

STAR
All Stakeholders Meeting - May 20, 2008

Responses to Board Staff Questions
Incomplete Points of Discussion – Union Gas Presentation

Slide # 4 (“Existing Instruments that Facilitate Transmission Access”)

“Operational Status Lights” were identified as a visual signal for the availability of interruptible services. This refers to the light system currently used by Union on its web site to indicate the operational status of the Dawn storage and Dawn to Trafalgar transmission systems. The web page can be accessed by the following link:

<http://www.uniongas.com/business/storage/operstatus.asp>

The light system does not provide robust or reasonably actionable information to market participants on either the utilization of current storage and transmission facilities or the availability of unused capacity. The criteria used by Union to alter the operational status, for example, from “Green” to “Yellow” to “Red” or vice versa, are not available. At best, the light system is only indicative of capacity constraints at a very high level. At worst, it can be misleading due to the lack of specific criteria for each status level.

Slide # 5 (“Existing Instruments that Facilitate Transmission Access”)

“Priority of Service” guidelines for scheduling interruptible services were identified. Union can limit the rights of in-franchise customers by exercising its sole discretion on authorization of balancing transactions. Such authorization should not be unreasonably withheld. However, with the current lack of transparency of available capacity at receipt and delivery points on Union’s system, it is not possible for customers to determine if any denial of authorization was, or will be, subject to reasonable, fair criteria and non-discriminatory.

Slide # 5 (“Existing Instruments that Facilitate Transmission Access”)

“External Policy Team” was identified. This group lacks effectiveness in creating and sustaining real balance between the policy preferences of Union and those of its customers impacted by such policies. In theory, discussion and feedback “may”, in fact, result in modifications to existing policies or create new policies that are mutually beneficial. In practice, however, it often has not. Also the group was mandated by the Board in early 2003 to overcome the lack of publication of policies affecting gas management yet Service Priority was published at the end of 2007. Further, the policy does not provide the reporting mechanism required to determine if the policy has been implemented as written.

Slide #7 (Reporting Requirements)

Union asserted that they had an “agreement” with their limited application of FERC Rule 284.13. When questioned about the agreement, they stated that they were relying on the fact that they had provided their proposed practice in an undertaking (Exhibit K3.3) in the NGEIR proceeding. The assumption that the Board somehow approved that practice in decision is not substantiated and is not supported in precedence.

Slide # 14 (“Transportation Open Season – Bid Package”)

“Union would not typically provide this information [available capacity or transportation constraint information] since it can have an influence on the market.” Union’s verbal elaboration of this point clearly indicated that its reluctance to provide the information was motivated by a desire to receive a higher price for the available capacity. Is this not anecdotal evidence of market power?