

## **SUPPORTING MATERIALS**

28. In support of these applications, Dawn Gateway GP relies upon the detailed information attached hereto which is outlined in the attached Table of Contents and in the Environmental and Socio-Economic Assessment Reports referred to herein (attached at Appendix N and O).
29. In addition to the information set forth in Sections 1-10 above, the NEB Transfer of Ownership Application form pursuant to Section 74(1)(a) and Section 74(1)(b) of the Act in respect of the conveyance of the St. Clair River Crossing is attached at Appendix B.
30. In addition to the information set forth in Sections 1-10 above, the NEB Transfer of Ownership Application form pursuant to Section 74(1)(b) of the Act in respect of the purchase of Union's St. Clair Pipeline is attached at Appendix C.

## **RELIEF REQUESTED**

31. Dawn Gateway GP, as general partner of and on behalf of Dawn Gateway LP hereby applies to the Board for the following orders:
- (a) An Order pursuant to Section 74(1)(b) of the Act granting leave for the purchase of the St. Clair River Crossing from St. Clair Pipelines LP by Dawn Gateway LP. St. Clair Pipelines LP is applying to the Board concurrently for leave to sell the St. Clair River Crossing to Dawn Gateway LP conditional upon approval of all other related applications described herein;
  - (b) An Order pursuant to Section 74(1)(b) of the Act granting leave for Dawn Gateway LP to purchase from Union the Union St. Clair Pipeline conditional upon prior approval from the Ontario Energy Board authorizing Union Gas Limited to sell Union's St. Clair Pipeline and further conditional upon approval of all related applications described herein;
  - (c) Orders pursuant to Section 58 of the Act authorizing the construction and operation of the new Bickford to Dawn Pipeline; and authorizing the operation of the balance of the Canadian portion of the Dawn Gateway Pipeline consisting of the following segments – the acquired St. Clair River Crossing and the acquired Union St. Clair Line.

- (d) Orders pursuant to Section 58 of the Act exempting both the St. Clair River Crossing and Union's St. Clair Pipeline segments from Section 47 of the Act; and exempting the Bickford to Dawn Pipeline from the provisions of Sections 31 to 33 of the Act;
- (e) An Order pursuant to Part IV and Section 60(1)(a) of the Act approving the tolls and tariffs for the Canadian portion of the Dawn Gateway Pipeline negotiated with shippers;
- (f) An Order pursuant to Section 59 of the Act directing that Dawn Gateway LP be designated as a Group 2 company pursuant to the NEB Memorandum of Guidance re: Regulation of Group 2 Companies dated December 1985 in respect of the Canadian portion of the Dawn Gateway Pipeline;
- (g) An Order exempting Dawn Gateway LP from any requirements, as a Group 2 company, to file financial statements with the Board;
- (h) Such further and other relief as Dawn Gateway GP may request or as the Board may deem appropriate pursuant to Section 20 of the Act.

32. Dawn Gateway GP also respectfully requests that the Board, as the Responsible Authority pursuant to CEAA, after taking into consideration the screening report and any comments filed, issue a decision pursuant to Section 20(1) of CEAA concluding that no significant adverse environmental effects will result from the granting of the relief requested herein.

ALL OF WHICH IS RESPECTUFLLY SUBMITTED.

Dated at the City of Chatham, in the Province of Ontario, this 6th day of May, 2009.

Communications relating to this Application should be directed to:

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## **2 FILING MANUAL CHECKLISTS**

Separate document.

### **3 PROJECT OVERVIEW & IDENTIFICATION OF PARTIES**

#### **3.1 Introduction**

Spectra and DTE through their respective affiliates have established a joint venture (“Dawn Gateway”) to develop a new international gas transmission pipeline. The new Dawn Gateway Pipeline is a dedicated 34 km gas transmission pipeline that will create 360,000 Dthd (379,876 GJ/d, 10,198 10<sup>3</sup>m<sup>3</sup>/day) of capacity. The Dawn Gateway Pipeline commences at Belle River Mills Compressor Station, in Michigan, which is owned by MichCon; and will terminate at the Dawn Compressor Station in Ontario, which is owned by Union.

Dawn Gateway will be comprised of two new regulated entities. Both Spectra and DTE through their respective affiliates will jointly own the U.S. limited liability company, hereinafter referred to as “Dawn Gateway LLC” and the Ontario limited partnership, hereinafter referred to as “Dawn Gateway LP”. Dawn Gateway LLC will own and operate all facilities on the U.S. side and Dawn Gateway LP will own and operate all facilities on the Canadian side.

It is proposed that Dawn Gateway LP will be regulated by the NEB as a Group 2 company, and Dawn Gateway LLC will be regulated by the MPSC.

#### **3.2 Roles of Parties**

DTE, through its affiliates, will be the lead developer of the U.S. facilities and will have responsibility for marketing and selling capacity on the Dawn Gateway Pipeline as well as operating the Dawn Gateway Pipeline. Spectra, through its affiliates, will be the lead developer of the Canadian facilities and will provide the ongoing financial services for Dawn Gateway LP and Dawn Gateway LLC and field services for Dawn Gateway LP.

#### **3.3 Project Components**

When fully constructed and operational, the proposed 34 km 610 mm OD (NPS 24) pipeline will consist of the following U.S. and Canadian segments (3 existing, 1 new). These facilities are shown on Appendix A.

**U.S. Segment:**

1. Belle River Mills Pipeline, being an existing 4.74 km pipeline owned by MichCon, commencing at MichCon's Belle River Mills Compressor Station in St. Clair County Michigan and terminating at the international border between the U.S. and Canada in the middle of the St. Clair River.

These assets are currently regulated by the MPSC. MPSC approvals will be obtained to transfer these assets, as required.

In terms of other regulatory approvals, Dawn Gateway LLC will file a tariff with the MPSC for approval of its rates and services. Dawn Gateway LLC anticipates a filing being made in 2nd quarter of 2009 with approvals to follow by 3rd quarter of 2010.

Prior to providing service to Canada, Dawn Gateway LLC will obtain a federal Presidential Permit from the U.S. Department of Energy for the exportation of gas to Canada. Dawn Gateway LLC anticipates filing for this permit in third quarter, 2009 and receiving approval in third quarter, 2010.

**Canadian Segments:**

2. The St. Clair River Crossing, is an existing 0.87 km pipeline owned by St. Clair Pipelines LP which commences at the international border between the U.S. and Canada in the middle of the St. Clair River and terminates at the west boundary fence at the St. Clair Valve Site in Lambton County. This pipeline is currently regulated by the NEB. The St. Clair Pipeline LP Conveyance Information Document for the conveyance of the St. Clair River Crossing to Dawn Gateway LP is attached as Appendix B.
3. Union's St. Clair Pipeline is an existing 11.7 km pipeline owned by Union which commences at the west boundary fence of the St. Clair Valve Site and terminates at the west boundary fence of Union's Bickford Compressor Station. This line is currently regulated by the OEB. Union has submitted an application to the OEB for approval to sell this pipeline to Dawn Gateway LP (EB-2008-0411). The Conveyance Information Document for the conveyance of Union's St. Clair Pipeline from Union to Dawn Gateway LP is attached as Appendix C.

4. The Bickford to Dawn Pipeline will be a newly constructed pipeline consisting of approximately 17 km of pipeline to be owned by Dawn Gateway LP. This new segment would interconnect with the Union St. Clair Line adjacent to the Bickford Compressor Station and terminate at the Dawn Compressor Station.

It is the intent of Dawn Gateway through Dawn Gateway LLC and Dawn Gateway LP to acquire the existing U.S. segment (1) and existing Canadian segments (2 & 3) and combine the existing connected segments with the proposed new Canadian pipeline (4) to form one continuous international pipeline between Michigan and Ontario.

### **3.4 Project Timing**

The target in-service date for this project is November 1, 2010.

### **3.5 Transportation Agreements**

Pursuant to a non-binding Open Season conducted between September and October, 2008, and subsequent negotiations with shippers willing to contract, agreements were executed with 5 shippers for an aggregate volume of 280,000 Dthd (295,459 GJ/d, 7,931  $10^3 \text{m}^3/\text{d}$ ) or 78% of the project's initial capacity.

## **4 PROJECT JUSTIFICATION**

The proposed Dawn Gateway Pipeline would provide customers with a greatly improved connection between Michigan storage and Ontario's Dawn market hub. The proposed Dawn Gateway Pipeline would have the initial capacity to transport 360,000 Dthd (379,876 GJ/d, 10,198  $10^3\text{m}^3/\text{d}$ ) between MichCon's Belle River Mills Compressor Station and Union's Dawn Hub on a firm basis, and its capacity would be expandable to meet future needs. The Dawn Gateway Pipeline also would allow customers enhanced access to existing and new storage developments in the Great Lakes region, and the ability to connect and access new sources of supply upstream of the Belle River Mills Compressor Station. The Dawn Gateway Pipeline will provide a new firm pipeline that will allow downstream customers in Ontario/Quebec and U.S. Northeast markets to access gas supplies from emerging supply regions like the U.S. Rockies, various U.S. Southeast shale basins and Gulf Coast LNG. Access to these new sources of supply for Ontario, Quebec and the U.S. Northeast markets will improve the depth and liquidity of the Dawn market hub.

DTE and Spectra held a non-binding open season in September/October of 2008 to determine the level of interest in the Dawn Gateway Pipeline. Based on the bids received, DTE and Spectra determined that there is sufficient interest in the proposed service to justify proceeding with the Dawn Gateway Pipeline. Subsequently, shippers have entered into binding Precedent Agreements pursuant to which shippers have subscribed for 280,000 Dthd (293,251 GJ/d, 7,931  $10^3\text{m}^3/\text{d}$ ) of firm transportation service on the Dawn Gateway Pipeline (subject to regulatory approval), thereby demonstrating that there is market support for the new transportation service that Dawn Gateway is proposing.

Dawn Gateway's commitment to provide the proposed services is conditional on timely approval of all applications necessary to complete the entire pipeline path, including approval of NEB Group 2 status and approval of the negotiated tolls agreed to with its shippers. Dawn Gateway has assumed all capital and operating costs risk in Canada; all uncontracted capacity risk; and all renewal risk in return for which shippers have been provided toll certainty over the term of their agreements. The addition of new shippers or the loss of existing shippers has no effect on the existing negotiated tolls. Finally, all existing shippers have agreed to support the present application.

## 5 GAS SUPPLY, TRANSPORTATION & MARKETS

### 5.1 Market Demand & Competitive Options

Attached as Appendix D is the Market Assessment prepared by ICF International. This evidence, combined with the contractual support of the shippers, demonstrates the need for the project and its likely utilization at reasonable load factors over its economic life.

Recently three other competing projects were proposed to deliver incremental supply to the Dawn Hub. These projects also reflect the desire to connect new and diverse source of supply to the Dawn Hub. A summary of these proposed transport projects are as follows:

1. Vector Expansion: a pipeline expansion project by Vector Pipeline to increase long-haul (Joliet to Dawn) of 120 MMcf/d ( $3.4 \times 10^6 \text{ m}^3/\text{d}$ ) and short-haul (Belle River to Dawn) capacity by 700 MMcf/d ( $19.8 \times 10^6 \text{ m}^3/\text{d}$ ) in 2010. A binding open season closed at the end of September 2008.
2. Dawn Eclipse: an incremental transport capacity offering of up to 400 MMcf/d ( $11.3 \times 10^6 \text{ m}^3/\text{d}$ ) from Belle River Mills Compressor Station to Dawn Compressor Station by Great Lakes Gas Transmission (GLGT) using in part, TransCanada transportation contracts held by GLGT. Service was offered to commence in 2009 or 2010 at the customer's option, subject to regulatory approvals. A non-binding open season closed in mid-October 2008.
3. Dawn Express: a new pipeline expansion project proposed by TCPL for new transport capacity of up to 1 Bcf/d ( $28.3 \times 10^6 \text{ m}^3/\text{d}$ ) from Willow Run, Michigan (interconnect between MichCon and ANR) to the Dawn Compressor Station. The expected in-service date is 2012. A non-binding open season closed at the end of September 2008

To date, these projects have not filed an application to proceed.

## **6 CORPORATE STRUCTURE & FINANCING**

### **6.1 Dawn Gateway Pipeline LP Structure**

- a) Dawn Gateway LP is a limited partnership formed pursuant to the laws of Ontario whose limited partners are Spectra Energy Midstream Holdings Partnership (“SEMHP”), an affiliate of Westcoast Energy Inc. (“Spectra”), and DTE Vector Canada Inc, an affiliate of DTE.
- b) Dawn Gateway GP is a corporation incorporated under the Canada Business Corporations Act and is a “company” within the meaning of the NEB Act. As the general partner of Dawn Gateway LP, Dawn Gateway GP holds a 0.01% partnership interest in Dawn Gateway LP. Dawn Gateway GP will hold the NEB approval sought herein on behalf of the Dawn Gateway LP.
- c) The shareholders of Dawn Gateway GP are UEI Holdings (New Brunswick) Inc., a wholly-owned subsidiary of Spectra and DTE Dawn Gateway Canada Inc., a wholly-owned subsidiary of DTE.
- d) Dawn Gateway GP, on behalf of Dawn Gateway LP, will manage the business and affairs of Dawn Gateway LP and will hold legal title to the Canadian facilities.

### **6.2 Dawn Gateway LLC Structure**

- a) Dawn Gateway LLC is a Delaware limited liability company.
- b) The members of Dawn Gateway LLC are Spectra Energy U.S. Dawn Gateway Pipeline, LLC, an affiliate of Spectra, and DTE Pipeline Company, an affiliate of DTE.
- c) Dawn Gateway LLC will own the facilities of the U.S. portion of the Dawn Gateway Pipeline.

### **6.3     Finance**

The partners of Dawn Gateway LP and the members of Dawn Gateway LLC will finance the Dawn Gateway Pipeline through cash contributions.

### **6.4     Corporate Services**

- a) Dawn Gateway LP and Dawn Gateway LLC will contract with Spectra for the provision of financial services by Spectra. Dawn Gateway LP will contract with Spectra for the provision of project development management services for the Canadian facilities. Spectra will provide these services through third party subcontractors and under a service agreement with Union.
- b) DTE will be responsible for marketing the available capacity on the Dawn Gateway Pipeline and for all gas control and nominations functions over the Dawn Gateway Pipeline under a service agreement with Dawn Gateway LP and Dawn Gateway LLC.
- c) Dawn Gateway LP will contract with Union for provision of field services for the Canadian facilities.

## 7 METHOD OF REGULATION

In accordance with the Board's *Memorandum of Guidance on the Regulation of Group 2 Companies, December 1985*, pipelines are categorized as Group 1 or Group 2. Larger pipelines, which typically have many shippers and require ongoing financial regulatory monitoring are designated as Group 1, while Group 2 pipelines are regulated on a complaints basis and generally subject to a lower level of regulatory monitoring. Although, the Memorandum of Guidance does not identify specific criteria for determining Group 1 or Group 2 status, certain factors have been found relevant when making this determination. The factors which have been considered include;

1. the size of the facilities;
2. whether the pipeline transports commodities for third parties; and
3. whether the pipeline is regulated under traditional cost of service methodology.

Dawn Gateway LP seeks to be regulated as a Group 2 company and regulated on a complaint basis for the purpose of toll and tariff regulation.

The Canadian section of the Dawn Gateway Pipeline is less than 30 km NPS 24 in total length. This size is comparable to or smaller than other Group 2 regulated gas pipelines such as the Canadian portion of the Vector Pipeline ("Vector"). The Canadian portion of Vector is a NPS 42 pipeline with roughly the same length and greater throughput compared to the Canadian portion of the Dawn Gateway Pipeline. It is also significantly smaller than the Keystone facilities of 1,200 km NPS 30 and 34, which recently qualified for Group 2 method of regulation in OH-1-2007.

Dawn Gateway LP's services are underpinned by negotiated contracts entered into by sophisticated third party shippers. The fixed component of the negotiated toll is not based on a traditional cost-of-service recovery method. Dawn Gateway LP has undertaken risks not undertaken in a traditional cost-of-service model of regulation. These risks are more fully discussed under Tab 15, Tolls and Tariffs.

## 8 ENGINEERING

### A. Design and Capacity of Facilities

#### 8.1 System Capacity of Dawn Gateway Pipeline

The amount of gas that can arrive at Dawn from the Dawn Gateway Pipeline is estimated to be 360,000 Dthd (379,876 GJ/d, 10,198  $10^3 \text{ m}^3/\text{d}$ ) on a peak winter day as simulated using gas hydraulics modeling.

The simulation used the Fundamental Equation FM with flow dependent friction factor with an efficiency of 1.0 and roughness 0.0254 mm (0.001 inches).

The capacity has been estimated using the following assumptions:

- a. Pipeline gas has an average flowing gas temperature of 15.5° Celsius throughout the entire pipeline
- b. Pipeline gas has a Specific Gravity of 0.585.
- c. There are no significant changes in pipeline elevation due to the flatness of the terrain in this area.
- d. On a peak winter day the minimum delivery pressure of the gas entering the pipeline at Belle River Mills is 5688 kPag (825 psig)
- e. On a year round basis the minimum delivery pressure of gas arriving at Dawn will be no less than 4998 kPag (715 psig).

The Dawn Gateway Pipeline's capacity can be expanded in the future through the addition of compression and modifications to stations.