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Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Filed Electronically
Original by Courier

Attention: Ms. Kirsten Walli
Board Secretary

Dear Ms. Walli:

Subject: Enbridge Gas Distribution Inc. (EGD) – Greater Toronto Area Project (GTA)
Union Gas Limited (Union) – Parkway West Project
Union – Brantford-Kirkwall/Parkway D Compressor Station Project
OEB File Nos: EB-2012-0451, EB-2012-0433, and EB-2013-0074
TransCanada Energy Ltd. (TCE)
Interrogatories to Union Gas Limited

In accordance with the requirements in Procedural Order No. 2 dated May 8, 2013, please find attached TCE's Interrogatories to Union Gas Limited (Union).

Yours truly,
TransCanada Energy Ltd.

Original Signed by

Janine Watson
Associate General Counsel
Energy Law

Enclosure

ONTARIO ENERGY BOARD
EB-2012-0451, EB-2012-0433, and EB-2013-0074

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. C. 15, Schedule B;

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for: an order or orders granting leave to construct a natural gas pipeline and ancillary facilities in the Town of Milton, City of Markham, Town of Richmond Hill, City of Brampton, City of Toronto, City of Vaughan and the Region of Halton, the Region of Peel and the Region of York; and an order or orders approving the methodology to establish a rate for transportation services for TransCanada Pipelines Limited;

AND IN THE MATTER OF an application by Union Gas Limited for: an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Parkway West site; an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Town of Milton; an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Brantford-Kirkwall/Parkway D Compressor Station project; an Order or Orders for pre-approval of the cost consequences of two long term short haul transportation contracts; and an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the City of Cambridge and City of Hamilton.

To: Ms. Kirsten Walli
Board Secretary
Ontario Energy Board

TRANSCANADA ENERGY LTD.
INTERROGATORIES TO UNION GAS LIMITED

A. 2. – TCE 1

Reference:

- a) EB-2013-0074, Application Schedule 9 – 3A, page 1 and 2; and
- b) EB-2013-0074, Application Schedule 11-5, column (a)

Request:

- a) Please confirm if the amount of \$28,200,000 indicated at the line labeled “Gas Supply Cost Savings” of the document at reference a) is the amount calculated at reference b), if not please confirm the source of the amount of \$28,200,000.
- b) Please explain why the amount of \$28,200,000 indicated at the line labeled “Gas Supply Cost Savings” of reference a) decreases to \$1,775,000 for the years 11 to 30 of the analysis.
- c) Please provide the calculation and assumptions in support of the amount of \$1,775,000 indicated for the years 11 to 30 of the analysis.

A. 2. – TCE 2

Reference:

- a) EB-2013-0074, Application Schedule 9 – 3A, page 1

Request:

- a) Please explain and provide the detail calculation of the amount of \$59,593,000 presented at the line “Cash inflow” for the second year of the analysis. In the explanation provided, please specify if the revenues are assumed to be monthly payments or end of year payments.
- b) Please confirm that the discount rate used for the NPV calculation is 5.1%. If not please provide the discount rate(s) used throughout the analysis.

A. 2. – TCE 3

Reference:

- a) EB-2013-0074, Application Schedule 9 – 3A, page 1;
- b) EB-2013-0074, Application Schedule 9 – 3B, page 1; and
- c) EB-2013-0074, Application Schedule 9 – 4, page 1

Preamble:

Schedule 9 – 4 shows the amount of \$9,204,000 indicated at the line “Revenue” of reference a), and Schedule 9-3B shows an amount of \$10,979,000 at the line “Revenue”.

Request:

- a) Please provide detail calculations of the amount of \$10,979,000 indicated at the line “Revenue” of reference b).
- b) Please explain why the amounts indicated at the line “Revenue” of reference a) and b) are not the same and the assumptions and reasoning for their difference.

A. 3. – TCE 4

Reference:

- a) EB-2013-0074, Application Schedule 10 – 6, page 1

Preamble:

Column (e) and (g) show the percentage of rate variation for different services.
We note that the rate impact is different between those services.

Request:

- a) Please explain in detail why the rate increases differ between those services for those two columns.

A. 3. – TCE 5

Reference:

- a) EB-2013-0074, Section 9, Page 4, Union discusses its *Stage 1 – Project Specific Discounted Cash Flow (DCF) Analysis*;
- b) EB-2013-0074, Application Schedule 6-1; and
- c) EB-2012-0433, Schedule 6-1.

Preamble:

- i) At lines 2 to 4 Union states: “The results of the Stage 1 DCF analysis on Schedule 9-3A indicate a cumulative NPV of \$94.0 million and a PI of 1.46.” and at lines 5 to 8 “Incremental cash inflows have been estimated based on that portion of revenues from incremental M12 transportation service demands that can be served by the additional facilities and anticipated gas supply cost savings realized from Contracts with TCPL proposed to serve existing Union EDA and Union NDA in-franchise markets from Dawn.”
- ii) At lines 11 to 17 Union states that: “Schedule 9-3B is a DCF sensitivity analysis to assess the impact of removing the gas supply cost savings. The result is a cumulative NPV of \$(59.0) million and the PI is 0.71. Schedule 9-3A is the appropriate data for the purpose of the economic test. The sensitivity analysis demonstrates that customers

receive a significant economic benefit by utilizing proposed facilities as an alternative route to serve existing demands in the Union EDA and Union NDA market area. Schedule 9-3B has been provided for illustrative purposes because the gas supply savings are attributable to the Union North in-franchise markets only.”

- iii) Union shows contracted M12 volumes by shipper in the Schedules noted in Reference b).

Request:

- a) Please confirm that the cumulative NPV that results from comparing the revenues from incremental M12 transportation service demands with the incremental costs of the requested facilities results in a PI of 0.71. If not confirmed please explain.
- b) Please confirm that the revenue shortfall from the above calculation is \$(59.0) million. If not confirmed please explain.
- c) Union has calculated that the net benefit of the requested facilities to Union North customers is \$18 million to \$28 million per year (ref. Section 5, pg 7) and the net benefit to EGD customers is \$511 million over the 2015 to 2025 timeframe (Ref. EB-2012-0451, Exhibit A, Tab 3, Schedule 5, page 19) and the net benefit to GMi customers is between \$88 million and \$120 per year (Reference: Section 5, Pg. 4). Union states that if the requested facilities are built the rate for Dawn-Parkway M12 service is estimated to increase by 0.3 cents/GJ as a result of EB-2013-0074 and by 1.0 cents/GJ as a result of EB-2012-0433) (Reference: Section 10, pg. 09). Please provide the annual incremental costs to each M12 shipper other than those mentioned above. Contracted M12 volumes by shipper are shown by Union in the Schedules 6-1 as noted in Reference b).

A. 5. – TCE 6

Reference:

- a) EB-2013-0074 Application Section 7 Page 14, lines 9 to 19

Preamble:

At lines 13 to 14, Union mentions that “The greatest risk of turn back begins in 2016 and represents the capacity held by certain U.S. Northeast utilities.”

Request:

- a) Please provide the total turnback capacity profile by year of those U.S. Northeast utilities clients.
- b) Assuming that the timeline of the capacity need and of the turnback were not a constraint, please provide the capacity that would be needed for the Brantford to Kirkwall and Parkway D project if all the U.S. Northeast utilities were to turnback their capacity and no longer use the Dawn to Parkway path.

- c) Please comment on the ability of Union to increase compression at Parkway compared to the ability to expand the pipeline capacity between Brantford and Kirkwall.
- d) Assuming that Union constructs the facilities requested in EB-2012-0433 and EB-2013-0074, and all U.S. Northeast utilities were to turn-back their contracted capacity at the earliest date that they are eligible to do so, and Union is unable to re-sell this vacated capacity, please provide the rate impact to M12 rates. Please provide the rate impact for each year that the U.S. Northeast utilities are eligible to turn-back capacity.