

UNION GAS LIMITED

Answer to Interrogatory from
City Of Kitchener ("CCK")

Reference: *S & T Revenue (C3 Tab 4 Schedule 1 and C3 Tab 4 Schedule 2)*

Issue 2.4 - Is the proposed total 2007 Storage and Transportation (S & T) Revenue Forecast appropriate?

Question:

- a) *Please reproduce and update Exhibit J1.60 from RP-2003-0063 to cover the years 2000 to 2007. Please advise whether the storage which is released to ex-franchise markets during the course of each year is shown as ex-franchise or in-franchise storage.*
- b) *For the years 2000 to 2007, please quantify the storage which was released or is forecasted to be released from in-franchise to ex-franchise.*
- c) *Please provide an updated version (to 2007) of Exhibit J1.60 from RP-2003-0063 showing the storage released to ex-franchise use as ex-franchise storage capacity.*
- d) *When Union sells short term storage (term of one year or less) is it included in the in-franchise number shown? Please break-out the volumes sold under short term and the average price achieved for each year shown.*
- e) *For Union's recent offer (January and February 2006) of short term peak storage service for the winter of 2006 / 2007, please provide the amount of storage that was awarded and the low, weighted average and high prices achieved for the service.*
- f) *Please provide the Union Gas forecast submitted to the OEB for RP-1999-0017 and RP-2003-0063 for all Storage and Transportation revenue categories, i.e. C1 Storage, C1 Transportation, etc. Please provide the actual revenues achieved for each of the individual accounts for the years 2000 through 2005.*
- g) *Union provides a margin calculation for C1 Storage transactions. Please provide the costs that contributed to the expense side of the equation. Is the total cost of in-franchise storage collected in in-franchise rates?*

Response:

- a) Please see Attachment # 1

Witness: Steve Poredos
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

The storage shown in Attachment # 1 includes physical space that is allocated to both in-franchise and ex-franchise customers. Physical storage space released that has been allocated to ex-franchise markets is shown on this schedule as ex-franchise storage.

In the year 2001 and 2002 Union repurchased storage space that was not being utilized by in-franchise customers and resold this space on a short term basis. This space is included in Appendix A as ex-franchise storage space.

- b) Union does not forecast any storage to be released from in-franchise to ex-franchise.
- c) The schedule remains unchanged.
- d) No. Please see Attachment # 2.
- e) Union notes that high volatility of natural gas prices due to last summer's supply disruptions followed by a warmer than normal winter, has resulted in storage prices hitting historically high levels. These prices, however, are not indicative of longer term normal values. Please see Attachment #3.
- f) Please refer to Exhibit C1, Summary Schedule 7, Addendum.
- g) The costs that contribute to the expense side of the margin calculation for C1 storage transactions are as follows:
 - Space Costs (cost based) – physical space allocated to ex-franchise customers only
 - Fuel
 - UFG

Union only attributes space costs for storage that has been allocated to ex-franchise customers. Fuel and UFG is applied only if the customer does not provide fuel in kind.

The total cost of in-franchise storage is included in-franchise rates but is only collected if in-franchise customers consume the forecasted amount.

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Question: March 15, 2006
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Transmission & Storage Capacity Allocation

	Actual 2000		Actual 2001		Actual 2002		Actual 2003		Actual 2004		Actual 2005		Forecast 2006		Forecast 2007	
	PJ or PJ/d	(%)	PJ or PJ/d	(%)	PJ or PJ/d	(%)	PJ or PJ/d	(%)	PJ or PJ/d	(%)	PJ or PJ/d	(%)	PJ or PJ/d	(%)	PJ or PJ/d	(%)
Transmission Capacity	6.0		6.1		6.1		6.1		6.2		6.1		6.4		6.9	
<i>In-Franchise</i>		36%		35%		35%		36%		36%		35%		33%		31%
<i>Ex-Franchise</i>		64%		65%		65%		64%		64%		65%		67%		69%
Storage Capacity	154.9		163.0		163.0		162.7		159.5		162.7		163.5		163.5	
<i>In-Franchise</i>		57%		54%		54%		52%		55%		56%		55%		56%
<i>Ex-Franchise</i>		43%		46%		46%		48%		45%		44%		45%		44%
Deliverability	2.2		2.4		2.5		2.5		2.5		2.4		2.4		2.4	
<i>In-Franchise</i>		60%		61%		60%		56%		59%		58%		59%		61%
<i>Ex-Franchise</i>		40%		39%		40%		44%		41%		42%		41%		39%

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Line No.	Particulars PJ'S	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Forecast 2006	Forecast 2007
	<u>Space Available</u>								
1	Base	151.8	159.9	159.9	159.6	159.6	161.7	162.5	162.5
2	(Unavailable)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
3	LNG	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
4	3rd Party	3.2	3.2	3.2	3.2	-	1.1	1.1	1.1
5	Total Storage Space	<u>154.9</u>	<u>163.0</u>	<u>163.0</u>	<u>162.7</u>	<u>159.5</u>	<u>162.7</u>	<u>163.5</u>	<u>163.5</u>
	<u>Infranchise</u>								
6	Union Requirement	67.0	67.1	68.6	63.1	63.0	64.5	63.6	63.8
7	Carriage	9.9	10.1	10.3	12.0	15.5	16.2	17.3	18.7
8	Contingency	11.4	11.3	9.7	9.7	9.7	9.7	9.7	9.7
9	Total Infranchise Space	<u>88.2</u>	<u>88.5</u>	<u>88.6</u>	<u>84.8</u>	<u>88.2</u>	<u>90.4</u>	<u>90.6</u>	<u>92.1</u>
10	Infranchise Demand	563.6	524.4	563.0	550.4	549.3	543.0	547.8	584.5
11	Storage Space as % of Demand	16%	17%	16%	15%	16%	17%	17%	16%
	<u>Exfranchise</u>								
12	Total Long Term C1 Contracts	19.3	31.7	38.8	46.1	67.9	64.3	69.4	67.9
13	Total M12 Contracts	44.8	30.1	30.1	24.3	-	-		
14	Total Short Term Contracts	2.6	12.7	5.5	7.5	3.4	8.1	3.5	3.5
15	Total Exfranchise	<u>66.7</u>	<u>74.5</u>	<u>74.4</u>	<u>77.9</u>	<u>71.3</u>	<u>72.3</u>	<u>72.9</u>	<u>71.4</u>
	Total Utilization	<u>154.9</u>	<u>163.0</u>	<u>163.0</u>	<u>162.7</u>	<u>159.5</u>	<u>162.7</u>	<u>163.5</u>	<u>163.5</u>

Physical Short Term Space

<u>Line No.</u>	<u>Particulars</u>	<u>Actual 2000/2001</u>	<u>Actual 2001/2002</u>	<u>Actual 2002/2003</u>	<u>Actual 2003/2004</u>	<u>Actual 2004/2005</u>	<u>Actual 2005/2006</u>	<u>Year to Date 2006/2007</u>	<u>Forecast 2007/2008</u>
1	Short Term Space Allocated to Exfranchise (PJ's)	2.6	12.7	5.5	7.5	3.4	8.1	2.1	2.1
3	Value per GJ/year	0.46	\$ 0.55	\$ 0.62	\$ 0.86	\$ 1.15	\$ 1.49	\$ 2.19	\$ 0.85

Short Term Open Seasons

Line	<u>Volume</u> (a)	<u>High</u> (b)	<u>Low</u> (c)	<u>Weighted Average</u> (d)
1 US\$/MMBtu	7,800,000	2.90	1.55	2.09
2 CDN\$/GJ	8,229,437	3.43	1.84	2.48