



EB-2011-0382

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

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas as of January 1, 2012;

AND IN THE MATTER OF the Quarterly Rate Adjustment Mechanism approved by the Ontario Energy Board in RP-2003-0063 and EB-2008-0106.

By Delegation, before: Adrian Pye

DECISION AND ORDER

Union Gas Limited (“Union”) filed an application (the “Application”) dated December 7, 2011, with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas commencing January 1, 2012. The Application was made pursuant to Union’s approved Quarterly Rate Adjustment Mechanism (“QRAM”). The rates proposed in the Application reflect the implementation of the requested January 1, 2012 QRAM rate changes and the 2012 rate changes approved by the Board in the EB-2011-0025 proceeding.

The Application followed the criteria established in the Board’s EB-2008-0106 Decision and included dates for procedural matters. Accordingly, parties wishing to make comments filed submissions by December 12, 2011 and Union replied to comments on December 14, 2011.

On December 12, 2011, the Board received submissions from the Canadian Manufacturers and Exporters (“CME”) and the Industrial Gas Users Association (“IGUA”). Neither of the parties opposed the rates proposed by Union. CME and IGUA each indicated that the Application was made in accordance with the Board approved QRAM mechanism.

Union in its reply submission, filed December 14, 2011, noted that none of the parties had concerns with its Application.

I have considered the evidence and find that it is appropriate to adjust Union’s rates effective January 1, 2012 to reflect the projected changes in gas costs and the prospective recovery of the projected twelve-month balances of the gas supply deferral accounts for the period ending December 31, 2012. I also find that it is appropriate to adjust Union’s reference prices to reflect the projected changes in gas costs and transportation costs. I note that the rates being approved reflect the changes proposed in the Application and the rate changes approved in the EB-2011-0025 proceeding.

IT IS ORDERED THAT:

1. The Alberta Border Reference Price used to set Union’s rates and other charges be established at \$3.065/GJ (11.5704¢/m³). This is a decrease from the current Alberta Border Reference Price of \$3.475/GJ (13.1181¢/m³). The resulting rate changes set out in Appendix A and the rate schedules set out in Appendix B shall be effective January 1, 2012. The Alberta Border Reference Price shall also be used for the North Purchased Gas Variance Account (Deferral Account No. 179-105), the TCPL Tolls and Fuel - Northern and Eastern Operations Area deferral account (Deferral Account No. 179-100) and the Spot Gas Variance Account (Deferral Account No. 179-107) for purchases made at Empress.
2. The rates pursuant to all contracts for interruptible service under Rates 25, M5A, M7, and T1 be adjusted effective January 1, 2012, by the amounts set out in Appendix C. The rates pursuant to contracts for interruptible service under Rate 25 shall be negotiated within the range as adjusted in Appendix C.
3. The reference price for use in determining the amounts to be recorded in the South Purchased Gas Variance Account (Deferral Account No. 179-106) be set

at the Ontario Landed Reference Price of \$5.386/GJ (20.3322¢/m³) effective January 1, 2012. The Ontario Landed Reference Price shall also be used for the Spot Gas Variance Account (Deferral Account No. 179-107) for purchases made at Dawn.

4. The South Portfolio Cost Differential be set at \$0.902/GJ (3.4051¢/m³) effective January 1, 2012.
5. The respective forms of the customer notices set out in Appendix D shall accompany each of Union's customers' first bill or invoice following the implementation of this Order.
6. A decision regarding cost awards will be issued at a later date. Those parties seeking costs shall submit their cost claims by January 9, 2012. A copy of the cost claim must be filed with the Board and one copy is to be served on Union. Cost claims must be prepared in accordance with the Board's Practice Direction on Cost Awards.
7. Union will have until January 16, 2012 to object to any aspect of the costs claimed. A copy of the objection must be filed with the Board and one copy must be served on the party against whose claim the objection is being made.
8. Any party whose cost claim was objected to will have until January 23, 2012 to make a reply submission as to why its cost claim should be allowed. One copy of the submission must be filed with the Board and one copy is to be served on Union.

All filings to the Board must quote file number **EB-2011-0382**, be made through the Board's web portal at www.errr.ontarioenergyboard.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address.

Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available you may email your document to the BoardSec@ontarioenergyboard.ca. Those who do not have internet access are

required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies. If you have submitted through the Board's web portal an e-mail is not required.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

All parties must also provide the Case Manager, Lawrie Gluck, lawrie.gluck@ontarioenergyboard.ca, with an electronic copy of all comments and correspondence related to this case.

DATED at Toronto, December 16, 2011

ONTARIO ENERGY BOARD

Original signed by

Adrian Pye
Manager, Licensing



TRANSPORTATION RATES

(A) Applicability

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

(B) Services

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

(C) Rates

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

| | Monthly Demand Charge (applied to daily contract demand) Rate/GJ | Commodity and Fuel Charges | Commodity Charge Rate/GJ |
|---|---|---|---------------------------------|
| | | Fuel Ratio % | AND |
| <u>Firm Transportation (1)</u> | | | |
| Dawn to Oakville/Parkway | \$2.323 | Monthly fuel rates and ratios shall be in accordance with schedule "C". | |
| Dawn to Kirkwall | \$1.978 | | |
| Kirkwall to Parkway | \$0.345 | | |
| Parkway to Dawn | n/a | | |
| <u>M12-X Firm Transportation</u> | | | |
| Between Dawn, Kirkwall and Parkway | \$2.868 | Monthly fuel rates and ratios shall be in accordance with schedule "C". | |
| <u>Limited Firm/Interruptible Transportation (1)</u> | | | |
| Dawn to Parkway – Maximum | \$5.576 | Monthly fuel rates and ratios shall be in accordance with schedule "C". | |
| Dawn to Kirkwall – Maximum | \$5.576 | | |
| Parkway (TCPL) to Parkway (Cons) (2) | | 0.328% | |
| <u>Authorized Overrun (3)</u> | | | |

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

| | If Union supplies fuel Commodity Charge Rate/GJ | Commodity and Fuel Charges | Commodity Charge Rate/GJ |
|---|--|---|---------------------------------|
| | | Fuel Ratio % | AND |
| Transportation Overrun | | | |
| Dawn to Parkway | | Monthly fuel rates and ratios shall be in accordance with schedule "C". | \$0.076 |
| Dawn to Kirkwall | | | \$0.065 |
| Kirkwall to Parkway | | | \$0.011 |
| Parkway to Dawn | | | \$0.076 |
| Parkway (TCPL) Overrun (4) | n/a | 0.541% | n/a |
| M12-X Firm Transportation Between Dawn, Kirkwall and Parkway | | Monthly fuel rates and ratios shall be in accordance with schedule "C". | \$0.094 |



(C) Rates (Cont'd)

Unauthorized Overrun

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

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

Nomination Variances

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

Notes for Section (C) Rates:

- (1) The annual transportation commodity charge is calculated by application of the YCRR Formula, as per Section (D). The annual transportation fuel required is calculated by application of the YCR Formula, as per Section (D).
- (2) This rate is for westerly transportation within the Parkway yard, from Parkway (TCPL) to Parkway (Cons) or Lisgar.
- (3) For purposes of applying the YCRR Formula or YCR Formula (Section (D)) to transportation overrun quantities, the transportation commodity revenue will be deemed to be equal to the commodity charge of the applicable service as detailed in Section (B).
- (4) This ratio will be applied to all gas quantities for which Union is obligated to deliver to Parkway (Cons) or Lisgar and has agreed to deliver to Parkway (TCPL) on an interruptible basis. This will be in addition to any rate or ratio paid for transportation easterly to Parkway (Cons) or Lisgar.
- (5) A demand charge of \$0.689/GJ/day/month will be applicable for customers contracting for firm all day transportation service in addition to the demand charges appearing on this schedule for firm transportation service to either Kirkwall or Parkway

(D) Transportation Commodity

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



(D) Transportation Commodity (Cont'd)

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

plus

$$\sum_{5}^{12} [(0.003280 \times (QT1 + Q3)) + (DWF \times QT1) + F_{WT}] \text{ For Oct. 1 to May 31}$$

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

plus

$$\sum_{5}^{12} [(0.003280 \times (QT1 + Q3)) + (DWF \times QT1) + F_{WT}] \times R \text{ For Oct. 1 to May 31}$$

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

in which:

YCR Yearly Commodity Required

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

YCRR Yearly Commodity Revenue Required

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

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

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

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

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

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

The monthly Parkway and Trafalgar compressor fuel used will be allocated to each Shipper in the same proportion as the monthly quantity transported to Parkway (TCPL) for each user is to the total monthly quantity transported for all users including Union.



(D) Transportation Commodity (Cont'd)

F_{31} : The individual Shipper's monthly share of compressor fuel used in GJ which was required at Union's Lobo, Bright, Trafalgar and Parkway compressor stations to transport the same Shipper's quantity on the Trafalgar system.

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

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

Notes

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

(E) Provision for Compressor Fuel

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

Transportation Fuel

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

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

Transportation Fuel Quantity = Transportation Quantity x Transportation Fuel Ratio.

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

Nominations

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

(F) Terms of Service

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

(G) Nominations

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



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(H) Monthly Fuel Rates and Ratios

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

(I) Receipt and Delivery Points and Pressures

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

Effective

January 1, 2012
O.E.B. Order # EB-2011-0382

Chatham, Ontario

Supersedes EB-2011-0025 Rate Schedule effective January 1, 2012.



CROSS FRANCHISE TRANSPORTATION RATES

(A) Applicability

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

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

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

(B) Services

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

(C) Rates

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

Transportation Service:

| | Monthly Demand Charge (applied to daily contract demand) Rate/GJ | Commodity Charges | | | |
|--|--|--|-------------------------|--|-------------------|
| | | If Union supplies fuel Commodity Charge | | If Shipper supplies fuel Fuel Ratio | |
| | | Apr.1-Oct.31 Rate/GJ | Nov.1-Mar.31 Rate/GJ | Apr.1-Oct.31 % | Nov.1-Mar.31 % |
| a) Firm Transportation | | | | | |
| Between: | | | | | |
| St.Clair & Dawn | \$0.967 | \$0.021 | \$0.024 | 0.352% | 0.431% |
| Ojibway & Dawn | \$0.967 | \$0.026 | \$0.029 | 0.496% | 0.565% |
| Bluewater & Dawn | \$0.967 | \$0.021 | \$0.024 | 0.352% | 0.431% |
| From: | | | | | |
| Parkway to Kirkwall | \$0.545 | \$0.020 | \$0.018 | 0.353% | 0.328% |
| Parkway to Dawn | \$0.545 | \$0.020 | \$0.018 | 0.353% | 0.328% |
| Kirkwall to Dawn | \$1.175 | \$0.020 | \$0.018 | 0.353% | 0.328% |
| Dawn to Kirkwall | \$1.978 | \$0.028 | \$0.061 | 0.517% | 1.135% |
| Dawn to Parkway | \$2.323 | \$0.028 | \$0.061 | 0.517% | 1.135% |
| Kirkwall to Parkway | \$0.345 | \$0.019 | \$0.029 | 0.358% | 0.537% |
| b) Interruptible and Short Term (1 year or less) Firm Transportation: | | | | | |
| Maximum | | \$75.00 | \$75.00 | | |
| c) Firm Transportation between two points within Dawn | | | | | |
| Dawn to Dawn-Vector | \$0.042 | n/a | n/a | 0.205% | n/a |
| Dawn to Dawn-TCPL | \$0.220 | n/a | n/a | 0.328% | 0.637% |
| d) Interruptible Transportation between two points within Dawn* | | | | | |
| | | | | 0.328% | 0.328% |

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



(C) Rates (Cont'd)

Authorized Overrun:

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

| | If Union supplies fuel | | Commodity Charges If Shipper supplies fuel | | Commodity Charge |
|------------------------------------|-------------------------|-------------------------|---|-------------------|---------------------|
| | Commodity Charge | | Fuel Ratio | | |
| | Apr.1-Oct.31 Rate/GJ | Nov.1-Mar.31 Rate/GJ | Apr.1-Oct.31 % | Nov.1-Mar.31 % | |
| a) Firm Transportation | | | | | |
| Between: | | | | | |
| St.Clair & Dawn | \$0.052 | \$0.057 | 0.352% | 0.431% | \$0.032 |
| Ojibway & Dawn | \$0.059 | \$0.063 | 0.496% | 0.565% | \$0.032 |
| Bluewater & Dawn | \$0.052 | \$0.057 | 0.352% | 0.431% | \$0.032 |
| From: | | | | | |
| Parkway to Kirkwall | \$0.044 | \$0.080 | 0.952% | 0.927% | \$0.018 |
| Parkway to Dawn | \$0.044 | \$0.080 | 0.952% | 0.927% | \$0.018 |
| Kirkwall to Dawn | \$0.034 | \$0.033 | 0.952% | 0.927% | \$0.039 |
| Dawn to Kirkwall | \$0.090 | \$0.124 | 1.117% | 1.734% | \$0.065 |
| Dawn to Parkway | \$0.102 | \$0.137 | 1.117% | 1.734% | \$0.077 |
| Kirkwall to Parkway | \$0.030 | \$0.041 | 0.955% | 1.134% | \$0.011 |
| b) Firm Transportation within Dawn | | | | | |
| Dawn to Dawn-Vector | n/a | n/a | 0.441% | n/a | \$0.001 |
| Dawn to Dawn-TCPL | n/a | n/a | 0.328% | 0.637% | \$0.007 |

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

Unauthorized Overrun:

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

(D) Terms of Service

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

(E) Nominations

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

(F) Receipt and Delivery Points and Pressures

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

Effective

January 1, 2012
O.E.B. Order # EB-2011-0382

Chatham, Ontario

Supersedes EB-2011-0025 Rate Schedule effective January 1, 2012.