uniongas
A Spectra Energy Company

Steve W. Baker
President

DEC - 8 2014

December 5, 2014

Town of Fort Frances
320 Portage Avenue
Fort Frances, ON
P9A 3P9

Dear Mayor Avis:

On behalf of our 1.4 million Ontario customers and 2,400 employees, Union Gas believes we are obligated to bring an important issue to your attention which, if left unchecked, will hit your constituents with higher energy costs and threaten the competitiveness and vitality of Ontario's economy.

TransCanada Pipeline's (TCPL) Energy East oil pipeline project was filed with the National Energy Board on October 30, 2014. As filed, the project will increase natural gas costs for hardworking Ontarians and employers, and reduce important supplies of natural gas to eastern Ontario to serve existing and future customers.

Ensuring Canadian energy can safely and reliably reach consumers in Ontario, across Canada and throughout the global marketplace is a fundamental priority for Union Gas. It is however completely unacceptable for TCPL to disadvantage existing customers, forcing them to pay for someone else's pipeline while reducing access to natural gas in the process. Yet that is TCPL's current plan, to take an existing portion of the natural gas pipeline between North Bay and Cornwall – which is fully used by natural gas consumers, especially important during the coldest months of the year – and convert it to oil. TCPL then proposes that Ontarians should pay for a new, smaller natural gas pipeline which will supply less natural gas.

There is a simple solution: TCPL should build and pay for a new oil pipeline from North Bay to Cornwall. With this approach, we would support Energy East.

Union Gas has been serving Ontarians for 100 years and we have nothing to lose or gain commercially from taking a stand on the Energy East pipeline. In the spirit of serving and protecting our customers for over a century, we have spent the last year in discussions with TCPL and other partners in an effort to resolve the issue. We continue to hope a resolution is possible, however TCPL's filing of the project with the National Energy Board has further jeopardized a positive outcome.

Ontario is already struggling to compete and recover from the economic recession. Affordable energy is a critical piece of Ontario's economic development. In order for this project to be truly in the national interest, it has to represent Ontario's best interests. TCPL's current proposal falls short. To learn more, please refer to the attached briefing note and visit www.fairenergyeast.ca.

We urge you to join us in defending Ontario's natural gas customers and ensure your constituents' interests are heard on this important issue by letting TCPL know your concerns.

Please let us know if you need further information or background. Your local District Manager, James Coultis, would be pleased to answer your questions at 807-684-8818 or email at rjcoultis@uniongas.com.

Sincerely,

Steve Baker
President

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Briefing Note

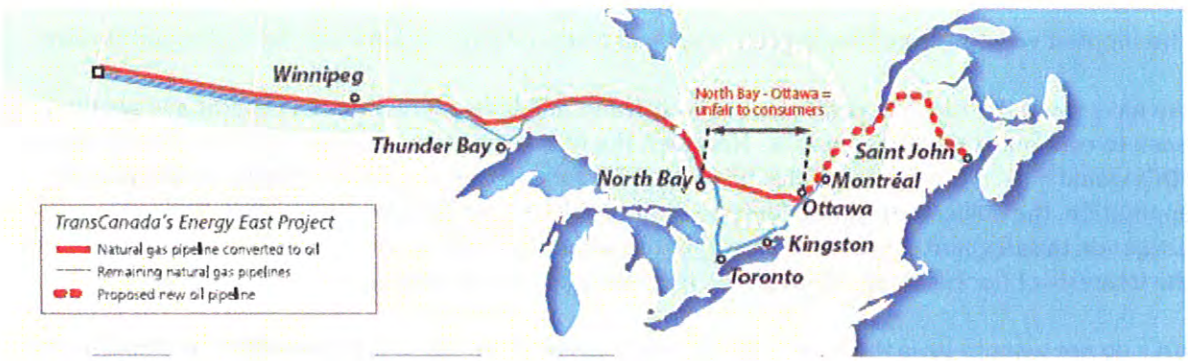
Issue Summary

TransCanada Corporation (TCPL) has filed an application to the National Energy Board (NEB) seeking approval to convert parts of its mainline natural gas system between Western Canada and Ottawa in order to transport oil as part of its Energy East project. The portion of this system between Western Canada and North Bay is underutilized and can be taken out of gas service without significant impact. However, the section between North Bay and Ottawa is currently fully utilized by gas consumers in Eastern Ontario and Quebec. Taking this line out of service would create capacity problems and mean that the needs of natural gas customers could not be met.

In its filing, TCPL proposed to address the capacity shortfall problem for natural gas consumers in Eastern Ontario and Quebec by: (a) using other existing smaller pipelines that connect North Bay, Toronto, and Ottawa; and, (b) building a replacement natural gas pipeline between Toronto and Montreal. Collectively, these lines are referred to as the Eastern Triangle (see map below).

There are two key issues with TCPL's current filing: (1) the capacity would be half of the capacity being removed, thereby leaving some industrial and institutional customers without the gas they need and currently use in the winter; and (2) new costs would be imposed on gas customers with no added benefit.

The Eastern Canadian local distribution companies (LDCs), made up of Enbridge Gas Distribution, Gaz Metro and Union Gas, are taking a joint stance on this important issue to ensure the fair treatment of our combined 3.6 million customers in Ontario and Quebec - including schools, hospitals, homes and industries - who are dependent on TCPL's mainline system for natural gas supply.



Explaining the Key Positions

TCPL has failed to address the concerns outlined below regarding increased costs and the impact that loss of capacity would have on consumers.

1. New Cost to Natural Gas Consumers

	Proposed Change to Mainline	Estimated Capital Cost to Gas Ratepayers
1	Convert Western Canada to North Bay to oil	- $600 million
2	Convert North Bay to Ottawa to oil	-$400 million
3	Add new gas pipeline to replace section #2 above	over $2,000 million
	NET cost to gas consumers	more than **$1,000 million**