



The Dawn HUB Explained

With market dynamics changing, the Dawn Hub is continually evolving. In response to market requests, Union Gas is considering the introduction of a new firm transportation service between two points within the Dawn Hub; Dawn, the main storage and name change location, and Dawn (TCPL), TransCanada Pipeline's interconnect in the Dawn Hub.

The Changing Market

The North American natural gas market continues to evolve. As Western Canadian supply declines and Marcellus Shale supply expands, the gas flows into and out of the Dawn Hub will likely change.

In response to the changing market, Union Gas is investigating and considering a new firm transportation service. This possible new service, which will also require new facilities, will provide Shippers with firm transportation from Dawn to the Dawn (TCPL) pipeline interconnect. If developed, this service will enable Shippers to move gas physically, on a firm basis, from Dawn to TransCanada Pipeline's ("TCPL") interconnect within the Dawn Hub without relying on displacement.

The History of the Dawn Hub

Since its origins in the late 1950s, the Dawn Hub has attracted gas from Western Canada, the US Midwest and the Gulf of Mexico. As the Dawn Hub grew over the years, facilities have expanded to move gas arriving from the west into storage at Dawn or onto Union Gas' Dawn-Parkway/Kirkwall pipeline system for transportation to Eastern Canada and the North Eastern US markets.

The Dawn Hub consists of several pipelines and storage interconnects with Union: Dawn (the location of Union Gas' storage facilities), Dawn (TCPL), Dawn (Vector), Dawn (TSLE), and Dawn (Tecumseh). The Bluewater, Ojibway, St.Clair, Kirkwall and Parkway interconnects are all upstream or downstream of the Dawn Hub and are connected to Union Gas' transmission system.

The vast majority of trading activity (title transfers) at the Dawn Hub takes place at the center – "Dawn". This is where storage injections and withdrawals occur and where the Union Gas Dawn to Parkway system originates. The other locations within the Dawn Hub facilitate the transportation between interconnecting pipelines and the Dawn trading and storage center.

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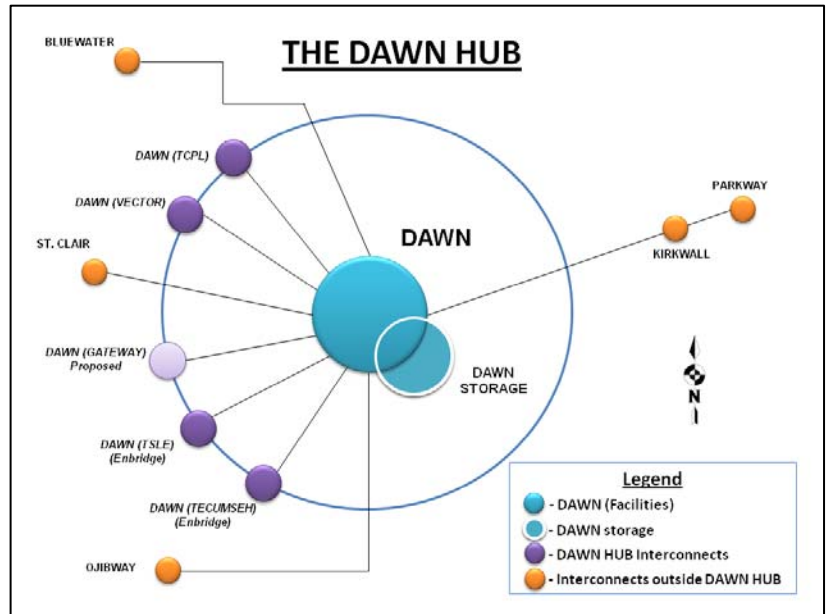
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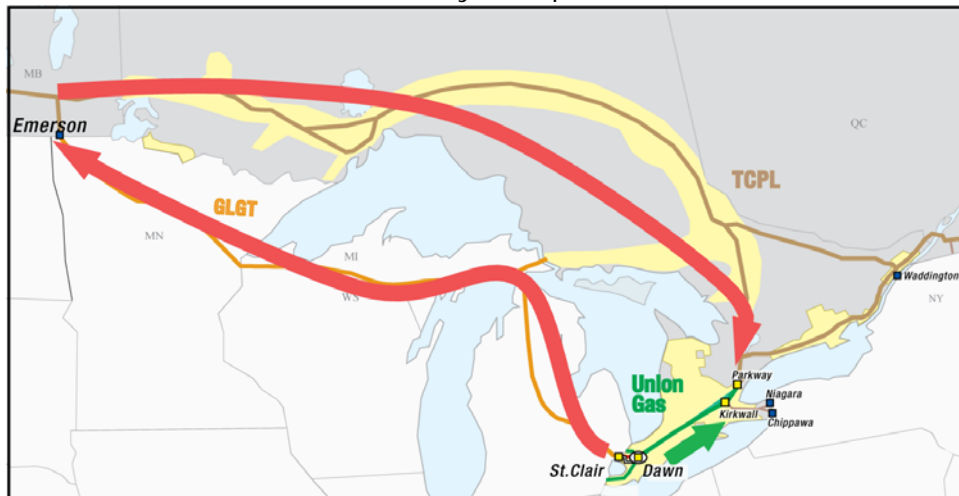
The physical design of the Dawn yard has traditionally been based on imports from the west and exports to the east. Gas flowing into the Dawn Hub (imports) is dependent on the physical capacity of the upstream pipeline to deliver gas to the Hub. Any gas arriving from the interconnecting pipelines at the Dawn Hub (flowing west to east) – TCPL, Vector, and Enbridge - is able to flow, subject to interconnection agreement parameters, to the main trading, receipt and delivery point – "Dawn". Union Gas currently has some facilities in place to meet obligations arising from firm Dawn to Dawn (Vector) and Dawn to Dawn (Tecumseh/TSLE) contracts. These facilities are the result of market requests for services to flow gas east to west.



Each day, Union Gas receives nominations for both imports and exports to each of the Dawn Hub interconnects. Quantities nominated above the firm capacity for transportation westerly, away from the Hub – including exports to TCPL, Vector, Enbridge – can be accommodated through displacement, provided there is sufficient easterly flowing gas. The quantity of gas available for export to the TCPL, Vector or Enbridge interconnects above firm entitlements is limited to the quantity of imports from the corresponding interconnect on that same day and is considered to be interruptible.

Recent Market and Contracting Changes around Dawn

The market currently has two options to transport gas from Dawn to Parkway and points further east. Union Gas offers Dawn to Parkway transportation and, since 2005, has expanded the Dawn to Parkway system by 1.2 PJ/day to meet market requests. An alternative is to contract with TCPL for capacity from Dawn to Parkway and points east of Parkway.



To meet these obligations, TCPL has historically used a combination of Dawn to Parkway contracts with Union Gas, and the flexibility provided by their integrated system, to achieve a similar result. Since 2003, TCPL has



been able to divert supplies at Emerson destined for Dawn (through Great Lakes Gas Transmission) onto un-contracted capacity on their Northern Mainline. TCPL Shippers with delivery points east of Parkway have experienced a seamless service regardless of TCPL's approach. TCPL's long-term firm commitments for transportation between Dawn, Parkway and points east, is approximately 500,000 GJ/day greater than the easterly contracted capacity they have on Union Gas between Dawn and Parkway. This "around the horn" service works well as long as there is gas scheduled to flow from Empress to Dawn, Niagara or Chippawa equal to or exceeding 500,000 GJ/day. For the last 2 winters, TCPL has used a temporary program to ensure that sufficient quantities are flowing Emerson to Dawn to meet this obligation. With declining quantities leaving western Canada, the need to export gas physically from Dawn onto Great Lakes may become a reality.

The Impact to Dawn Hub Market Participants

Currently, Shippers importing gas from Vector, TSLE or Tecumseh nominate from the respective interconnect point within the Dawn Hub: Dawn (Vector), Dawn (TSLE), Dawn (Tecumseh) to Dawn. Starting in the summer of 2010, to ensure consistent treatment of all interconnecting pipelines, Shippers importing gas from TCPL's system into Dawn will also nominate the Dawn (TCPL) to Dawn path. Any exports to the Dawn (TCPL), Dawn (Vector), Dawn (TSLE) and Dawn (Tecumseh) will also require a nomination. Transportation that is nominated using an interruptible service to move gas from Dawn to any of these points, may realize scheduling reductions on days where interruptible export requests cannot be facilitated by displacement. This change will not affect any Shippers who have bought a firm transportation service between Dawn and an export point within the Hub. These firm contracts do not rely on displacement to meet the obligation.

A New Firm Transportation Service to TCPL at Dawn

Over the next few weeks, Union Gas will continue to investigate the development of a firm transportation service from Dawn to Dawn (TCPL). If this new service is developed, capacity will be available through an Open Season.

Shippers who are interested in firm Dawn to Dawn (TCPL) service should ensure that they are added to the Union Gas [Open Season distribution list](#) to receive the Open Season notice. If you have any questions about the Dawn Hub or would like to express interest in the firm Dawn to Dawn (TCPL) transport service, please contact your [Account Manager](#).

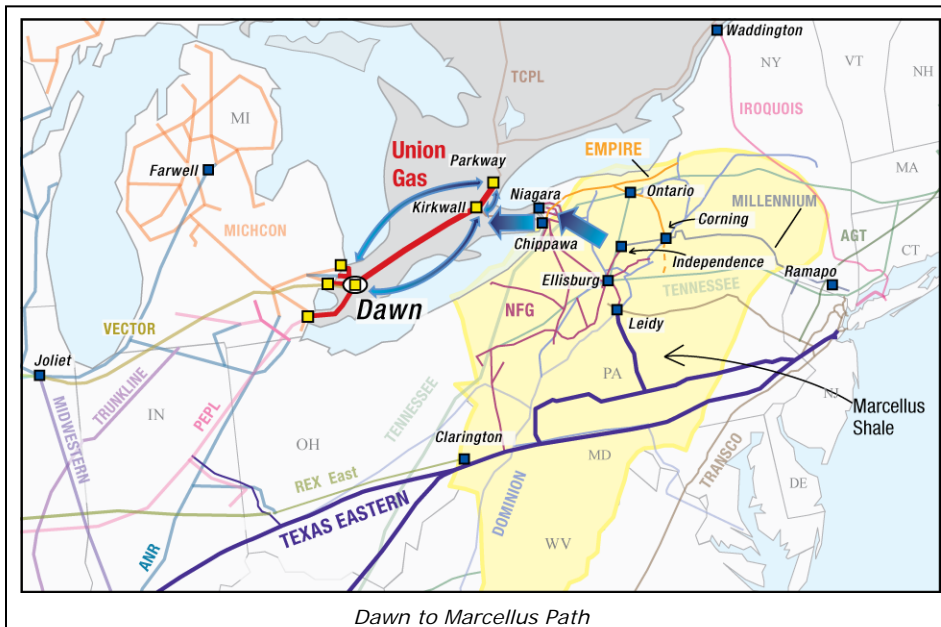


For the Times They Are A-Changin’

Union Gas introduces two exciting new services to bring emerging supplies to Dawn in response to changing market dynamics.

North America has seen a dramatic change in the gas supply picture over the last couple of years, with traditional gas flow from the Gulf Coast, Western Canada and the mid-continent challenged by new sources of unconventional supply emerging from the U.S. Rockies, mid-continent and Marcellus shale.

As recently as three years ago, forecasts called for domestic North American gas supply to be in decline. Those concerns proved to be unnecessary, as technology advancements have allowed the economic development of unconventional reserves – coal bed methane, tight gas and shale gas. The Marcellus shale basin, which could turn out to be the largest continental gas basin in the lower 48 states, sits between all other continental production and the U. S. Northeast markets. Producers and pipeline companies alike have been working to provide access for Marcellus production to liquid markets.



The Dawn Hub is one of those liquid markets. Union Gas has been working jointly with National Fuel Gas, Empire State Pipeline and TransCanada Pipe Lines to develop a transportation path from the Marcellus producing region to Dawn. As part of this path, Union Gas has offered new services to facilitate the connection of Marcellus shale gas supply with the liquidity and storage capacity of the Dawn Hub and to provide the ability to deliver gas to downstream consuming markets in Ontario, Quebec and the U. S. Northeast.

First, to provide a path for Marcellus gas to move from the Kirkwall interconnect to Dawn, Union Gas now offers a Kirkwall to Dawn point-to-point firm westerly transportation service. Union Gas anticipates that the competitive demand charge for the new C1 Kirkwall to Dawn transportation service will be in the range of \$0.035/GJ/d to \$0.045/GJ/d with fuel in accordance with the C1 Rate Schedule, subject to Ontario Energy Board approval.

Second, in response to customer requests for optionality and flexibility, Union Gas has developed an enhanced Dawn to Parkway/Kirkwall transportation service: M12-X. The M12-X service offers the ability to transport gas between any two M12 points (Dawn, Parkway and Kirkwall), providing firm, bi-directional service with receipt and delivery point flexibility. Union Gas expects the demand charge rate

to be in the range of \$0.095/GJ/d to \$0.11/GJ/d with fuel in accordance with the M12 Rate Schedule incurred based on the nominated path, subject to Ontario Energy Board approval.

Union Gas offered these new services during a non-binding open season held in February/March 2010, during which multiple parties, including LDC's, marketers and producers, expressed interest. Based on the positive response, Union Gas is negotiating binding agreements with customers and is preparing an Ontario Energy Board application for approval of the new services. Union Gas expects to apply for rate approval of the C1 Kirkwall to Dawn transportation service and the M12-X transportation service as early as May. Plans to modify the Kirkwall Meter Station for westerly flow are being completed to allow service to commence in September 2011.

The times certainly are a-changin' and Union Gas continues to work with customers to provide competitive solutions.

Storage & Transportation Team Update

The Storage & Transportation team bids farewell to one colleague, extends a warm welcome to a new addition and celebrates a team member's return.

The Storage & Transportation team recently bid a fond farewell to our vice-president, Steve Baker. Steve Baker has taken a new role in Houston, where he is now the Vice President and Treasurer of Spectra Energy Corp. In his new role, Steve will have responsibility for financing and capital market activities, interest rate management, credit risk management, liquidity and cash management, and Spectra Energy's relationships with major banks and credit rating agencies.

The team congratulates Steve on his new role!

As we wish Steve well, Union Gas would like to introduce Allen Capps, our new Vice-President Business Development Storage and Transportation. Allen will be responsible for the business development activities for storage and transmission and is also responsible for gas supply acquisition and planning, product and service development, customer support and capacity management. Before assuming his current role, Allen was Vice President and Treasurer of Spectra Energy Corp.

Allen graduated from Texas A&M University with a bachelor of business administration degree in accounting and a master of science degree in finance. He continued his studies with a master's degree in business administration from the University of Texas at Austin. He is also a certified public accountant, a certified internal auditor, and a member of the American Institute of Certified Public Accountants (AICPA).



Allen is looking forward to this new opportunity and is eager to meet our customers and suppliers. Welcome to the group.



*Left to Right: Michael Cadotte, Paolo Mastronardi
and Jacquie Montgomery*

Union Gas would also like to welcome back Jacquie Montgomery to the Storage & Transportation team. In addition to Jacquie, the Chatham team members include Paolo Mastronardi and Michael Cadotte, who are all able to meet your storage and transportation needs.

The focus of the Union Gas Storage & Transportation Marketing group continues to be optimizing assets owned, operated and contracted by Union Gas. Our portfolio of storage and transportation assets provides us with the ability to offer flexible and customizable interruptible and firm storage and transportation solutions.

All Shippers will benefit from our team-based approach to account management. One Account Manager will be the designated lead for each Shipper relationship, delivering individualized, personal service. If your primary Account Manager is unavailable, the other Account Managers will be standing by to provide seamless support and to assist with your request. If you don't know who your Account Manager is or are a new Shipper looking to get set up with Union Gas, feel free to contact any of our [Account Managers](#).

At Union Gas, we strive to be your Storage & Transportation service provider of choice and we look forward to your business in 2010.



The “STAR” is Coming

New Storage and Transportation Access Rules (“STAR”) will take effect June 16, 2010.

In December 2009, after a series of consultations with stakeholders, the Ontario Energy Board finalized **STAR**. Effective June 16, 2010, the Ontario Energy Board requires all Natural Gas Transmitters, Integrated Utilities and Storage Companies in Ontario to abide by STAR.

The purpose of the Storage and Transportation Access Rule is to ensure open and non-discriminatory access to transportation services for shippers and storage companies and ensure customer protection within the competitive storage market.

The table below outlines some of the changes brought about by the ruling. For Union Gas, all new reporting requirements will be available on the [Informational Posting](#) section of the Union Gas website.

Reporting Requirements

Reporting Type	Effective June 16, 2010	Update Frequency
Index of Customers	<u>Firm Storage</u> : Term 1 month or greater <u>All Firm Transportation Services</u> : Term 1 month or greater	Monthly
Semi-Annual Storage Report	<u>Storage Unit pricing</u> : Annual cost per GJ of storage <u>Revenue</u> : Total revenue during previous six months <u>Applicability</u> : Contracts signed after June 16, 2010 (existing contracts not applicable)	Semi-Annually each April & October
Operationally Available Capacity	<u>Total Available Capacity less Scheduled Capacity</u>	Daily at each NAESB window
Storage Inventory	<u>Working Storage Inventory</u>	Monthly
Storage Design Capacity	<u>Total Capacity, Base Gas, Working Gas, Design Peak Injection/Withdrawal Capacity</u>	When information changes

Please note that this is not an exhaustive list of the changes required. Union Gas is working to implement the changes as noted above. In addition to the reporting changes, the OEB will approve all Tariffs related to transportation services. Union Gas will post standard contracts and any non-standard transportation contracts to the uniongas.com website.

If you have any questions regarding the STAR ruling, please contact your [Account Manager](#).



Profile of the Gas Supply Group

Delivering market-priced, reliable supply to Ontario while optimizing our portfolio to create win-win opportunities for our Customer, Shareholder and Suppliers

What does Gas Supply do? As you would expect, the Gas Supply group at Union Gas is charged with providing reliable, market priced natural gas to our regulated, local distribution company "LDC", system supply customers.

How do we know how much gas we need? When do we need it? Gas Supply Planning lays the foundation. The annual gas supply plan is built up from forecast in-franchise customer demands. The demand forecast tells us how much a customer forecasts to burn and when they plan to burn it. They also tell us whether the customer plans to purchase that gas from Union Gas (system supply customer) or from an independent marketer (direct purchase customer).

How do we move gas on pipes? The Transportation Group picks up once the planning is completed. With knowledge of evolving supply basins and demand fluctuations, this team contracts the firm transportation capacity, negotiating with pipelines for the best rates and flexibility. Contracting for terms of one to 10 years, Union Gas moves approximately 320,000 GJ/day to Ontario, which represents about 1% of overall North American consumption.

How do we fill the pipes? The goal of the Gas Supply Buyers Group is to reduce market price volatility for Union Gas in-franchise customers while achieving a market sensitive price. Supplies are solicited via RFP's for competitive pricing based on current commodity market prices. NYMEX, AECO and Dawn indices are all acceptable reference prices, with the appropriate basis applied at each supply location. This ensures that the system customer pays the market price for gas no matter where it is sourced across the continent.

Where does the gas come from? Union Gas currently sources gas from the WCSB using TCPL and Alliance pipelines; from the Mid-Continent & Rockies via Panhandle and Vector; from the Gulf via Trunkline and at Dawn. A diverse supply portfolio ensures security of supply and competitive pricing.

How do we set Rates for Customers? Each quarter Union applies to the Ontario Energy Board "OEB" for a change in rates to reflect the updated estimate of the average cost of gas for the next twelve months. The rate requested incorporates a price adjustment that will true-up the estimate from the previous quarter. This way, we ensure that our in-franchise customers are paying only the actual cost of the commodity. As a regulated local distribution company, Union earns on the delivery of gas to customers; not from selling the actual supply.

So is that it? Once the portfolio is determined, the pipe is secured and the gas supply is purchased, the work doesn't stop. Union Gas is constantly looking for more efficient ways to deliver supply to Ontario.

We look forward to creating win:win opportunities with you in 2010!



Distracted Driving

Union Gas is committed to safety; 24 hours per day, 7 days per week. Part of this commitment is to ensure that all activities are performed safely by our employees both at work and at home. Driving is part of how we do business. Whether it is our Utility Service Representatives driving to residential service calls, our sales staff driving to meetings with our customers or our employees driving to and from work each day, it is important to ensure that everyone is driving safely.

Distractions are one of the biggest risks while driving. Being collision-free involves always being aware of what is happening around you, driving defensively and planning ahead. This is impossible to accomplish if you are distracted! Distractions occur when the driver shifts attention away from driving to a thought, event, activity, object, or person.

Eliminate distractions = reduced likelihood of collisions

Here are some things you can make a habit of doing to help eliminate driving distractions:

- check your route before you leave;
- preset all gauges and equipment in your vehicle before heading out;
- do all personal grooming at home;
- make sure you have buckled your seat belt before putting the vehicle in motion;
- keep your hands on the wheel and eyes on the road;
- never read or use electronic equipment, including hands-free cellular phones, while driving;
- pull over and stop to eat or drink;
- avoid emotionally charged conversations while driving.



Eliminating driving distractions helps you stay alert, focus and adjust to weather conditions, prepare for unforeseen incidents, and be ready for the unsafe actions of other motorists.

If you are interested in more details about road safety, we'd be pleased to provide additional details about Union Gas' safe driving initiatives. Please contact your [account manager](#) for more information.