



BOARD STAFF SUBMISSION

**UNION GAS LIMITED
Application for Approval of Proposed Transportation Tariffs
EB-2010-0155**

April 23, 2010

Background

On December 9, 2009, the Board issued a new rule, known as the Storage and Transportation Access Rule ("STAR") which comes into force on June 16, 2010.

Sections 2.3.3 and 2.4.3 of the STAR require a transmitter to include in its tariff the standard terms of service for each of its transportation services and that the tariff must be filed for Board approval. Further, section 2.3.4 of the STAR outlines the standard terms of service.

A transmitter's tariff as defined in the STAR includes:

- the standard terms of service;
- the transmitter's allocation methods (i.e., the method for allocating transportation capacity such as open seasons, first come, first served, etc.); and
- the transmitter's rate schedule and/or handbook.

On April 1, 2010, in accordance with sections 2.3.3 and 2.4.3 of the STAR, Union Gas Limited ("Union") filed an application seeking Board approval of tariffs for its M12, C1 and M16 transportation services to be effective as of June 16, 2010.

Union's M12 and C1 Tariffs:

1. XV1 (5) Allocation of Capacity – Union listed "direct negotiations" as one of its methods for allocating transportation capacity.

Board staff ("staff") notes that in the Notice of Proposal to Make a Rule regarding the STAR dated April 9, 2009, the Board stated that the methods for allocating transportation capacity need to be consistent, predictable and transparent. The Board believes that these attributes will prevent a transmitter from discriminating between different customers thereby ensuring all customers are treated fairly.

Staff is of the view that Union's allocation methodology ("direct negotiations") does not meet the attributes listed above. Therefore, staff submits that there may be a potential for shippers to be treated differently under a "direct negotiations" methodology. The prospect of customers being treated differently will not ensure non-discriminatory access.

Staff is also concerned that this allocation methodology does not meet the objectives of the STAR – customer protection, transparency and non-discriminatory access.

2. XV1 (5) Allocation of Capacity – Union stated that “methods for allocation of such capacity, which methods include, but are not limited to...”

Staff is concerned that by using the above language, “are not limited to...”, Union may use other methods for allocating its transportation capacity that are not Board approved. Staff notes that the Board stated that the methods for allocating transportation capacity need to be consistent, predictable and transparent and that these methods need to be outlined in the tariff. It is staff’s submission that the language “are not limited to...” should be deleted and that all allocation methods should be listed in the tariff.

3. XVI (6) Allocation of Capacity – Union stated that the minimum bid (or reserve price) for accepting requests for the services is when the proposed monthly payment is less than Union’s monthly demand charge plus fuel requirements.

Staff recommends that Union identify the minimum bid or reserve price in the tariff when Union does not specify a monthly demand charge (e.g., there is a range rate).

4. XVIII (1) Service Curtailment – Union stated that “the priority of service guidelines for Union’s Transportation Services shall be as follows with detailed policies and procedures on Union’s website”.

Staff recommends that Union include the priority list for transport services and the procedures as listed on its website in the General Terms & Conditions (“GT&C”). This will ensure that all customers receive the standard terms of service as per s 2.3.4 of the STAR. As a result, all customers are treated fairly.

5. XVIII (1) Service Curtailment – Union stated that “the highest ranked service has the highest priority.....and the lowest ranked service has the lowest priority and is curtailed first”.

For clarification, staff recommends that Union include the sentence “with number “a” having the highest priority and the last interrupted”. Therefore, the sentence would read “the highest ranked service has the highest priority.....and the lowest ranked service has the lowest priority and is curtailed first; with number “a” having the highest priority and the last interrupted.

Union's M16 tariffs:

6. As with Union's C1 and M12 tariffs, staff recommends that the service curtailment, force majeure, conditions precedent, details of billing, etc. be included in the GT&C for the M16 transportation service. This will ensure consistency for all transportation services.

7. As with Union's C1 and M12 tariffs, staff also recommends that Union include the priority list for transport services and the procedures as listed on its website in the GT&C for the M16 transportation service. This will ensure that all storage companies receive the standard terms of service as per s 2.4.2 of the STAR.

Appendix A – Relevant Sections from the Proposed Tariffs

Union's M12 and C1 tariffs:

XVI ALLOCATION OF CAPACITY

5. If Shippers request firm Transportation Services where the firm Transportation Services requested were previously offered in an open season but were not awarded, then the allocation of such capacity shall be carried out by one of Union's methods for allocation of such capacity, which methods include, but are not limited to, "first come, first served" basis, open season, or direct negotiations, provided any such requesting Shipper meets all conditions in Article XXI herein, subject to the remaining Available Capacity.

6. Union is not obligated to accept requests for service where the proposed monthly payment is less than Union's monthly demand charge plus fuel requirements for the applicable service.

XVIII. SERVICE CURTAILMENT

1. Union shall have the right...Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

The priority of service guidelines for Union's Transportation Services shall be as follows, with detailed policies and procedures available on Union's website. The highest ranked service has the highest priority and is curtailed last and the lowest ranked service has the lowest priority and is curtailed first:

- a. Any firm ex-franchise transportation service(s), firm in-franchise transportation and distribution service(s)
- b. Interruptible in-franchise distribution service(s)
- c. C1/M12 interruptible transportation and exchange(s), balancing activity (ex-franchise/in-franchise), overrun (ex-franchise/ in-franchise)
- d. Late nomination(s)