH that in consideration of the foregoing and mutual covenants herein contained, the parties hereto agree as follows:

DEFINITIONS

"2005 Open Season Shippers" means all Shippers who executed Firm Transportation Agreements as a result of the 2005 Open Season.

"Required Facilities" means the facilities necessary for Union to provide to the 2005 Open Season Shippers their required transportation services.

"Cancelled Facilities" means that portion of the Required Facilities not built pursuant to the original schedule for the Required Facilities, as a result of Shipper (or Shipper along with other Shippers) failing to satisfy or waive their Listed Conditions in their Firm Transportation Agreements by the Conditions Precedent date.

"Construction Costs and Expenses" shall mean all out of pocket (i.e., not general) costs and expenses incurred by Union related to the Cancelled Facilities including engineering, procurement, handling and maintenance of goods, service contracts, construction, and cancellation charges.

"Carrying Charges" means all reasonable interest and other carrying expenses related to the Construction Costs and Expenses for the Cancelled Facilities. The interest rate shall be the lesser of Union's short-term borrowing rate and the prime lending rate published by the Canadian Imperial Bank of Commerce, as determined on a monthly basis, on the first business day of the month for the outstanding monthly balance of any Construction Costs and Expenses.

"Shipper Carrying Charges" shall be the proportion of the Carrying Charges allocated to the Shipper pursuant to Union's allocation, which shall be a formula whereby the Carrying Charges are multiplied by a number, the numerator of which is the Contract Demand of any Shipper who fails to satisfy or waive the Listed Conditions by the Conditions Precedent Date, and the denominator of which is the total of all Contract Demands of all 2005 Open Season Shippers which failed to satisfy or waive the Listed Conditions in their Firm Transportation Agreements by the Conditions Precedent Date.

"Indemnity Date" shall mean December 1, 2005.

Any capitalized term used herein not specifically defined shall have the definition given to it in the Contract.

TERMS

If Shipper has failed to satisfy or waive the Listed Conditions as of the Conditions Precedent Date, but Union has nevertheless proceeded with and completed construction of the Required Facilities, then such Shipper will pay a penalty of one month demand charges (equal to the product of $/GJ/month and Shipper's Contract Demand) and shall pay demand charges every month thereafter for twelve (12) months or until a replacement Shipper of equal or superior net present value to Union has executed a Firm Transportation Contract, whichever occurs first (a total of no more than the product of $/GJ/month, Shipper's Contract Demand and thirteen (13)).

If Shipper fails to satisfy or waive the Listed Conditions by the Conditions Precedent Date, and Union, based on such Shipper's failure and the similar failure of any and all other 2005 Open Season Shippers, has decided to cancel the Required Facilities or build only a portion of the Required Facilities, then such Shipper shall pay Shipper Carrying Charges pertaining to the Cancelled Facilities. From the Indemnity Date until the earlier of the date such facilities are in place or November 1, 2008, Union will calculate the Carrying Charges on a monthly basis. Subject to the foregoing, Union will forward to such Shipper an invoice for the accrued Shipper Carrying Charges by fax, electronic mail or other means on or before the 15th day of the calendar month following the month during which the Conditions Precedent Date occurs, and then every month thereafter.

If the Listed Conditions are all satisfied or waived on or before the Conditions Precedent Date, this Financial Backstopping Agreement shall be terminated and the Shipper shall have no liability to Union whatsoever with respect to this Financial Backstopping Agreement.

INVOICING PROCESS

Payment on the invoice (demand charges or Shipper Carrying Charges, as applicable) will be made by Shipper as invoiced by Union, to the following account:

Account Number:	00282-010-03301
Bank Name:	Canadian Imperial Bank of Commerce

Payment must reach the account by the later of close of business on the 10th day after the invoice is received or the 25th day of the month in which the invoice is provided. Interest shall accrue and be calculated for any undisputed amount overdue in Shipper's Account. Amount overdue shall mean the billable amount accumulated during the previous month and not paid as of the later of the due date or the 25th day of the then current month. All funds received shall be applied as follows: firstly against any late payment interest due; secondly to the currently invoiced Carrying Costs. The interest rate on late payments shall be the lesser of Union's short-term borrowing rate and the prime lending rate published by the Canadian Imperial Bank of Commerce plus two per cent, as determined on a monthly basis for the outstanding monthly balance for any amount overdue.

The parties hereto shall not assign this Financial Backstopping Agreement without the prior written consent of the other party, which shall not be unreasonably withheld. This Financial Backstopping Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their permitted successors and assigns.

This Financial backstopping Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and each of the parties shall attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

IN WITNESS WHEREOF this Financial Backstopping Agreement has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

SHIPPER	UNION GAS LIMITED
I have authority to bind Shipper	I have authority to bind Union
______________________________	______________________________
Title:	
______________________________	
Title:	

UNION GAS LIMITED

Undertaking of Mark Isherwood / Carol Cameron
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

Are the rates, and terms and condition of service consistent amongst all customers (including in-franchise customers) for existing and additional capacity on the transportation system? If not, what are the differences? Note: If the differences in terms and condition of service pertain to different types of services, are these services available to all ex-franchise customers at the same price? In the Board Decision, EB-2005-0210, the Board states that Union is moving towards standard for its M12 customers. What is the status of the standard M12 contract?

For ex-franchise customers, Dawn to Parkway capacity is available under both M12 and C1 Rate Schedules. In both cases, the terms and conditions that define the service include the contract, the M12 or C1 Rate Schedule, and Schedules A & B of M12 or C1 Rate Schedule (General Terms and Conditions and Nominations). The M12 or C1 Rate Schedules (including attachments) are available on Union's website. In regards to contracting terms and conditions, Union addressed this question in EB-2005-0520 under IR J27.20. This response is attached.

Both the M12 and C1 tariffs can be used for contracting capacity on the Dawn to Parkway system. In-franchise customers can contract for the same service using the M12 or C1 tariffs. Some in-franchise customers have chosen to do so to satisfy the requirements of the Parkway obligation.

As part of EB-2005-0520, Union filed a new standard M12 Transportation contract and corresponding Schedule A of the M12 Rate Schedule (General Terms and Conditions). Union's proposal in this case was that all M12 shippers would convert to the new standard contract. This issue (listed as Issue 6.10) was settled as part of the overall settlement. The following is an excerpt from EB-2005-0520 Settlement Agreement Issue 6.10:

> *"The parties agree to the following modifications to the proposed terms and conditions of M12 and C1 services:*
>
> 1. *Union will post a standard M12 contract and any future changes to the standard contract on its website. Union will provide at least six months advance written notice to all M12 shippers of any changes to the standard contract, except in the case of changes made to the Conditions Precedent Section of the M12 Contract used for*

Witness: Mark Isherwood / Carol Cameron
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

facility expansions. A copy of the standard contract is attached for information purposes as Appendix C.

2. *Union will use the standard M12 contract as a benchmark for contracting purposes. Union is free to negotiate terms with customers that vary from the standard contract.*

3. *Existing M12 contracts will be grandfathered until the end of the initial contract term and upon extension or renewal will be moved to the standard contract. An existing M12 shipper may elect to move to the standard contract at any time.*

4. *Union will file with the Board all variations between the standard contract and new contracts on a contract specific basis before such new contracts come into effect. Union will file the variations directly with the Board and will promptly post this information on its website.*

5. *The M12 rate schedule provides: "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". It is the parties' understanding of this section that parties wishing to contract for M12 service may do so at the Board approved rate. They may also negotiate a higher multi-year rate should they so choose.*

6. *The parties accept the general terms and conditions of the M12 rate schedule as provided in Appendix D. Union agrees that changes made to the terms and conditions of the M12 rate schedules will be applied to the terms and conditions of the C1 rate schedule where applicable for consistency. Additional changes to C1 Schedule B (Nominations) may be required to ensure alignment with the M12 Service.*

7. *In the event the Board approves this Settlement Agreement, Union will send a letter to the Board panel presiding over the NGEIR proceeding (supported by TCPL) providing for the following:*

    1. *Union agrees to amend the contracts of the Parties that bid a premium in the 2006 and 2007 open seasons to remove the premium. These customers would then pay the posted M12 toll only. This would reduce Union's revenue forecast for 2007 by $150,000.*
    2. *Union agrees to develop, prior to its next open season, an allocation procedure which defines the criteria by which Union will allocate long term firm transportation capacity for expansion, promptly post it on its web site, and notify shippers of any changes six months in advance.*
    3. *Union will include in its allocation procedure or otherwise, a requirement that Union identify in its open season documents any anticipated capacity constraints, if a constraint is expected, and*

4. *Union agrees to not use bid premium as a criterion for allocating long term firm transportation capacity in the future.*

The parties accept all other proposed changes to the M12 and C1 rate schedules as proposed in Union's application."

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada PipeLines Limited ("TCPL")

Reference: *Application, Exhibit H1, Tab 2, and Exhibit H3, Tab 3.*

Preamble: *TransCanada requires additional information about Union's existing M12 and C1 transportation contracts to better determine whether the terms and conditions for M12 and C1 service, including the proposed changes, are appropriate.*

Issue 6.10 - Are the terms and conditions of M12 and C1 services, including the proposed rate schedule changes, appropriate (excluding the consideration of potential new services for power producers)?

Question:

a) *Are the terms and conditions for service in all of Union's existing M12 transportation contracts identical?*

b) *If the response to (a) is "no", please identify which provisions of the existing M12 transportation contracts differ between customers, describe the differences, and explain the reasons for the differences.*

c) *Are the terms and conditions for service in all of Union's existing C1 transportation contracts identical?*

d) *If the response to (a) is "no", please identify which provisions of the existing C1 transportation contracts differ between customers, describe the differences, and explain the reasons for the differences.*

Response:

a) and b) Union currently has active contracts that were implemented between 1983 and 2006. The natural gas industry is dynamic, and the transportation contracting practices and assumptions have continually changed over time. As a result, contracts executed in 1983 will have slightly different contractual terms than contracts executed 23 years later.

As well, Union acknowledges that some terms have been negotiated with M12 Transportation Shippers which reflect each Shipper's individual business requirements. None of the negotiated terms negatively affect other shippers, alter the primary service parameters, or alter the design, size or cost of Union's facilities. Union maintains a copy of its current standard M12 Transportation contract on its website which is available to Shippers as the basis for new contracts.

Witness: Mark Isherwood / Carol Cameron
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

An example of the type of change made to an M12 Transportation contract as a result of a Shipper request was a request to allow an assignment of the contract to a lender (under certain circumstances) who was financing the Shipper's project. Union agreed to the request in this case, recognizing that if the lender is not assigned the transportation contract by the Shipper, the lender would otherwise not finance the Shipper's project. This change has no impact on other shippers, service parameters, design or economics of the proposed facilities.

In a second example, a Shipper that has a Dawn to Parkway contract (in addition to Dawn to Kirkwall contracts) has negotiated the flexibility to elect once per year to divert the Dawn to Parkway capacity to Kirkwall on a firm one year basis. If the Shipper elects to divert the capacity to Kirkwall, they continue to pay the Dawn to Parkway toll.

Both of these examples show how Union has responded to unique Shipper requests without impacting other Shippers in any way.

Please refer to Exhibit J27.15 e).

c) No.

d) Please refer to Exhibit J27.15 f).

Witness: Mark Isherwood / Carol Cameron
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

UNION GAS LIMITED

Undertaking of Mark Kitchen
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

Please explain the methodology used to allocate the transportation premiums. Please indicate the rate classes that receive an allocation of the transportation premiums revenues.

Union allocated the premiums associated with the 2006 and 2007 Dawn Trafalgar expansion between in-franchise and ex-franchise rate classes (M12) using the 2007 Dawn Trafalgar design day demand. The M12 premium attributable to in-franchise rate classes was allocated to all in-franchise rate classes in proportion to rate base.

Witness: Mark Kitchen
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

UNION GAS LIMITED

Undertaking of Mark Kitchen
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

Please explain how the costs of existing and incremental transportation capacity are allocated to in-franchise and ex-franchise customers.

Dawn-Trafalgar transmission capacity-related costs are allocated between in-franchise and ex-franchise customers in proportion to distance weighted design day demand. The distance weighted design day demand associated with in-franchise customers recognises that a portion of the in-franchise demands are served from Parkway. In-franchise Dawn-Trafalgar costs are allocated to individual Southern rate classes in proportion to the firm Dawn-Trafalgar design day demand. Dawn-Trafalgar costs associated with serving the North are allocated to Northern rate classes using excess peak over annual average demand (i.e., the difference between what a rate class takes on an average day and what it requires on its peak day).

Witness: Mark Kitchen
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

UNION GAS LIMITED

Undertaking of Mark Isherwood / Carol Cameron
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

Are you aware of any other regulated gas pipeline in North America that uses a rebate premium to allocate long-term access to new capacity?

Union has not conducted any research to determine the new capacity allocation practices of other North American pipelines. Union reiterates, that parties looking to contract for Union M12 capacity had the option to differentiate their bids by bidding longer terms and/or premiums to avoid capacity pro-rationing. As noted above, as part of the EB-2005-0520 Settlement Agreement, Union has agreed to only differentiate bids based on term for future open season bids.

Witness: Mark Isherwood / Carol Cameron
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

UNION GAS LIMITED

Undertaking of Mark Kitchen
To Ms. Campbell

Exhibit No. 2: Questions from the Board Hearing Team to Union re: Issue III.

Can Union file an excerpt of Decision (RP-1999-0017) where Union was granted the authority to negotiate rates greater than the posted price for its regulated services?

See attached pages 131-134 of the RP-1999-0017 Decision.

Witness: Mark Kitchen
Question: May 17, 2006
Answer: May 24, 2006
Docket: EB-2005-0551

RP-1999-0017

IN THE MATTER OF the *Ontario Energy Board Act*, 1998,

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas in accordance with a performance based rate mechanism commencing January 1, 2000;

AND IN THE MATTER OF an Application by Union Gas Limited for an order approving the unbundling of certain rates charged for the sale, distribution, transmission and storage of gas.

BEFORE: George Dominy
Presiding Member and Vice Chair

Malcolm Jackson
Member

DECISION WITH REASONS

July 21, 2001

can not automatically assume that the resulting rates will remain just and reasonable among classes.

2.459 In the Board's view there will be a continuing need to monitor changes in rate relationships to ensure that rates continue to be just and reasonable. The Board therefore directs Union to file with the Board and provide in the customer review process appropriate cost information, including rate class revenue-to-cost impacts.

2.7.2 Treatment of Long-term Fixed Prices / Negotiated Rates

2.460 Union proposed that customers, such as large industrials, retail marketers, and ex-franchise customers, as an alternative to receiving service under a rate schedule, should have the option of negotiating fixed rates for periods in excess of one year. Union's billing system is not currently capable of billing residential customers at rates other than by class rate; therefore, the option of negotiated long-term fixed prices would be available from the Company only "to large industrial customers, retail energy marketers, and ex-franchise storage and transmission customers." Union noted that residential customers "could access [longer term fixed prices] through a retail energy marketer."

2.461 The Company proposed to deem all volumes sold at negotiated prices to be billed at the posted rate for the purpose of proving that the annual rate changes comply with the price cap constraints. Any variance in the revenues from differences between negotiated rates and posted rates would be "managed" by the Company. Unless specifically excluded in the negotiated terms, the negotiated prices would be subject to pass-throughs and non-routine adjustments.

Positions of the Intervenors - Treatment of Long-term Fixed Prices / Negotiated Rates

2.462 CAC supported Union's proposal subject to the provision that other customers be kept whole and that their rates would not subsequently be raised above the cap. If the Board approves pricing flexibility which could increase residential rates above the cap, CAC proposed that every negotiated rate "be subject to Board review and approval."

2.463 Energy Probe, MECAP, and WGSPG supported Union's proposal as did CENGAS through its blanket support for Union's PBR plan.

2.464 IGUA accepted Union's proposal, subject to Union having to provide summarized cost allocation information for historic, current, and prospective years and information on negotiated rates and prices charged to other customers in the customer review process. IGUA argued that without access to revenue-to-cost ratio information and information on negotiated prices, customers would be at a considerable disadvantage.

2.465 LPMA accepted Union's proposal to negotiate rates and deem them to be at posted rates; however, LPMA urged the Board to direct Union to achieve, as soon as possible, the capability for negotiated rates with individual M2 and M4 customers.

2.466 VECC accepted that the ability to negotiate rates would assist the Company in meeting bypass threats, but argued that if the Board does approve this proposal it strengthens the case against any pricing flexibility. To guard against the exercise of monopoly power in the negotiation of fixed prices, VECC submitted that disclosure of the range of the negotiated rates be made in the customer review process.

2.467 The Alliance, AMO, CEED, Comsatec, ECG, Enron, Fullerton, GEC, HVAC, Kitchener, OAPPA, Pollution Probe, Schools and TCPL made no comments with respect to this issue.

Union's Reply - Treatment of Long-term Fixed Prices / Negotiated Rates

2.468 Union reiterated that no one would be disadvantaged by negotiated rates, that all customers would have access to posted rates, and that bypass threats would be mitigated. The Company submitted that "requiring Union to report actual or forecast cost as required in the cost-of-service regulation ... is unnecessary and would work contrary to goals of PBR." In response to CAC's suggestion that each negotiated rate should require Board approval, Union asserted that this would not permit a timely response to customer requests.

Board Findings - Treatment of Long-term Fixed Prices / Negotiated Rates

2.469 The Board agrees that, provided any revenue variances resulting from differences between negotiated rates and posted rates are for the shareholders account, no customers would be disadvantaged by negotiated rates during the term of the PBR plan and that bypass threats might be mitigated by negotiating long-term reduced costs. Therefore the Board grants Union the authority to negotiate rates and offer long-term fixed prices.

2.470 The rates in question, however, are for services offered by Union as a monopoly or at least in circumstances where Union has market dominance, and as such the Board continues to have a role as a surrogate for competition, in setting rates and parameters to facilitate "deals" which might make sense and might occur in a competitive market. Deals in a competitive market would reflect incremental costs as well as perhaps some recognition of shared costs. Hence, the Board cannot accept a general statement that cost allocation and information in support of negotiated rates ceases to be relevant under a PBR price cap method of regulation.

2.471 The Board accepts Union's submission that individual negotiated rates need not receive prior approval of the Board. For the trial PBR period, the Board requires Union to provide a summary of negotiated rates and associated service volumes annually through the customer review process. At the end of each PBR period there will an opportunity to ensure that there are not unreasonable relationships or undue discrimination or cross-subsidization

2.7.3 Treatment of Market Priced Storage

2.472 Union proposed to continue to provide storage to in-franchise customers at rates based on a fully-distributed cost basis, subject to escalation under the PBR price cap. Union proposed to renew existing ex-franchise (M12) storage contracts at market prices, citing the Board's Decision in EBRO 494-03 in which the Board-approved market pricing for incremental storage provided to ex-franchise customers. Union commented that it has no obligation to serve ex-franchise customers and that these customers have access to alternative storage services.

2.473 Union proposed to close the deferral account (179-72) in which the market premium is recorded and, going forward, any premium above the cost of the service would be immediately recorded as revenue and used to manage risks to which Company operations would be exposed under the new PBR plan. Union also proposed the same treatment for any revenue streams associated with new storage pools.

2.474 Further, Union indicated that market-priced storage revenue from ex-franchise customers was required in order to "manage the risks of the further unbundling of storage in the in-franchise market, including the further allocation of storage at cost-based rates for incremental in-franchise customers." Union noted that the incremental cost of new storage exceeded the rates based on current embedded costs.

2.475 Union also referred to the evidence of its witness, Ms. Elliott, who indicated that if transactional revenues (storage and transportation) or long-term (storage) premiums were not available to Union, then it would have sought a premium or a growth factor under the cap.