

EB-2012-0451  
EB-2012-0333  
EB-2013-0074

## **ONTARIO ENERGY BOARD**

**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.

## **MOTION RECORD OF UNION GAS LIMITED AND GAZ MÉTRO**

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**TAB 1**

EB-2012-0451  
EB-2012-0333  
EB-2013-0074

## **ONTARIO ENERGY BOARD**

**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.

## **NOTICE OF MOTION**

Union Gas Limited ("Union") and Gaz Métro will make a motion to the Ontario Energy Board (the "Board") on a date to be fixed by the Board at 9:30 a.m. or as soon after that time as the motion can be heard at the offices of the Board, 2300 Yonge Street, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

## **THE MOTION IS FOR**

1. A declaration that the Board's Storage and Transportation Access Rule ("STAR") applies to Segment A of Enbridge Gas Distribution Inc.'s ("Enbridge") GTA Project, as defined in Enbridge's application for leave to construct in EB-2012-0451.
2. An order declaring the Memorandum of Understanding between Enbridge and TransCanada dated January 28, 2013, as amended, fails to comply with STAR and is unenforceable and of no effect.
3. An order requiring that Enbridge hold an open season in respect of the new capacity on Segment A of the GTA Project, in accordance with STAR, as soon as commercially possible, and in any event no later than June 30, 2013.
4. An order staying the GTA Project until such time as Enbridge has initiated an open season pursuant to STAR in respect of the new capacity on Segment A of the GTA Project.
5. An order that this motion be heard and disposed of on an expedited basis.
6. Such further relief as the Board may deem just.

## **THE GROUNDS FOR THE MOTION ARE**

### **Overview**

1. In order to ensure diversity and security of supply in their gas supply portfolios and to deliver gas costs savings estimated at between \$103 and \$138 million annually to their customers, Union and Gaz Métro require access to expanded pipeline capacity between Union's Parkway Station and TransCanada's Maple Compressor Station. Although Union and Gaz Métro secured access to that path from TransCanada in an open season in 2012, Enbridge and TransCanada are currently constraining their access to the path in three ways.
2. First, Enbridge and TransCanada have agreed to restrict for themselves access to the pipeline Enbridge is building between the proposed Bram West Interconnect and Enbridge's Albion Road Station ("Segment A"). Second, Enbridge and TransCanada have agreed to reduce the diameter of the Segment A pipeline from NPS 42 to NPS 36 although a diameter of NPS 36

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is insufficient to accommodate Union and Gaz Métro's incremental short-haul volumes. Third, TransCanada has cancelled construction of an expansion pipeline linking the Albion Road Station to the Maple Compressor Station, and has announced that any construction will be for existing volumes only, and not for the incremental short-haul volumes.

3. Union and Gaz Métro entered into TransCanada's open season in 2012 in reliance on TransCanada's representations that the expansion pipeline between Parkway and Maple would be in service by November 1, 2014. TransCanada later delayed the in-service date to November 1, 2015. TransCanada has now suspended construction of the expansion indefinitely and it is highly unlikely that it will ever proceed. Each day of delay costs customers between approximately \$275,000 and \$375,000 in gas cost savings.

4. In April 2013, TransCanada further announced that, as a result of its planned crude oil pipeline conversion, natural gas pipeline capacity to eastern markets would be short of current firm transportation demands. TransCanada will remove sections of its Mainline from natural gas service starting with the Northern Ontario Line in 2015 and followed by the Eastern Triangle in 2016 (between North Bay and eastern Ontario).

5. Union, either alone or in a joint venture with Gaz Métro, is committed to building the Albion-Maple pipeline that TransCanada no longer intends to build. However, in order to ensure increased diversity and security of supply and to achieve gas cost savings for their customers, Union and Gaz Métro need access to Segment A, which Enbridge has denied to them in breach of STAR and its undertakings to the Board.

6. For all of the above reasons, expansion of the pathway from Parkway to Maple and open access to Segment A is necessary and in the public interest.

**Diversity, Security of Supply and Gas Cost Savings are Dependent on Access to Parkway-Maple Path**

7. Union and Gaz Métro require expansion of the pipeline capacity between Parkway and Maple to carry incremental short-haul volumes of 110,000 GJ/day and 258,000 GJ/day, respectively, which are already contracted to be transported between the Dawn Hub and Parkway.

8. This expansion will allow Union and Gaz Métro's customers in Northern and Eastern Ontario and in Quebec to realize approximately \$103 to \$138 million annually in gas cost savings resulting from increased access to the liquid Dawn Hub. The gas cost savings will be achieved by shifting the source of gas delivered to those customers from long-haul supply sourced from the Western Canadian Supply Basin ("WCSB") and transported on TransCanada's Mainline to short-haul supply sourced from the Dawn Hub, which is located closer to Eastern markets.

9. Shifting from long-haul supply sourced from the WCSB to short-haul supply sourced from the Dawn Hub provides further gas supply benefits in the form of diversity and security of supply. The amount of gas supply available from the WCSB to move east from Empress is currently in decline and is expected to continue to decline into the future. This reduction in supply is a risk for Union and Gaz Métro's customers in Northern and Eastern Ontario and in Quebec, respectively. Union and Gaz Métro are responding to this supply risk by proactively contracting transportation to access new supply options in their supply portfolios with natural gas sourced from other production basins.

10. Quebec's Régie de l'énergie has already approved Gaz Métro's shift from WCSB-sourced gas to Dawn Hub-sourced gas. The Régie based its decision, in part, on the fact that security of supply is a real and immediate concern facing Gaz Métro.

11. In order to support an efficient marketplace for energy, it is critical that natural gas be able to flow unimpeded to meet market demands. Restricting flow into, within and out of Ontario undermines the development of an efficient marketplace to the detriment of all energy consumers. The expansion of the Parkway to Maple corridor is necessary to provide Ontario and Quebec industry, power generators, businesses and residents with increased access to the diverse and affordable natural gas supply of the Dawn Hub. The depth and liquidity of the Dawn Hub depends on the ability to move natural gas supplies to and from that trading point.

#### **Parkway-Maple Expansion Intended to Accommodate Incremental Volumes**

12. In 2012 Union studied the possibility of building a pipeline that would link Parkway and Maple. It held an open season in April/May 2012 in respect of new capacity on that pipeline.

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13. Soon after Union initiated the open season, TransCanada proposed to build for incremental short-haul volumes from Parkway to Maple, and held a parallel open season in May 2012. Union and Gaz Métro agreed with TransCanada's proposal to build the pipeline expansion, and bid into TransCanada's open season for their incremental short-haul volumes of 110,000 GJ/day and 258,000 GJ/day, respectively. They did so in reliance on TransCanada's agreement to have the line in service by November 1, 2014.

14. The first component of the TransCanada Parkway to Maple expansion was to be Segment A, a planned pipeline from the Bram West Interconnect (in the vicinity of Union's planned Parkway West Station) to the Albion Road Station. Segment A will be owned and operated by Enbridge.

15. The proposed expansion along the Parkway to Maple corridor, as agreed during the May 2012 TransCanada open season, would have accommodated Union and Gaz Métro's incremental short-haul volumes and allowed them to ensure diversity and security of supply and deliver substantial gas cost savings to their customers.

#### **Incremental Volumes Denied Access to Parkway-Maple Expansion**

16. Union and Gaz Métro's ability to deliver gas cost savings to their customers has now been thwarted as a result of the actions of Enbridge and TransCanada. First, unknown to Union and Gaz Métro, Enbridge and TransCanada have agreed to restrict to themselves access to Segment A, which will link Bram West to Albion. Second, Enbridge and TransCanada have agreed to restrict the size of the Segment A pipeline such that it will not accommodate Union and Gaz Métro's incremental short-haul volumes. Third, TransCanada has suspended indefinitely any build for Union and Gaz Métro's incremental short-haul volumes on the second portion of the path, linking Albion to Maple.

#### ***Enbridge and TransCanada Have Restricted Access to Segment A***

17. On January 28, 2013, Enbridge and TransCanada entered into a Memorandum of Understanding in respect of Segment A. The MOU was amended on April 26, 2013 and again on May 21, 2013.



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18. Pursuant to the MOU, all capacity on Segment A beyond the capacity needed to serve Enbridge's distribution franchise shall be for the sole and exclusive use of TransCanada. Schedule D to the MOU sets out the terms of the Transportation by Others ("TBO") agreement between the parties. It provides that:

Enbridge's allocated capacity on the Enbridge Pipeline would be equal to 800,000GJ/d, and TransCanada shall be entitled to the balance of the capacity on the Enbridge Pipeline, including any increase in such capacity.

19. Pursuant to section 2.7 of the MOU, TransCanada retains exclusive right over Segment A's excess capacity for a period of ten years following any termination of the MOU.

20. In exchange for granting TransCanada exclusivity over transportation capacity on Segment A, Enbridge secured, among other things, TransCanada's agreement to cooperate with and not to oppose or seek to delay Enbridge and Union's efforts to obtain leave from the Board to construct the GTA Project and the Parkway West project.

21. Although it knows that Union and Gaz Métro need access to Segment A to deliver substantial gas cost savings to their customers and require diversity and security of supply, Enbridge has confirmed that it does not intend to hold an open season in respect of excess capacity on Segment A. In fact, it is prohibited from doing so under the terms of its MOU with TransCanada.

22. Enbridge made public the MOU for the first time on June 7, 2013, in response to an interrogatory from Canadian Manufacturers & Exporters in this proceeding. Until they reviewed the MOU, Union and Gaz Métro were not aware that they would be denied access to Segment A. Since Segment A is a transmission pipeline, they expected and relied on the fact that open access would be provided to them by way of a binding open season, as required by STAR.

***Enbridge and TransCanada Have Agreed to Limit the Size of the Segment A Pipeline***

23. In addition to entering into an MOU restricting access to Segment A to themselves, Enbridge and TransCanada agreed to limit the size of the Segment A pipeline. In February 2012, Enbridge amended its application for leave to construct to increase the size of the Segment A to

NPS 42 from NPS 36. As set out in Recital E to the Amendment to their MOU, dated April 26, 2013, Enbridge and TransCanada then agreed to reduce the size of Segment A to NPS 36.

24. Enbridge has admitted that there is nothing preventing it from constructing an NPS 42 pipeline on Segment A. Despite this, TransCanada and Enbridge agreed to reduce the size to NPS 36 without consulting Union or Gaz Métro, the other potential users of the Parkway to Maple corridor, as to the appropriate size of the pipeline to meet future incremental demands.

25. While an NPS 36 pipeline will provide sufficient capacity to meet existing demands on TransCanada's system, it is insufficient to accommodate Union and Gas Métro incremental short-haul demands of 110,000 GJ/day and 258,000 GJ/day, respectively and ignores the potential use of that path by other shippers which STAR's requirement for an open season would otherwise reveal.

***TransCanada Has Suspended Indefinitely any Build for Incremental Capacities on the Albion-Maple Pipeline***

26. In addition to the above, TransCanada has now suspended indefinitely any build for Union and Gaz Métro's incremental short-haul volumes on the Albion to Maple path, contrary to the commitments it made during the 2012 open season.

27. In April 2013, TransCanada announced its unilateral decision to suspend construction of the Albion-Maple expansion. It had earlier decided to delay the project's in-service date by more than a year, to November 1, 2015. It is now highly unlikely that a build by TransCanada will ever take place.

28. To the extent that TransCanada does build from Albion to Maple, it is planning to do so only in respect of existing volumes. It does not intend to build to accommodate the incremental short-haul volumes required by Union and Gaz Métro.

29. In addition, as described above, TransCanada's planned crude oil pipeline conversion will negatively impact natural gas pipeline capacity to eastern markets beginning as early as 2015. This new capacity constraint will be on top of the existing constraint between Parkway and Maple.

### **Union Is Committed to Building from Albion to Maple**

30. In order to deliver gas costs savings and to provide diversity and security of supply, Union is committed to building the Albion-Maple pipeline, as it had proposed to do before TransCanada launched a parallel open season in May 2012. Union proposes to build the Albion-Maple pipeline either on its own or in a joint venture with Gaz Métro.

31. Shortly after receiving notice that TransCanada no longer intended to build the Albion-Maple expansion, Union and Gaz Métro jointly initiated an environmental assessment for the project, which is expected to be completed within six months. If required, this environmental assessment will support an application to the Board for leave to construct the line.

32. If approvals are granted according to the expected schedule, the Albion-Maple pipeline is expected to be in service by November 1, 2015, and in any event by no later than November 1, 2016.

### **Segment A Is Not STAR Compliant**

33. As Enbridge has admitted, Segment A is a transmission pipeline that will provide gas transportation services other than gas distribution services. Segment A is therefore subject to the requirements of STAR, including that new capacity be offered through an open season.

34. At section 2.1.2 STAR provides that:

Firm transportation service that becomes available as a result of a facility expansion (i.e., new capacity) shall be offered through an open season. Existing capacity that is available or will become available for long-term firm transportation service shall be offered through an open season.

35. In its 2010 application for STAR compliance, Enbridge undertook to conduct open seasons in accordance with the Board's prescribed rules. In violation of its undertaking to the Board, Enbridge is breaching STAR by refusing to hold an open season in respect of the new capacity on Segment A and by contractually obliging itself to TransCanada not to offer open access to Segment A. Enbridge and TransCanada are engaging in the very behaviour STAR was designed to prevent.

36. The MOU is not STAR compliant. It is therefore unenforceable and of no effect.

#### **Union and Gaz Métro Require Access to Segment A**

37. In order to complete the link between Parkway and Maple, provide increased diversity and security of supply and deliver gas costs savings to Ontario and Quebec customers, Union and Gaz Métro require access to Segment A. There is no legitimate impediment to Enbridge providing access to Segment A to Union and Gaz Métro.

38. If Union were to build a pipeline from Parkway to Maple, the portion from Bram West to Albion would run parallel to Segment A, on the same right of way along the 407 highway corridor. In Union's respectful view, it would make little sense, and would be an inefficient use of infrastructure, for the Province of Ontario to have two large-diameter, high-pressure pipelines built within the same corridor in close proximity to one another.

39. Indeed, the most efficient use of infrastructure would be to have one pipeline linking Bram West to Albion that meets the needs of all customers. That objective would best be achieved by permitting Union, Gaz Métro and any other shipper open access to Segment A, in accordance with STAR.

#### **Urgency of the Motion**

40. In order to preserve the possibility of an in-service date of November 1, 2015, Union and Gaz Métro respectfully request that the Board establish a process for this motion to be heard and disposed of on an urgent basis.

#### **Rule References**

41. Rules 1.1.1, 1.2.1, 1.5.1 and 2.1.2 of the Board's *Storage and Transportation Access Rules*.

42. Rules 2.02 and 8 of the Board's *Rules of Practice and Procedure*.

43. Such further and other grounds as the lawyers may advise.

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**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

1. The pre-filed evidence in EB-2012-0451 and EB-2013-0074.
2. The answers to interrogatories in EB-2012-0451 and EB-2013-0074.
3. The transcripts from the Technical Conference held June 12 and 13, 2013 in EB-2012-0451/EB-2012-0333/EB-2013-0074.
4. The answers to undertakings given at the Technical Conference.
5. Such further evidence as the lawyers may advise and the Board may permit.

June 21, 2013

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TAB 2



**ONTARIO ENERGY BOARD**

## **STORAGE AND TRANSPORTATION ACCESS RULE**

**December 9, 2009**



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## Storage and Transportation Access Rule

### 1. GENERAL AND ADMINISTRATIVE PROVISIONS

#### 1.1 Purpose of this Rule

- 1.1.1 This Rule outlines conduct and reporting requirements for natural gas transmitters, integrated utilities and storage companies. The purpose of this Rule is to:
- i) Establish operating requirements to ensure open and non-discriminatory access to transportation services for shippers and storage companies;
  - ii) Establish reporting requirements for natural gas transmitters, integrated utilities and storage companies; and,
  - iii) Ensure customer protection within the competitive storage market.

#### 1.2 Definitions

- 1.2.1 In this Rule, unless the context otherwise requires:

“Act” means the *Ontario Energy Board Act, 1998*, S.O. 1988, c. 15, Schedule B;

“Board” means the Ontario Energy Board;

“business day” means any day that is not a Saturday, a Sunday, or a legal holiday in the Province of Ontario;

“capacity segment” means any receipt point and delivery point pairing for which a gas transmitter provides transportation services;

“competitive storage services” means all the storage services that the Board has found to be competitive;

“consumer” means a person who uses gas for the person’s own consumption;

“customer” means a shipper, the holder of the transportation and/or storage contract;

“delivery point” means the point where a transmitter delivers gas to a shipper under a transportation service;

## Storage and Transportation Access Rule

“embedded storage company” means a storage company that chooses to connect its facilities to a transmitter’s transportation system;  
 “existing capacity” means transportation capacity that is not new capacity;

“existing contracts” means contracts that have been executed prior to June 16, 2010;

“expected operating conditions” means all constraints (including all planned and actual service outages or reductions in service capacity) and the transportation capacity that the transmitter requires to serve in-franchise customers and/or other system operational requirements;

“firm transportation service” or “firm storage service” means service not subject to curtailment or interruption;

“in-franchise customer” means the distribution customer of the integrated utility;

“integrated utility” means a gas transmitter and/or gas distributor that also provides competitive storage services;

“interruptible transportation service” means service subject to curtailment or interruption;

“long-term” means, in the case of transportation, a service that has a term of one year or greater;

“natural gas distributor” or “gas distributor” or “distributor” means a person who delivers gas to a consumer;

“natural gas transportation services” or “gas transportation services” or “transportation services” means the services related to the transportation of gas;

“natural gas transportation system” or “gas transportation system” or “transportation system” means the transmission or distribution system used to provide gas transportation services;

“natural gas transmitter” or “gas transmitter” or “transmitter” means a person who provides transportation services pursuant to the Act, other than gas distribution services as defined in the Gas Distribution Access Rule;

“new capacity” means transportation capacity that is associated with the expansion of the transportation system;

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“open season” means an open access auction or bidding process that meets the minimum standards set out in section 2.2 of this Rule;

“post” means to post information on a company’s Internet website in a readily-accessible file format (e.g., PDF);

“receipt point” means the point where a transmitter receives gas from a shipper under a transportation service;

“related agreements” means all the contracts and/or agreements that an embedded storage company enters into with a transmitter for transportation services;

“Rule” means this rule entitled the “Storage and Transportation Access Rule”;

“shipper” means the holder of the transportation and/or storage contract;

“storage company” means a person engaged in the business of storing gas pursuant to the Act;

“storage service” means any service where a storage company or an integrated utility receives gas from a shipper for redelivery at a later time, and includes parking services and balancing services; and

“tariff” means for each transportation service, a transmitter’s standard terms of service, a transmitter’s allocation methods and a transmitter’s rate schedule and/or rate handbook.

## 1.3 Interpretation

- 1.3.1 Unless otherwise defined in this Rule, words and phrases shall have the meanings ascribed to them in the Act. Headings are for convenience only and shall not affect the interpretation of this Rule. Words importing the singular include the plural and vice versa. Words importing a gender include any gender. A reference to a document (including a statutory instrument) or a provision of a document includes any amendment or supplement to, or any replacement of, that document or that provision of that document. The expression “including” means including without limitation.

## Storage and Transportation Access Rule

- 1.3.2 If the time for doing any act or omitting to do any act under this Rule expires on a day that is not a business day, the act may be done or may be omitted to be done on the next day that is a business day.

## 1.4 Determinations by the Board

- 1.4.1 Any matter under this Rule requiring a determination by the Board:

- i) shall be determined by the Board in accordance with all applicable provisions of the Act and the regulations; and
- ii) may, subject to the Act, be determined without a hearing, or through an oral, written or electronic hearing, at the Board's discretion.

## 1.5 To Whom this Rule Applies

- 1.5.1 This Rule applies to all natural gas transmitters, integrated utilities and storage companies that are legally permitted to do business in Ontario.

## 1.6 Coming into Force

- 1.6.1 This Rule shall come into force on June 16, 2010.
- 1.6.2 For a transportation contract with a shipper, which was in place before June 16, 2010, section 2.3.4 of the Rule will not apply until the end of the initial term of the transportation contract.
- 1.6.3 Any amendment to this Rule shall come into force on the date that the Board publishes the amendment by placing it on the Board's website after it has been made by the Board, except where expressly provided otherwise.

## 1.7 Exemptions and Exceptions

- 1.7.1 The Board may grant an exemption to any provision of this Rule. An exemption may be made in whole or in part and may be subject to conditions or restrictions. In determining whether to grant an exemption, the Board may proceed without a hearing or by way of an oral, written or electronic hearing.
- 1.7.2 Section 3.1.4 does not apply to an existing contract until such time as the existing contract is renewed, extended or amended.

## **2. NON-DISCRIMINATORY ACCESS TO TRANSPORTATION SERVICES**

### **2.1 Allocation of Transportation Capacity**

- 2.1.1 A transmitter's methods for allocating transportation capacity shall be defined in its tariff. The tariff, including the allocation methodology, shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.
- 2.1.2 Firm transportation service that becomes available as a result of a facility expansion (i.e., new capacity) shall be offered through an open season. Existing capacity that is available or will become available for long-term firm transportation service shall be offered through an open season.
- 2.1.3 Firm transportation service that has been offered in an open season, but not awarded in that open season, may be allocated by other methods, as defined in the transmitter's tariff as per section 2.1.1.
- 2.1.4 If a transmitter makes any amendments to the tariff referred to in sections 2.1.1 to 2.1.3, the amended tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.
- 2.1.5 Notwithstanding section 2.1, section 2.1.2 does not apply to transportation services for an embedded storage company as outlined in section 2.4.

### **2.2 Standards for Transportation Open Seasons**

- 2.2.1 A transmitter shall ensure that the following requirements are met when conducting open seasons for firm transportation services:
  - i) Notification and Timing:
    - (a) A transmitter shall place a notice of open season for new capacity (the "Open Season Notice") on its website, provide the Open Season Notice to existing shippers and issue a press release advising that it is conducting an open season;
    - (b) A transmitter shall place a notice of open season for existing capacity (the "Open Season Notice") on its website advising that it is conducting an open season;
    - (c) A transmitter shall allow a minimum period of 10 business days between the time the transmitter provides an Open Season

## Storage and Transportation Access Rule

Notice for existing capacity and the close of the open season period; and

- (d) A transmitter shall allow a minimum period of 30 business days between the time a transmitter provides an Open Season Notice for new capacity and the close of the open season period.

ii) Content of the Open Season Notice. The Open Season Notice shall identify:

- (a) The amount of firm transportation service that will be available for each applicable transportation segment. For a new capacity open season, the transmitter may specify a range;
- (b) The minimum term, if any for new capacity. If a minimum or maximum term is imposed for an existing capacity open season, a transmitter shall provide an explanation for that minimum or maximum term;
- (c) The closing date and time of open season bidding;
- (d) The expected in-service date of the expansion;
- (e) The applicable receipt and delivery points;
- (f) The date by which a transmitter will respond to bids received in the open season;
- (g) A reference to the standard transportation contract (and any other applicable agreements);
- (h) The time period by which successful open season participants are expected to execute the standard transportation contract (and any other applicable agreements);
- (i) The manner in which an open season participant may make a bid;
- (j) Other conditions precedent such as credit support agreements or other prerequisites that a bidder needs to qualify or to execute a contract;
- (k) The methodology used to evaluate the bids;
- (l) The minimum bid (or reserve price) if a transmitter uses a reserve price to evaluate the bids; and

## Storage and Transportation Access Rule

(m) The information that a bidder is required to include in its bid in order for the bid to be valid.

- iii) A transmitter offering new capacity shall offer a reverse open season to allow its existing firm transportation service shippers the opportunity to permanently turn back existing firm transportation capacity to avoid unnecessary expansions;
- iv) Each successful bid shall be posted on the transmitter's website within 14 business days of the transportation capacity being awarded and shall remain on the transmitter's website for a minimum of 90 days from the date of posting. The successful bid will include the following information: term, volumes, and receipt and delivery points; and
- v) A transmitter shall keep copies of all bids received in response to each transportation open season for a period of no less than five (5) years and maintain these records and provide such information as the Board may require from time to time. The bids shall include the following information: shipper name, term, volumes, price, and receipt and delivery points.

### **2.3 Shipper – Standard Terms of Service and Standard Forms of Contracts for Transportation Services**

- 2.3.1 The requirements in section 2.3 apply to a transmitter that provides transportation services for a shipper and does not include transportation services provided in section 2.4.
- 2.3.2 A transmitter shall ensure that each transportation service has its own standard form of contract and its own terms of service, and that the terms of service, at a minimum, include the standards outlined in section 2.3.4.
- 2.3.3 A transmitter shall include in its tariff the terms of service for each of its transportation services. The tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.
- 2.3.4 A transmitter's tariff shall include the following standard terms of service:
  - i) Nomination and scheduling procedures (and, at a minimum, provision for the North American Energy Standards Board's nomination windows);
  - ii) Service priority rules;



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- iii) Balancing requirements and imbalance charges and penalties, if applicable;
- iv) Point(s) of receipt and point(s) of delivery;
- v) Details of billing and payment;
- vi) Decontracting and renewal rights;
- vii) Force majeure;
- viii) Alternative Dispute Resolution provisions;
- ix) Identification of any existing preconditions;
- x) Financial assurance requirements or preconditions; and
- xi) Quality and measurement.

2.3.5 A transmitter shall post on its website the standard form of contract for each of its transportation services. The transmitter shall provide at least six (6) months advance written notice to all shippers of any changes to the standard form of contract.

2.3.6 A contract shall be identified as a "Negotiated Contract" when the contract varies from the standard form of contract as referred to in section 2.3.5 as a result of negotiations between the shipper and the transmitter. A clean copy and a redlined version of the "Negotiated Contract" shall be posted on the transmitter's website within 10 business days from the date the contract is executed or amended. The "Negotiated Contract" shall be posted on the transmitter's website for as long as the contract remains in force.

2.3.7 If a transmitter makes any amendments to the tariff referred to in sections 2.3.3 to 2.3.4, the amended tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.

## **2.4 Storage Company – Standard Terms of Service and Standard Forms of Contracts for Transportation Services**

2.4.1 The requirements in section 2.4 only apply to a transmitter that provides transportation services for an embedded storage company and does not include transportation services provided in section 2.3.

2.4.2 A transmitter shall ensure that each transportation service has its own standard form of contract and its own standard terms of service.

## Storage and Transportation Access Rule

- 2.4.3 A transmitter shall include in its tariff the standard terms of service for each of its transportation services. The tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.
- 2.4.4 A transmitter shall post on its website the standard form of contract for each of its transportation services. The transmitter shall provide at least six (6) months advance written notice to all embedded storage companies of any changes to the standard form of contract.
- 2.4.5 Existing contracts, including the standard forms of contracts, the terms of services and any related agreements, between a transmitter and an embedded storage company shall be posted on the transmitter's website. The contracts shall be posted on the transmitter's website for as long as the contracts remain in force.
- 2.4.6 New and renewed contracts, including the standard forms of contracts, the terms of services and any related agreements, between a transmitter and an embedded storage company shall be posted on the transmitter's website within 10 business days from the date the contract is executed or amended. The contracts shall be posted on the transmitter's website for as long as the contracts remain in force.
- 2.4.7 If a transmitter makes any amendments to the tariff referred to in section 2.4.3, the amended tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.
- 2.4.8 A transmitter shall ensure that the following requirements are met:
  - i) A transmitter shall respond to requests for interconnection facilities and/or transportation services for an embedded storage company in a timely manner; and
  - ii) A transmitter shall not impose any operating requirements, financial requirements and/or provisions for transportation services that discriminate between different storage companies.

## 2.5 Other

- 2.5.1 Transportation services may only be bundled with competitive storage services if the equivalent transportation services are also offered on a stand-alone basis.

### **3. CUSTOMER PROTECTION WITHIN THE COMPETITIVE STORAGE MARKET**

#### **3.1 Posting and Protocol Requirements**

- 3.1.1. A storage company shall post its standard form of contract and its standard terms of service for each of its competitive storage services on its website.
- 3.1.2. A storage company shall retain its executed contracts for competitive storage services for a period of no less than five (5) years after the termination of the contract. These contracts shall be provided to the Board as required from time to time.
- 3.1.3. An integrated utility shall develop and maintain protocols to limit access to non-public transportation information concerning plans for future facility expansions or timing of upcoming transportation open seasons and transportation operating conditions of shippers, storage companies and consumers to personnel that require this information only. The protocols shall be posted on the integrated utility's website. The integrated utility shall update its protocols immediately when revisions are made.
- 3.1.4. A storage company shall post on a semi-annual basis its pricing and revenue information for competitive storage services on its website. This information shall be posted on April 1 and October 1 of each year and shall remain on the company's website until the date of the next posting. The identity of the shipper, the pricing information and the revenue information to be posted shall be based on firm storage contracts with terms of one year or greater. The information to be posted on the storage company's website shall include:
  - i) Identity of each shipper (full legal name of the shipper);
  - ii) The unit charge which is the annual cost per GJ of storage capacity received from each shipper; and
  - iii) The total revenue received during the previous six month period from each shipper.
- 3.1.5. Notwithstanding section 3.1, section 3.1.4 does not apply to existing storage contracts.

#### **4. REPORTING REQUIREMENTS**

##### **4.1 Information Requirements**

4.1.1 A transmitter (including a transmitter that is also an integrated utility) shall post on its websites the following information:

- i) Index of Customers for transportation contracts; and
- ii) Operationally-Available Transportation Capacity;

4.1.2 A storage company or an integrated utility shall post on its website the following information:

- i) Index of Customers for storage contracts;
- ii) Storage Inventory; and
- iii) Design Capacity.

4.1.3 The information posted as per sections 4.1.1 i), 4.1.2 i) and 4.1.2 ii) shall remain on the company's website until the date of the next posting.

4.1.4 The information posted as per section 4.1.1 ii) shall remain on the company's website for a minimum of 90 days from the date of posting.

4.1.5 The information as per section 4.1.2 iii) shall be posted on the company's website once this Rule comes into force.

4.1.6 The company shall maintain records of the information as per section 4.1 for a period of no less than five (5) years and provide these records as the Board may require from time to time.

##### **4.2 Index of Customers**

4.2.1 On the first business day of each calendar month, a transmitter, a storage company and an integrated utility shall update its Index of Customers.

4.2.2 For in-franchise customers' storage capacity requirements as per section 4.2.3 iii), the information posted shall be updated immediately based on the results of the integrated utility's most recent operational plan, but no later than October 1 of each year.

## Storage and Transportation Access Rule

### 4.2.3 The Index of Customers shall include:

- i) For all firm transportation contracts with terms of one month or greater, the information required as per section 4.2.4;
- ii) For all firm storage contracts with terms of one month or greater, the information as per section 4.2.5; and
- iii) For all integrated utilities, the amount of working storage capacity, daily firm withdrawal deliverability and daily firm injection quantity that the integrated utility plans to use for in-franchise customers shall be identified as "In-franchise Customers".

### 4.2.4 For all firm transportation contracts with a term of one month or greater, a transmitter (including a transmitter that is also an integrated utility) shall post the following information on the Index of Customers:

- i) Full legal name of shipper (Customer Name);
- ii) Contract Identifier;
- iii) Receipt/Delivery points (i.e., the capacity segments covered by the contract);
- iv) Contract Quantity (in GJ);
- v) The effective and expiration dates of the contract;
- vi) Negotiated Rate (yes/no); and
- vii) Affiliate (yes/no).

### 4.2.5 For all firm storage contracts with a term of one month or greater, a storage company or an integrated utility shall post the following information on the Index of Customers:

- i) Full legal name of shipper (Customer Name);
- ii) Contract Identifier;
- iii) Receipt/Delivery Point(s);
- iv) Maximum Storage Quantity (in GJ);
- v) Maximum Firm Daily Withdrawal Quantity (in GJ);
- vi) Maximum Firm Daily Injection Quantity (in GJ);
- vii) The effective and expiration dates of the contract; and

## Storage and Transportation Access Rule

- viii) Affiliate (yes/no).

### 4.3 Operationally-Available Transportation Capacity

4.3.1 A transmitter (including a transmitter that is also an integrated utility) shall at each nomination cycle post its operationally-available transportation capacity on its website for each capacity segment for which the transmitter provides transportation services as follows:

- i) the capacity available for transportation services under expected operating conditions;
- ii) the amount of capacity scheduled for firm and interruptible transportation services; and
- iii) the difference between 4.3.1i) and 4.3.1ii).

### 4.4 Storage Inventory

4.4.1 No later than the fifth business day of each calendar month, a storage company or an integrated utility shall post its monthly working storage inventory, as of the last day of the previous month, on its website. The storage inventory shall include the amount of working gas in storage (in PJ) by individual pool or as an aggregate quantity for all pools, provided that the storage company or the integrated utility identifies the method used (i.e., individual or aggregated).

### 4.5 Design Capacity

4.5.1 A storage company or an integrated utility shall post its design capacity on its website. A storage company or an integrated utility may post the design capacity by individual pool or as an aggregate quantity for all pools, provided that the storage company or the integrated utility identifies the method used (i.e., individual or pool). The design capacity shall include:

- i) Total storage capacity (in PJ);
- ii) Base gas quantity (in PJ);
- iii) Working gas capacity (in PJ);
- iv) Design peak withdrawal capacity (in GJ/day); and
- v) Design peak injection capacity (in GJ/day).

## Storage and Transportation Access Rule

- 4.5.2 The information in section 4.5.1 shall be updated immediately whenever any of the information changes.

## 5. COMPLAINT MECHANISM

### 5.1 Dispute Resolution

- 5.1.1 A storage company, a transmitter and an integrated utility shall develop a dispute resolution process and post this process on its website. The storage company, the transmitter and the integrated utility shall update its dispute resolution process immediately when revisions are made.
- 5.1.2 As part of the dispute resolution process as required by section 5.1.1, a storage company, a transmitter and an integrated utility shall designate at least one employee for the purposes of dealing with disputes relating to this Rule. The name and contact information for this employee shall be provided to the Board and posted on the transmitter's, the storage company's and the integrated utility's website. If the designated employee changes, the name and contact information of the new employee shall be immediately provided to the Board and posted on the transmitter's, the storage company's or the integrated utility's website.
- 5.1.3 If a complaint has not been resolved to the satisfaction of the complainant, the transmitter, the storage company or the integrated utility shall provide to the complainant the telephone number of the Ontario Energy Board Market Operation Hotline.

TAB 3



## SCHEDULE "B"

## EXECUTIVE SUMMARY

1. North American natural gas markets are experiencing dramatic changes. Production from mature natural gas basins such as the Western Canadian Sedimentary Basin is in decline while new production basins like Marcellus and Utica have emerged. Marcellus shale gas production alone has increased by nearly 7 PJ/d since the beginning of 2007, with supply expected to more than triple by 2035.
2. The increase in shale and other non-traditional gas supply has put downward pressure on natural gas prices and reduced price volatility. It has also changed the price differentials across North America and impacted market behavior. Market participants are moving away from long haul transportation. They are contracting short haul transportation to move supply purchased at liquid hubs located closer to market areas. This has increased demand for transportation on the Dawn-Parkway System and created an opportunity for Union Gas Limited ("Union") to diversify its natural gas supply portfolio for Union North.
3. This application by Union is brought in response to these fundamental market changes. The application consists of the following five requests:
  - (1) Section 90 Application for leave to construct a NPS48 pipeline from the existing Brantford Valve Site to the Kirkwall Custody Transfer Station ("Proposed Pipeline");
  - (2) Section 91 Application for leave to construct the Parkway D compressor, including measurement, and associated facilities ("Proposed Parkway D Compressor");together the "Project"
- (3) Section 36 Application for pre-approval for recovery of the cost consequences of all facilities associated with the development of the Project from ratepayers, effective January 1, 2015;

## SCHEDULE "B"

- (4) Section 36 Application for approval of an accounting order to establish the Brantford-Kirkwall/Parkway D Deferral Account; and
  - (5) Section 36 Application for pre-approval of the cost consequences of two long term short haul transportation contracts on the TransCanada Pipelines Limited ("TCPL") Mainline;
- 4. The facilities and new short haul transportation contracts described in the application will produce significant benefit for Union's in-franchise customers, particularly in Union North. The gas supply savings to the Union North sales service and bundled direct purchase customers are expected to be between \$180 million and \$280 million over the next ten years.
- 5. The facilities proposed by Union were determined in consultation with Enbridge Gas Distribution ("Enbridge"), TCPL and Gaz Métro Limited Partnership ("Gaz Métro"). The proposed facilities complement Union's Parkway West Project and projects being developed by Enbridge and TCPL. The further benefits of the Project include: diversity and security of supply for Union, Enbridge, and Gaz Métro; and, an affordable source of natural gas for the proposed Enbridge and TCPL expansions. Between Union, Enbridge, and Gaz Métro up to \$2.0 billion in gas supply cost savings is possible between 2015 and 2025 should the Project proceed.
- 6. By building the Project, Union is pro-actively addressing the impacts of future turn back. Union will be better positioned to re-purpose or re-sell turn back capacity provided market opportunities exist. The ability to re-purpose or re-sell turn back capacity would help mitigate future rate risk for Union's customers. In addition, the Project supports continued growth of the Dawn Hub, which increases depth, liquidity and price competitiveness of gas supply options for Ontario customers over the long term.

## SCHEDULE "B"

7. The total estimated capital cost of the Project is \$204 million. The largest revenue requirement associated with the Project increases to approximately \$15.9 million over the 2015 to 2018 period. The Project will result in: (i) an increase of costs of approximately \$1.6 million, allocated to Union North in-franchise rate classes, (ii) an increase of costs of approximately \$16.0 million allocated to ex-franchise rate classes and (iii) a reduction in costs of approximately \$1.7 million, allocated to Union South in-franchise rate classes. The ex-franchise customers that will bear the majority of the costs associated with the Project are supportive
8. Total residential bill impacts were calculated to include the combined impacts of the gas cost savings associated with Union's long term contracting proposal and the Project. Total residential bill impacts were calculated to reflect the combined impact of the gas cost savings associated with Union's long term contracting proposal and the Project. For the average Rate 01 residential customer in Union North consuming 2,200 m<sup>3</sup> per year, the total bill impact is a reduction of (\$42.00 to \$43.00) per year as compared to Union's current approved rates (per EB-2011-0210). For the average Rate M1 residential customer in Union South consuming 2,200 m<sup>3</sup>, the total bill impact is a reduction of approximately (\$1.12) per year.
9. For ex-franchise customers, and others that use the Dawn-Parkway System, the M12 rate will increase from \$0.078/GJ/d to \$0.091/GJ/d upon completion of the Parkway West Project and this Project. Union's M12 rate has traditionally ranged from \$0.07/GJ/d to \$0.10/GJ/d. This increased rate of \$0.091/GJ/d is within this historic range.
10. Union proposes to start construction in the summer of 2014 with a target in-service date of the fall of 2015. Given that Union is required to order the long lead delivery items in 2013, Union is seeking a Board decision by September 15, 2013.

## SCHEDULE "B"

11. In summary, the Project addresses the increase in demands on the Dawn-Parkway System; results in significant benefits for Ontario energy consumers, Union's in-franchise and ex-franchise customers; and represents rational development of Union's facilities. Accordingly, the Project should be approved by the Board.

**TAB 4**

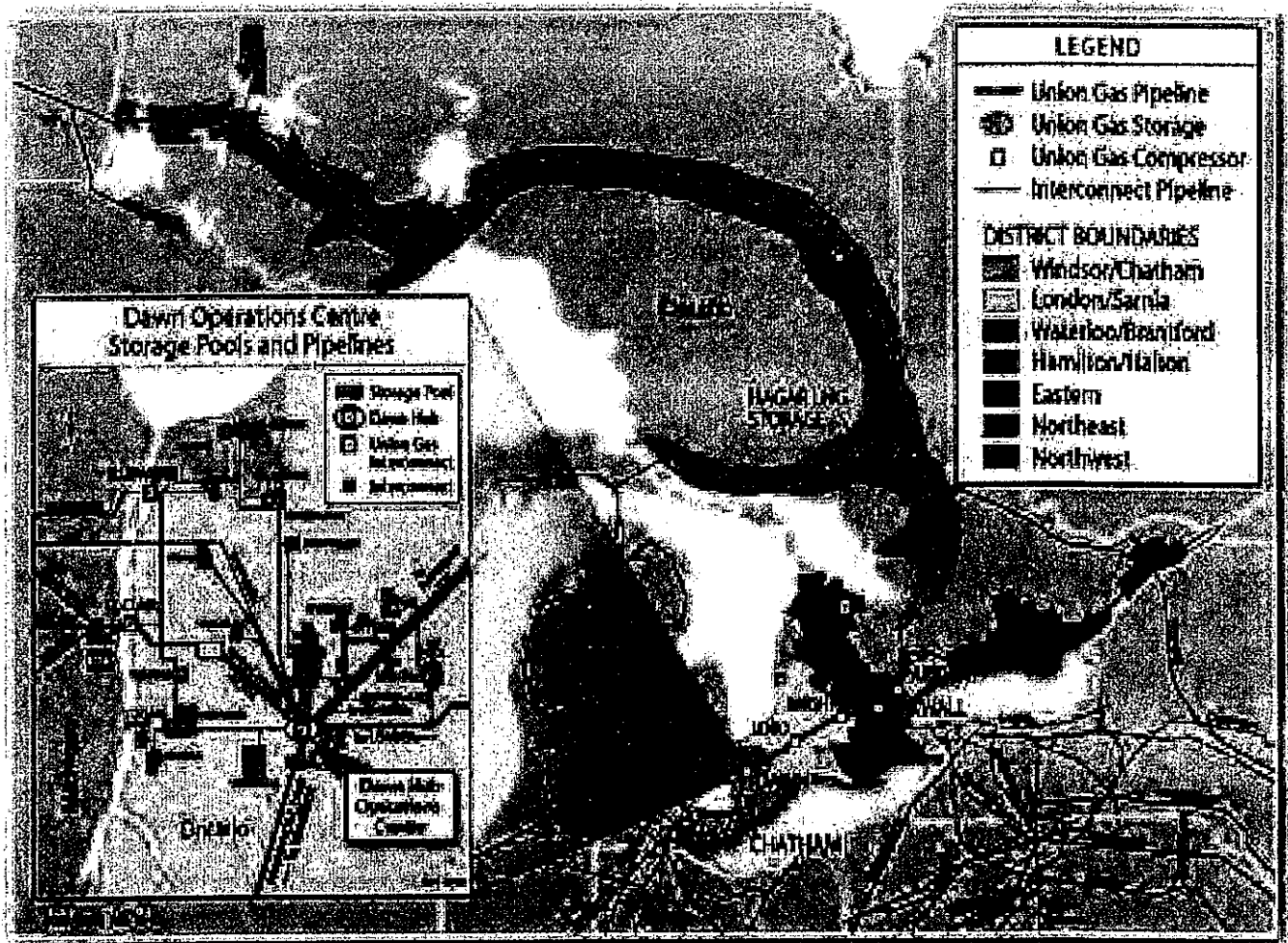
**SECTION 3**

**UNION GAS SYSTEM OVERVIEW**

Union serves approximately 1.4 million customers in northern, eastern and southern Ontario through an integrated network of over 67,000 kilometres of natural gas pipelines. Union operates storage and transmission assets that include 163 Bcf of underground natural gas storage at the Dawn Hub and the Dawn-Parkway System, which connects the Dawn Hub to consuming markets in Ontario, Québec and the U.S. Northeast. Throughput serving Union's in-franchise customers during 2011 was almost 500 Bcf. Throughput serving Union's ex-franchise storage and transmission customers during 2011 was over 830 Bcf. In total, Union transported in excess of 1.3 Tcf of natural gas in 2011, which is slightly greater than all of the natural gas consumed in Ontario and Québec or approximately 5% of North American demand.

Union divides its service territory areas into Union North and Union South. Union South includes customers located west of Mississauga and south of Georgian Bay (Windsor/Chatham, London/Sarnia, Waterloo/Brantford and Hamilton/Halton Districts). Union North includes customers located north of Barrie and north and west of North Bay (Northeast and Northwest Districts). Union North also includes customers located east of Bowmanville and west of the Québec border (Eastern District). A map of Union's service territory and districts as well as the Dawn-Parkway System is provided as Figure 3-1 below.

Figure 3-1



Union North is almost exclusively off of the TCPL Mainline system, with no other option for the transportation or physical delivery of natural gas. These customers are therefore reliant upon the TCPL pipeline system.

In Union South, Union operates the Dawn-Parkway System which includes an integrated network of natural gas transmission pipelines and compressors. The Dawn-Parkway System transports natural gas between the Dawn Compressor Station ("Dawn"), near Sarnia at the

1 west end of Union South and Parkway, located in Mississauga at the east end of Union  
2 South. Between the Dawn and Parkway Compressor Stations, Union operates two additional  
3 compressor stations on the Dawn-Parkway System: i) the Lobo Compressor Station ("Lobo")  
4 located near London; and ii) the Bright Compressor Station ("Bright") located between  
5 Woodstock and Kitchener.

6 The Dawn-Parkway System connects with other pipeline systems at three locations:

7 1) At Parkway, the Dawn-Parkway System connects to the TCPL Mainline and to  
8 the Enbridge system. Union connects to the TCPL Mainline within the existing  
9 Parkway site at a delivery point referred to as Parkway(TCPL). Union also  
10 connects to the Enbridge system within the existing Parkway site at a delivery  
11 point referred to as Parkway(Consumers), and at a second location two kilometres  
12 east at a delivery point referred to as the Lisgar Custody Transfer Station  
13 ("Lisgar").

14 2) Near Hamilton, the Dawn-Parkway System connects to the TCPL Mainline at  
15 Kirkwall Custody Transfer Station. The TCPL Mainline then connects to the  
16 import/export points at Niagara and Chippawa at the Ontario/New York border  
17 (known as TCPL's Niagara Line).

18 3) At Dawn, near Sarnia, the Dawn-Parkway System connects to a number of  
19 pipelines: Vector Pipeline, Panhandle Eastern Pipeline, Great Lakes Gas  
20 Transmission ("GLGT") via TCPL, Michigan Consolidated, Bluewater Gas  
21 Storage and ANR via the NiagaraLink and the Enbridge (Tecumseh) system.



1 The majority of Union South customers are served via the Dawn-Parkway System. Some  
2 customers in the Hamilton/Oakville area are served off of a portion of the TCPL system  
3 known as the Domestic Line.

4 Union provides transportation services on the Dawn-Parkway System to ex-franchise  
5 customers, including Enbridge, TCPL, Gaz Métro and U.S. Northeast natural gas utilities.  
6 Union also uses its Dawn-Parkway System (and also TCPL services from Parkway) to ship  
7 natural gas from Dawn storage to Union North. Union is accountable to its in-franchise  
8 customers and its ex-franchise firm transportation customers for the reliable delivery of  
9 natural gas under firm transportation contracts.

10 Union operates one of the largest and most important North American market hubs, the  
11 Dawn Hub. The Dawn Hub is the main source of supply for the Dawn-Parkway System.  
12 The Board recognized in its Natural Gas Electricity Interface Review ("NGEIR") Decision  
13 (EB-2005-0551, November 7, 2006, page 44) that the development of the Dawn Hub has  
14 brought substantial benefits to consumers in Ontario and to other market participants. As  
15 noted above, Union receives natural gas at Dawn from a number of interconnecting pipelines  
16 which connect the Dawn Hub to most of North America's major supply basins. In addition  
17 to the pipelines directly connected to Dawn, Dawn is connected via the TCPL Niagara Line  
18 (from Niagara to Kirkwall) and the Dawn-Parkway System interconnect at Kirkwall to  
19 Tennessee Gas Pipeline, Dominion Transmission, National Fuel Gas Supply Corporation  
20 ("National Fuel Gas") and Empire State Pipeline at the Niagara and Chippawa import/export  
21 points.

1 The Dawn Hub is also connected to the most significant amount of underground natural gas  
2 storage within the Great Lakes region. In Ontario, Union operates 163 Bcf of natural gas  
3 storage in 24 pools that are all connected to the Dawn Hub. All of this storage is either  
4 owned by Union or contracted from other Ontario storage operators. In addition, Enbridge  
5 operates 103 Bcf of natural gas storage (Tecumseh facilities) that is connected to Dawn.  
6 Dawn is also connected through various upstream pipelines to approximately 675 Bcf of  
7 underground natural gas storage in Michigan. A map of the Dawn Hub storage is provided at  
8 Figure 3-1.

9 Dawn is one of the most physically traded, liquid hubs in North America. The liquidity of  
10 Dawn is the result of the combination of:

- 11 1) access to underground storage;
- 12 2) interconnections with upstream pipelines;
- 13 3) take away capacity to growth markets;
- 14 4) a large number of buyers and sellers of natural gas; and
- 15 5) price transparency.

16 In its NGEIR Decision, the Board concluded that: "it is in the public interest to maintain and  
17 enhance the depth and liquidity of the market at the Dawn Hub as a means of facilitating  
18 competition" (EB-2005-0551 Decision November 7, 2006, page 45). By providing depth and  
19 liquidity, the market at Dawn provides value to all Ontario customers by way of competitive  
20 natural gas commodity prices.

1 Ontario's natural gas-fired generation market relies on a healthy, liquid Dawn Hub. Power  
2 generation contracts are commercially structured based on the price of natural gas at Dawn  
3 for approximately 5,400 MW of Ontario's electricity production capacity. Natural gas-fired  
4 generators have access to unique services at the Dawn Hub that provide operational  
5 flexibility through firm all day storage and transportation services that allow natural gas-fired  
6 generators to match natural gas supply needs to the electricity market that is priced hourly  
7 and dispatched every five minutes. The price of natural gas at Dawn has a direct impact on  
8 the price of power generated from natural gas in Ontario.

9 The Board further identified the importance of the Dawn Hub in its NGEIR Decision (EB-  
10 2005-0551, November 7, 2006, page 7-8):

11 "The storage facilities are an integral part of what is commonly referred to as the Dawn  
12 Hub, which is widely recognized as one of the more important market centres in North  
13 America for the trading, transfer and storage of natural gas. In its Natural Gas Forum  
14 Report, the Board stated "The large amount of nearby storage, combined with the  
15 convergence of pipelines linking the U.S. and Ontario gas markets, have made Dawn the  
16 most liquid trading location in Ontario. The Federal Energy Regulatory Commission  
17 (FERC), in its assessment of energy markets in the United States in 2004, made similar  
18 comments about the significance of Dawn:

19 The Dawn Hub is an increasingly important link that integrates gas produced from  
20 multiple basins for delivery to customers in the Midwest and Northeast.

1 ...Dawn has many of the attributes that customers seek as they structure gas  
2 transactions at the Chicago Hub: access to diverse sources of gas production;  
3 interconnection to multiple pipelines; proximity to market area storage; choice of  
4 seasonal and daily peak and load services; liquid trade markets; and opportunities  
5 to reduce long haul pipeline capacity ownership by purchasing gas at downstream  
6 liquid hubs.”

7 Union’s Dawn-Parkway System is an integral part of the natural gas delivery system for  
8 Ontario, Québec and U.S. Northeast residents, businesses and industry. The Dawn-Parkway  
9 System connects these consuming markets to most of North America’s major supply basins,  
10 to the largest area of underground natural gas storage in North America and to the liquid  
11 Dawn Hub.

# TAB 5

## CHANGING NORTH AMERICAN NATURAL GAS SUPPLY DYNAMICS

Below is an overview of the key changes in North American natural gas supply. Impacts of these changes on natural gas transportation dynamics and the Dawn-Parkway System are discussed in Sections 5 and 6, respectively. More detail with respect to North American natural gas supply was filed in EB-2012-0433 (Parkway West Project, Section 4).

The majority of Ontario's natural gas supply needs for the past five decades were met through the large resources of the Western Canadian Sedimentary Basin ("WCSB"). Natural gas from Alberta was supplied to Ontario on the TCPL Mainline either across northern Ontario or through GLGT. Starting in the 1980s, other pipelines, such as the Northern Border Pipeline, the Foothills Pipeline, the Alliance Pipeline and the Vector Pipeline, were built to transport natural gas from the WCSB to markets east of Alberta, enhancing security

1 of supply and reliability and providing diversity in the delivery of natural gas from Alberta to  
2 Ontario.

3 Over the past ten years, two key trends have been occurring in Alberta: i) Alberta production  
4 has matured and is in decline; and ii) domestic use of natural gas in Alberta has increased.

5 An independent government review completed by Alberta's Energy Research and  
6 Conservation Board ("ERCB"), focusing on mature Alberta production, forecasts that as a  
7 result of these trends, Alberta currently has less than 5 Bcf/d available to sell outside of the  
8 province of Alberta to other markets. The ERCB forecasts that by 2021, Alberta will have  
9 less than 2 Bcf/d available to sell to markets outside of Alberta (EB-2012-0433, Section 4,  
10 Figure 4-4, page 20). The major pipelines that export natural gas to markets outside of  
11 Alberta, including the TCPL Mainline, the Alliance Pipeline and the Foothills Pipeline,  
12 compete to move Alberta supply to eastern, western and southern markets and have a  
13 combined capacity of approximately 13.4 Bcf/d.

14 With a number of markets inside and outside of Alberta competing for declining WCSB  
15 supply, less natural gas has become available to flow east from Alberta. As a result, eastern  
16 markets have responded by decreasing reliance on WCSB natural gas supply and the  
17 associated long haul transportation paths. Market participants have adjusted their portfolios  
18 to include more natural gas supply purchased closer to the market combined with short haul  
19 transportation paths. The result has been a significant decrease in natural gas delivered to  
20 Ontario through the TCPL Mainline and a significant increase in long haul transportation  
21 tolls. This is evident as:

- 1) Flow east on the TCPL Mainline has significantly declined since 2005 from an average daily send out at Empress of almost 5.5 Bcf/d to approximately 2.1 Bcf/d in 2012 (EB-2012-0433, Section 4, Figure 4-6, page 23);
- 2) The utilization rate of the Northern Ontario Line segment of the TCPL Mainline has decreased from 84% in 2001 to approximately 38% in 2012 (RH-003-2011: Exhibit C4-27-4, Additional Evidence of Mr. Bernard Otis, September 21, 2012).
- 3) Daily deliveries on the GLGT path to Dawn averaged 1.1 Bcf/d from November 1, 2003 to October 31, 2009 and in calendar year 2012 have dramatically decreased to less than 0.1 Bcf/d. In winter 2013 (from January 1, 2013 to February 28, 2013), Union has consistently delivered gas into GLGT (via TCPL at Dawn) averaging 0.2 Bcf/d and at a maximum was 0.39 Bcf/d, reversing flow of a pipeline that has been a fundamental supply source for Ontario since the late 1960s (EB-2012-0433, Section 4, Figure 4-7, page 25);
- 4) TCPL Mainline tolls from Alberta to eastern markets (Empress to TCPL's Eastern Zone) ranged from \$1.00 - \$1.20/GJ/d from 2003 to 2007 and have increased to \$1.64/GJ/d in 2010 and further to \$2.24/GJ/d in 2011.

The recent emergence of Horn River and Montney shale production in British Columbia and the development of shale gas resources in Alberta may help stabilize WCSB production levels. However many significant markets are competing for the new Western Canadian shale production, including domestic Western Canadian markets, traditional U.S. Pacific Northwest and U.S. Midwest markets, west coast liquefied natural gas ("LNG") export



1 terminals and eastern North American markets (EB-2012-0433, Section 4, Figure 4-5, page  
2 22). The pace of western shale gas production is predicted to be directly linked to the  
3 development and growth of LNG export markets in Western Canada. For eastern North  
4 American customers, this westward diversion of WCSB supply is predicted to have further  
5 impacts on the amount of natural gas available to flow to eastern markets.

6 Western Canadian natural gas has and continues to be an important source of supply for  
7 Ontario. With the declining amount of supply available to flow east to Ontario, the TCPL  
8 Mainline and other pipelines connected to the WCSB are increasingly challenged. The lower  
9 amount of WCSB supply available requires new supply sources to support Ontario's natural  
10 gas supply portfolio. To feed Ontario's energy-intensive industry, natural gas-fired  
11 generators, businesses and homes, new supply will be required. Union, like other eastern  
12 LDCs, is proactively looking to diversify its supply portfolio with natural gas sourced from  
13 other production basins, including emerging gas supply.

#### 14 *Emerging Shale Gas Supply*

15 Recent advances in horizontal well drilling and hydraulic fracturing have facilitated the  
16 development of significant amounts of natural gas from shale formations, coal bed methane  
17 and tight gas formations in many regions of North America, including Appalachia, the U.S.  
18 Rockies, the Gulf Coast, the mid-continent and Western Canada. Combined with declining  
19 mature (conventional) production, this has resulted in a fundamental change in North  
20 American natural gas supply dynamics and a shift in market behavior. These natural gas  
21 supply changes will continue to fundamentally change how natural gas flows in North  
22 America.

1 Shale gas has increased from 10% of U.S. natural gas reserves in 2007 to about 32% in 2010.  
2 Today shale gas comprises almost one-third of all natural gas production in the U.S. In 2012,  
3 shale gas production in the U.S. was approximately 10 Bcf/d and is forecast to increase to  
4 more than 27 Bcf/d by 2035. In its "2012 Annual Energy Outlook" the U.S. Energy  
5 Information Administration forecasts shale gas to constitute 49% of U.S. domestic  
6 production in 2035 with the U.S. Northeast (Marcellus/Utica) providing almost 15 Bcf/d of  
7 production (EB-2012-0433, Section 4, Figure 4-8, page 27).

8 The Appalachian basin has been one of the most prolific natural gas supply growth areas in  
9 North America. This emerging and abundant supply is located within the Great Lakes region  
10 in close proximity to Ontario and other eastern North American consuming markets.

11 Appalachian shale gas is produced mainly from the Marcellus formation in Pennsylvania,  
12 Ohio and West Virginia and more recently from the Utica formation in eastern Ohio and  
13 Western Pennsylvania (EB-2012-0433, Section 4, Figures 4-9 and 4-10, page 28). Marcellus  
14 shale gas is widely described as "the game changer" and includes both dry gas and wet gas  
15 production areas. The dry gas areas in north-central Pennsylvania were brought to market  
16 quickly due to the quality of gas produced (no significant processing facilities required) and  
17 proximity to existing pipeline systems. The liquids-rich regions in southwest Pennsylvania  
18 and West Virginia, along with the liquids-rich Utica in southeastern Ohio, have taken longer  
19 to develop given the requirement to separate and process the natural gas and natural gas  
20 liquids. The liquids-rich regions have the economic benefit of producing both natural gas  
21 (methane) and high value natural gas liquids, such as condensates, ethane, butane and  
22 propane, from the same well. Supply from the Marcellus and Utica is expected to continue to  
23 increase as midstream infrastructure continues to be built to gather, separate and process the

1 liquids-rich gas and as additional infrastructure is built to move natural gas and natural gas  
2 liquids to markets.

3 North American shale gas production is expected to continue to grow in a low-price  
4 commodity environment as: i) technology improvements continue to decrease production  
5 costs and increase well performance; and ii) some of the most prolific shale basins have the  
6 economic advantage of producing natural gas liquids and/or oil. The economics to drill wells  
7 that can produce both natural gas as well as natural gas liquids and/or oil is enhanced by the  
8 ability to sell multiple commodities.

9 The rapid increase in natural gas supply has put downward pressure on North American  
10 natural gas prices and volatility.

11 Natural gas basis (the difference in price between two supply points) in North America has  
12 been transformed. Prior to shale gas development in the U.S. Northeast, Appalachian trading  
13 points historically traded above the Henry Hub reflecting the cost to move natural gas from  
14 Henry Hub<sup>1</sup> to Appalachia. Today, natural gas at Appalachian trading points trades at a  
15 discount relative to the Henry Hub (EB-2012-0433, Section 4, Figure 4-11, page 29). The  
16 growing production in Appalachia provides economic natural gas supply in close proximity  
17 to eastern markets. For the mature production of the WCSB, the basis between Western  
18 Canada and eastern markets has decreased well below tolls on pipeline systems transporting  
19 supply to eastern markets, further challenging production economics.

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<sup>1</sup> NYMEX is priced at Henry Hub, making Henry Hub the primary natural gas pricing reference point in North America.

1 With abundant natural gas supply, prices are currently in the \$3-\$4/GJ range compared to  
2 prices only four to five years ago in the \$7-\$8/GJ range. Residents, industry and businesses  
3 are paying some of the lowest prices for natural gas in the last decade. In an Ontario market  
4 that consumes nearly 1 Tcf of natural gas annually, this decrease in commodity cost results in  
5 reduced energy costs in Ontario of up to \$3 to \$4 billion annually. These energy savings can  
6 be invested back into the Ontario economy.

7 The change in the regional pricing of natural gas has impacted market behavior and has  
8 driven eastern North American customers to increase the amount of shale gas supply and  
9 decrease the amount of supply from traditional supply basins requiring long haul  
10 transportation in their portfolios (i.e. shale gas purchased and transported to eastern markets  
11 is now much less expensive than purchasing WCSB natural gas and shipping on long haul  
12 transportation paths to eastern markets). For eastern customers that have a choice, these  
13 fundamental changes in supply economics will mean that natural gas supply will increasingly  
14 be sourced from cost competitive shale gas in closer proximity to the market and less from  
15 traditional sources.

16 Marcellus and Utica shale gas present Ontario consumers, including power, industrial,  
17 commercial and residential, with an opportunity to diversify their natural gas supply portfolio  
18 and replace declining WCSB supply. Accessing this new supply will be essential to  
19 providing diversity of supply and affordable energy prices to fuel Ontario's economic  
20 competitiveness. With new infrastructure, access to these new, proximate and abundant  
21 sources of supply can increase reliability and security for the Ontario natural gas supply  
22 portfolio.

1 *ICF International Report on Changing Gas Supply Dynamics*

2 ICF International completed a report that was submitted to the Board in EB-2012-0433  
3 (Parkway West Project) entitled "Impact of Changing Supply Dynamics on the Ontario  
4 Natural Gas Market". In its report, ICF International provides an analysis of the gas supply  
5 dynamics across North America and the impact that these changing gas supply dynamics  
6 have on the delivery of natural gas to Ontario customers including landed cost of gas from  
7 various supply points. A copy of the ICF International report is included as Schedule 4-1.

8 The main conclusions of the ICF International report are:

- 9 1) Natural gas consumption in Ontario is expected to grow, led by expanding use in  
10 the power sector;
- 11 2) The decline in Ontario's natural gas availability from Western Canada is expected  
12 to continue in the future due to a combination of declines in conventional WCSB  
13 natural gas production and growth in Western Canadian demand (led by LNG  
14 exports and Alberta oil sands development);
- 15 3) Growth in LNG exports and natural gas consumption from oil sands production,  
16 which use natural gas in the production process, will create significant  
17 requirements for natural gas produced in Western Canada. This growth creates  
18 new consumption options closer to production for natural gas use, which lessens  
19 the amount of natural gas available to move to markets in the east;

- 1           4)     ICF International is projecting continued growth in U.S. supplies of natural gas  
2               into Ontario to meet growth in Ontario and Québec demand, as well as to replace  
3               declines in natural gas supply from the WCSB;
- 4           5)     Policies and regulatory approval for the development of infrastructure to access  
5               unconventional natural gas supplies from the Marcellus and Utica formations  
6               offer the potential to lower delivered natural gas costs for households and  
7               businesses in Ontario; and,
- 8           6)     Ontario's ability to expand its access to U.S. shale supplies remains a serious  
9               concern.

TAB 6

**SECTION 5**

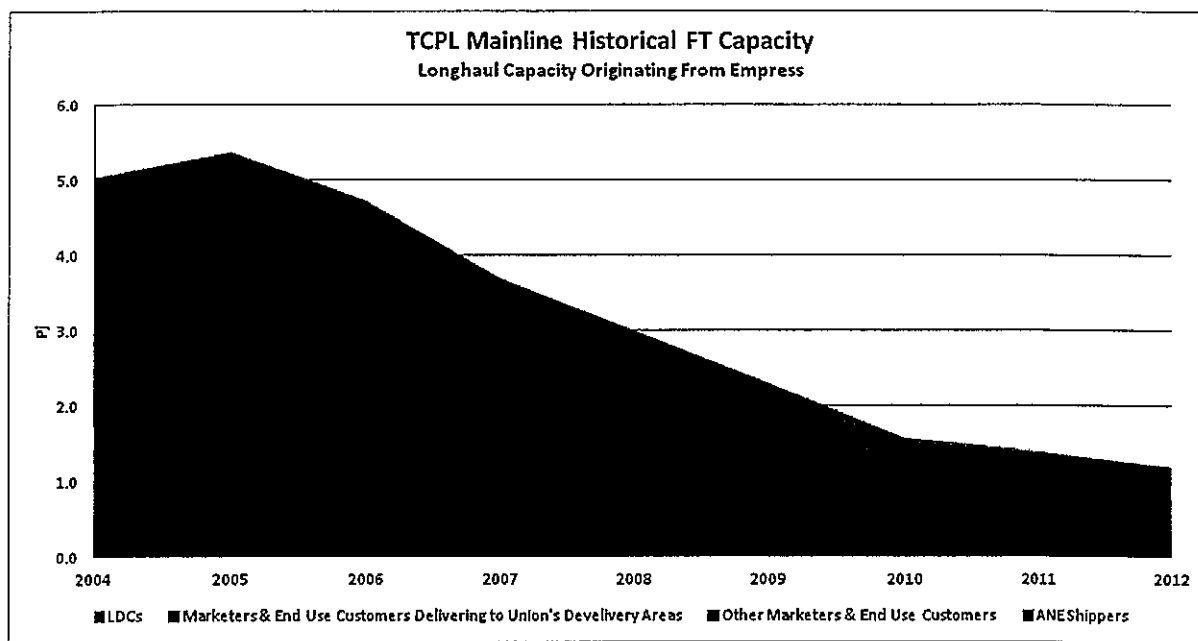
**CHANGING NATURAL GAS TRANSPORTATION DYNAMICS**

With the dramatic changes in North American natural gas supply, market participants in Ontario, Québec, Manitoba and the U.S. Northeast have restructured their natural gas supply portfolios, purchasing less WCSB natural gas supply and more supply from production basins and liquid market centres located closer to their end-use markets. Consequently, less long haul transportation from the WCSB is being held and more short haul transportation to the markets has been contracted. This trend has been occurring in the natural gas markets since the mid 2000's.

The graph in Figure 5-1 below shows the long haul firm transportation (FT capacity) contracts held on TCPL by customer category starting in 2004. Since 2005, there has been a continuous decline in the amount of long haul firm transportation contracts on TCPL. Marketers and end use customers have de-contracted the greatest amount of long haul capacity. The amount of capacity de-contracted by marketers and end use customers is almost 4 PJ/d over the last eight years.



Figure 5-1



Marketers held a significant portion of the TCPL Mainline firm transportation capacity in 2005. Marketers will only hold pipeline capacity if it is profitable. As tolls from Empress to eastern markets increase above the difference in commodity price between Empress and the trading points in eastern markets, the consequence is that marketers de-contract as they seek more economic alternatives.

In addition to the marketers and end use customers, natural gas utilities have also been adjusting their natural gas supply portfolios and de-contracting long haul transportation services.

1    *Gaz Métro*

2       Since 2003, Gaz Métro has been actively shifting its base load system supply purchases from  
3       Empress to the Dawn Hub, decreasing long haul TCPL Mainline transportation in favour of  
4       Dawn to Parkway and TCPL short haul transportation. Today, Gaz Métro holds 285,000  
5       GJ/d of Dawn to Parkway transportation capacity with Union. Since October 1, 2011,  
6       approximately 85% of the Gaz Métro system supply has been sourced from the Dawn Hub.

7       In May 2012, Gaz Métro participated in open seasons held by Union and TCPL. Gaz Métro  
8       contracted a further 257,784 GJ/d of Dawn to Parkway transportation capacity with Union to  
9       support direct purchase customers shifting their supply source from Empress to the Dawn  
10      Hub.

11      In 2012, Gaz Métro applied to the Régie de l'énergie (the "Régie") for approval to shift its  
12      supply source for direct purchase customers from Empress to the Dawn Hub (R-3809-2012;  
13      D-2012-175). On December 18, 2012, the Régie approved Gaz Métro's request. In its  
14      decision, the Régie noted a number of reasons to support the shift of natural gas supply from  
15      Empress to the Dawn Hub. The reasons were:

- 16           1)     Continuing to purchase natural gas supply at Empress would leave Gaz Métro's  
17                   customers captive to TCPL's long haul firm transportation tolls whereas supply  
18                   purchased at the Dawn Hub would require Gaz Métro's customers to hold less  
19                   expensive firm Dawn to the GMi EDA short haul transportation capacity;

- 2) The Dawn Hub provides Gaz Métro customers with more choice and flexibility to adjust to their needs, including access to new sources of U.S. Northeast production;
- 3) Significant savings would be achieved by purchasing natural gas supply at the Dawn Hub, the annual value of which would vary between \$88 million and \$120 million depending upon future TCPL Mainline tolls;
- 4) Should the economics of WCSB supply improve, Gaz Métro customers can access natural gas supply from Empress delivered at the Dawn Hub; and
- 5) It is logical to prefer sourcing natural gas from a location that is close to Gaz Métro's territory versus a supply location located over 3,000 kilometres away.

A copy of the translated Régie's decision is included as Schedule 5-1.

#### *Alberta North East Group*

Alberta Northeast Gas Limited ("ANE") represents a consortium of sixteen natural gas utilities located in six states in the northeast region of the United States, including New York, Massachusetts and Connecticut. These natural gas utilities serve approximately seven million customers. ANE was formed in 1986 and began purchasing natural gas directly from Canadian suppliers in 1992. In 2006, ANE started to shift supply away from the WCSB and long haul transportation on the TCPL Mainline to supply purchased at the Dawn Hub which is located closer to ANE markets. ANE de-contracted long haul TCPL Mainline transportation, which was contracted by marketers on their behalf (Empress to Waddington),

1 and contracted for over 685,000 GJ/d of Dawn to Parkway and Dawn to Kirkwall  
2 transportation to in the 2006 to 2008 timeframe and in 2011. ANE also contracted short haul  
3 transportation on the TCPL Mainline from Parkway to Waddington to complement the Dawn  
4 to Parkway transportation capacity. The ANE incremental Dawn to Parkway capacity was a  
5 significant part of the support for Union's Dawn-Parkway System expansions in 2006  
6 through 2008.

7 *Enbridge*

8 In 2012, Enbridge proposed its GTA Project (EB-2012-0451). In its application, Enbridge  
9 indicated that the proposed GTA Project would allow Enbridge to:

- 10 1) alter its natural gas supply portfolio to access new supplies from Dawn and Niagara,  
11 reducing reliance on less secure peaking supplies that currently utilize short-term firm  
12 (STFT) and interruptible (IT) long haul transportation contracts on the TCPL  
13 Mainline;
- 14 2) potentially provide Enbridge direct purchase customers with the option to deliver gas  
15 at Dawn for transportation to Parkway; and
- 16 3) access new supplies at Dawn and Niagara to reduce distance of haul from purchase  
17 point to serve the peak demands of its heat sensitive customers (EB-2012-0451,  
18 Exhibit A, Tab 3, Schedule 5, pages 17 and 18).

19 In May 2012, Enbridge participated in an open season held by Union and contracted a further  
20 400,000 GJ/d of Dawn to Parkway transportation capacity with Union to supply the proposed

1       GTA Project. Overall, the economics of sourcing supply from Dawn and Niagara compared  
2       to Empress and third party purchases results in savings of approximately \$511 million over  
3       the 2015 to 2025 timeframe (EB-2012-0451, Exhibit A, Tab 3, Schedule 5, page 19).

4       *Centra Manitoba*

5       Centra Gas Manitoba Inc. ("Centra Manitoba") has reduced its firm long haul transportation  
6       capacity on the TCPL Mainline by 20,000 GJ/d effective November 1, 2012. In 2012, the  
7       Manitoba Public Utilities Board ("PUB") approved Centra Manitoba's request to reduce the  
8       amount of firm long haul transportation capacity Centra Manitoba holds on the TCPL  
9       Mainline providing substantial cost savings to Centra Manitoba's customers (Order No.  
10      112/12). The PUB recognized that while Centra Manitoba could rely solely on WCSB  
11      supply and TCPL firm long haul transportation capacity to meet its requirements, that would  
12      not be the most economic option. Significant cost savings would be achieved by combining  
13      short haul transportation with supply and balancing services purchased in Michigan and the  
14      U.S Midwest. Centra Manitoba estimated that this portfolio adjustment would reduce  
15      transportation costs by \$3 million per year. The PUB noted that Manitoba is currently  
16      captive to the TCPL Mainline and was supportive of other options for the supply of natural  
17      gas to Manitoba that would provide diversity and economic alternatives to WCSB-sourced  
18      gas transported on the TCPL Mainline.

19      *Union Gas*

20      Like most eastern natural gas utilities, Union has diversified its natural gas supply portfolio  
21      as new supply options have developed and continually seeks a natural gas supply portfolio

1 that is secure, reliable and reasonably priced. From 1988 to 1999, Western Canadian natural  
2 gas made up between 84% and 90% of Union's system supply portfolio. This is significantly  
3 higher than Union's forecast for system supply in 2013 which will on average consist of  
4 approximately 55% Western Canadian natural gas (combined Union North and Union  
5 South).

6 While diversification of the natural gas supply portfolio has been more readily achievable in  
7 Union South, diversification of supply has been more difficult for Union North where  
8 Western Canadian natural gas historically made up 100% of the supply portfolio. In 2013,  
9 Union's forecast WSCB supply for TCPL Northern delivery and Eastern delivery area for  
10 Union North supply is 95% and 100%. respectively. Through new Union and TCPL  
11 transportation capacity and access to supply at the Dawn Hub, Union is expanding the level  
12 of diversity in Union North supply portfolios by reducing reliance on declining WCSB  
13 supply. The overall net cost reduction to Union North, including Northern direct purchase  
14 customers, is estimated to be \$18 million to \$28 million per year. This shift in portfolio  
15 reflects the changes in the North American natural gas markets and, like Enbridge, Gaz  
16 Métro, ANE, marketers and other industry participants, is in response to the decline in supply  
17 in Western Canada. Market participants are re-balancing with new supply sources and  
18 replacing long haul transportation contracts with shorter haul transportation contracts. In  
19 Section 11, Union details these changes and the request for pre-approval of the costs  
20 associated with two new long-term short haul transportation contracts on the TCPL Mainline.

TAB 7

## CHANGES TO UNION'S DAWN-PARKWAY SYSTEM

Like other natural gas pipeline systems in North America, Union's Dawn-Parkway System has seen a number of significant changes since 2006 due to changing natural gas supply and transportation dynamics. Specifically, over the 2006 to 2013 period, Kirkwall throughput has declined while Parkway throughput has increased.

### *Declining Deliveries at Kirkwall*

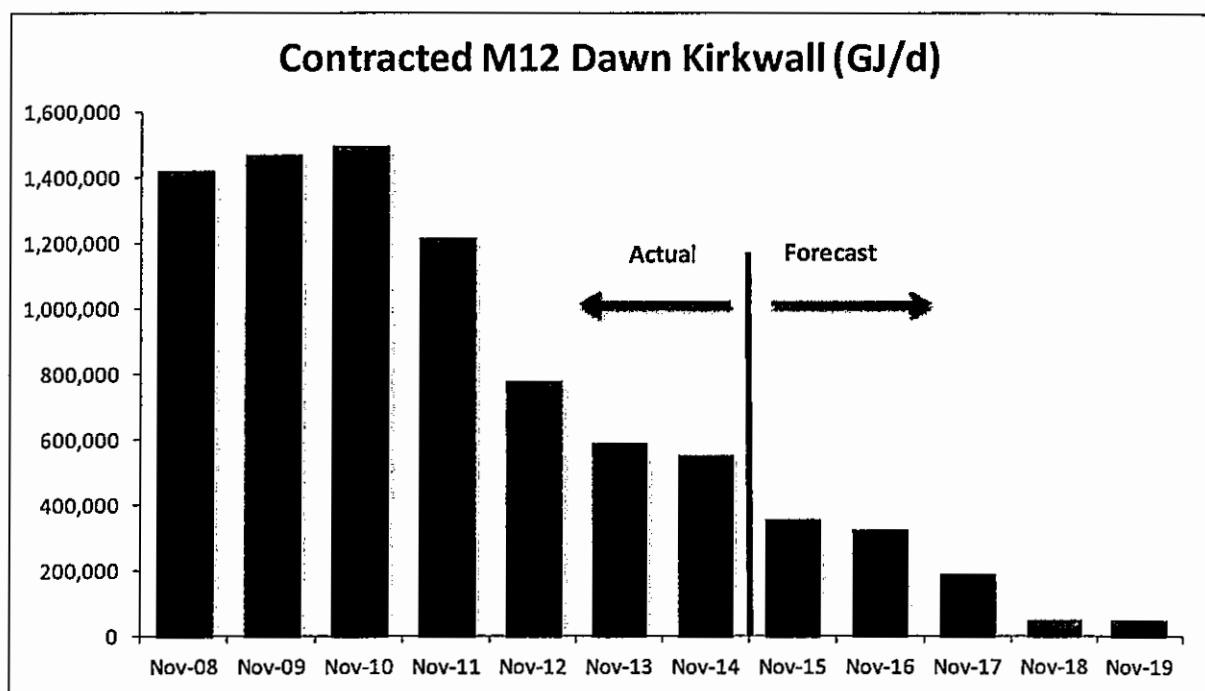
The Dawn to Kirkwall path connects supply at Dawn, and supply upstream of Dawn, to pipeline systems in New York State via the portion of the TCPL Mainline (the Niagara Line) that connects the Niagara and Chippawa export points at the New York/Ontario border to Kirkwall. Historically, TCPL held large amounts of Dawn to Kirkwall transportation capacity (in excess of 1,175,000 GJ/d) to provide an Empress to Niagara or Empress to Chippawa transportation service exporting WCSB natural gas to U.S. Northeast customers.

Since 2008, Union has received notice of termination for 978,809 GJ/d of Dawn to Kirkwall transportation capacity at contract term expiry, including notice received as recently as October 2012 to terminate approximately 37,000 GJ/d of Dawn to Kirkwall capacity starting November 1, 2014. A summary of the firm Dawn to Kirkwall transportation contracts terminated since 2008 is provided as Schedule 6-1. TCPL has noted that similar decontracting has occurred on its system (EB-2011-0210, Exhibit K9.3, page 9, line 14 to 15). Further notices of contract termination for Dawn to Kirkwall capacity are expected in the future. A summary of the remaining firm Dawn to Kirkwall transportation contracts is



also provided in Schedule 6-1. A graph showing the firm Dawn to Kirkwall transportation contracts held since 2008, including actual and forecast turn back, is provided in Figure 6-1 below.

**Figure 6-1**



Today, given the decline in WCSB supply and increase in TCPL tolls, the Empress to Niagara and Empress to Chippawa paths, have become uneconomic for U.S. Northeast customers. U.S. Northeast customers can purchase natural gas in more proximate supply basins, such as the Marcellus, and transport this gas to market more economically. The Empress to Niagara and Empress to Chippawa paths to the U.S. Northeast require access to U.S. pipeline systems passing directly through the Marcellus shale gas production zone. As a result, Union has experienced a corresponding decrease in the utilization of Dawn to Kirkwall transportation.

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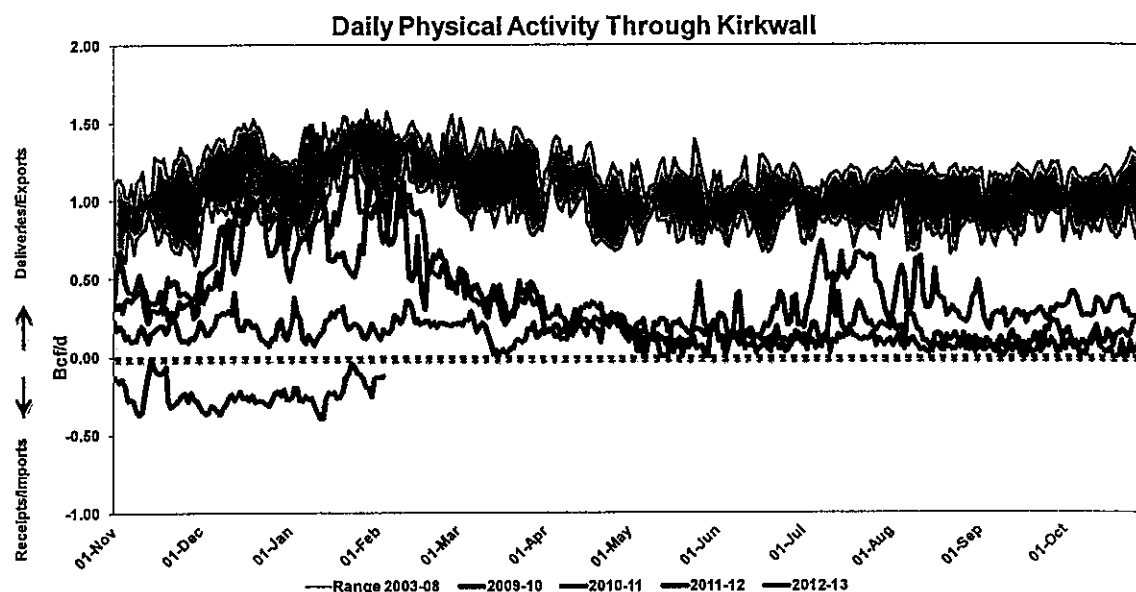
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Section 6

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From 2003 to 2009, Union's deliveries to TCPL at Kirkwall peaked at 1.7 PJ/d (1.6 Bcf/d) with an average annual flow of approximately 1.1 PJ/d (1.0 Bcf/d). From 2009 to 2012, the average annual flow at Kirkwall decreased to 132,000 GJ/d (0.12 Bcf/d). A graph showing the decline in Kirkwall deliveries from Union to TCPL is provided in Figure 6-2 below. As a result, the export of Canadian natural gas to the U.S Northeast through Kirkwall has diminished to the point where Union now receives natural gas at Kirkwall from TCPL that is imported at Niagara.

Figure 6-2



To mitigate the lost revenue associated with the turn back of the Dawn to Kirkwall transportation contracts, Union has resold capacity with Parkway deliveries. Driven by increased demands at Parkway, from 2011 to 2013, Union sold approximately 313,000 GJ/d of Dawn to Parkway transportation capacity and approximately 300,000 GJ/d of Kirkwall to Parkway capacity. These demands were accommodated in part by capacity created by Dawn

1 to Kirkwall turn back. The increased demand for deliveries at Parkway is currently limited  
2 by the amount of take away capacity available downstream of Parkway on the TCPL  
3 Mainline.

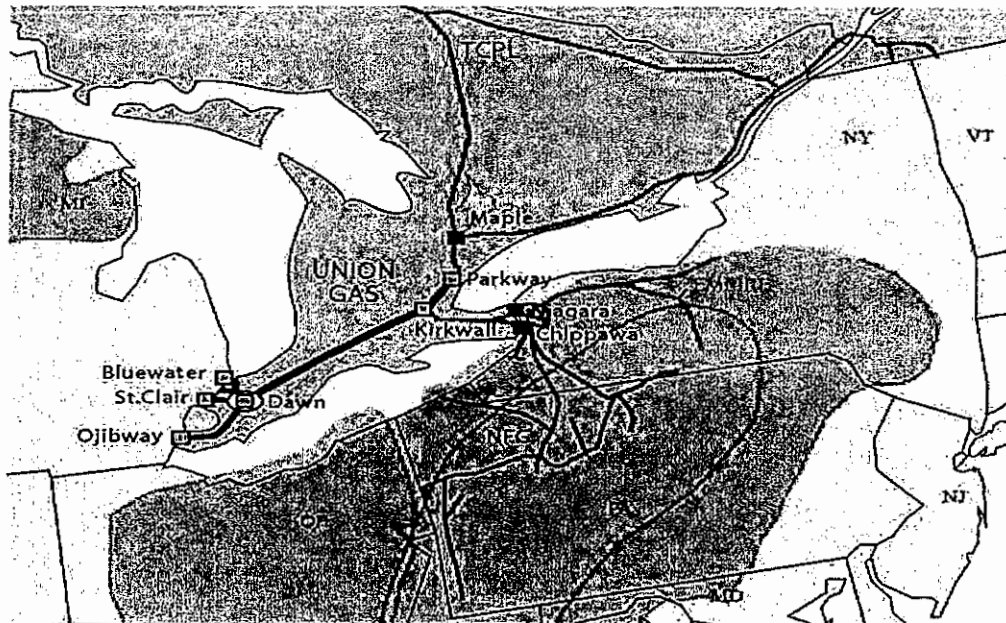
4 In 2010 and 2011, Union, TCPL, National Fuel Gas and Empire State Pipeline explored  
5 opportunities to introduce emerging Appalachian natural gas supply to Ontario markets by  
6 jointly marketing a path from the Marcellus shale gas producing regions to Ontario. This path  
7 to Ontario markets required:

- 8 1) transportation on the TCPL Mainline from Niagara or Chippawa to Kirkwall;
- 9 2) transportation on Union's Dawn-Parkway System from Kirkwall to either Dawn  
10 or Parkway; and
- 11 3) to reach markets in Eastern and Northern Ontario, transportation on the TCPL  
12 Mainline downstream of Parkway.

13 As a result of these joint efforts, long term transportation contracts to support the movement  
14 of natural gas from the Marcellus to Niagara/Chippawa total approximately 0.9 PJ/d (0.8  
15 Bcf/d) on National Fuel Gas, Tennessee Gas Pipeline and Empire State Pipeline. Empire  
16 State Pipeline has proposed further system expansion to Chippawa for up to 0.3 PJ/d (0.25  
17 Bcf/d). A map showing these pipeline systems is included as Figure 6-3 below.

18

Figure 6-3



To date, TCPL has executed long-term contracts starting November 1, 2012 for transportation from Niagara to the Enbridge CDA (GTA area) for approximately 211,000 GJ/d and from Niagara to Kirkwall for approximately 200,000 GJ/d (TCPL Contract Energy Demand – Mainline Report as of February 1, 2013). Starting November 1, 2013, 126,607 GJ/d of Niagara to Kirkwall transportation will be converted to Niagara to Enbridge CDA transportation.

For system supply, Union has contracted with TCPL, starting November 1, 2012, for 21,101 GJ/d of Niagara to Kirkwall transportation to move system supply purchased at Niagara to Union's Dawn-Parkway System.

1 To facilitate the reversal of the Niagara to Kirkwall portion of the TCPL Mainline, TCPL  
2 made modifications in 2012 to its facilities at Niagara and between Niagara and Kirkwall,  
3 providing approximately 439,000 GJ/d of capacity (XG-T211-008-2012: 2012 Eastern  
4 Canadian Mainline Expansion, Section 58 Application, Appendix 3-4, page 7 of 7). Union  
5 also made modifications to the facilities at Kirkwall to accommodate for this new flow to  
6 occur.

7 To meet TCPL's incremental market demand between Kirkwall and the Enbridge CDA,  
8 effective November 1, 2012, TCPL placed its 2012 Eastern Canadian Mainline Expansion  
9 (XG-T211-008-2012) into commercial service to serve the new contracts. This expansion  
10 consisted of approximately 13 kilometres of NPS42 pipeline looping spread out over two  
11 locations in the Parkway to Maple corridor as well as modifications to various compressors  
12 to make the Maple to North Bay path bi-directional.

13 TCPL is proposing a 2013 Eastern Canadian Mainline Expansion (XG-T211-015-2012)  
14 which consists of the relocation of compressors to Maple from elsewhere within the TCPL  
15 system. Together these Eastern Canadian Mainline Expansions will increase transportation  
16 capacity between Parkway and Maple by approximately 400,000 GJ/d to achieve a design  
17 day capacity of 2.4 PJ/d immediately downstream of Parkway (T211-2012-02 01, IR NEB  
18 1.2, October 15, 2012, August 2012 Application, Appendix E1 – Engineering and Technical  
19 Description).

20 On the Dawn-Parkway System, Union completed modifications at Kirkwall to enable natural  
21 gas from Niagara and, eventually, Chippawa to access Dawn and Parkway. Union's facility  
22 modifications were complemented by the introduction of new services to transport natural

1 gas from Kirkwall to Dawn and/or Parkway using the bi-directional M12-X service as well as  
2 point-to-point Kirkwall to Dawn and Kirkwall to Parkway services. Union was able to  
3 contract approximately 300,000 GJ/d of Kirkwall to Parkway capacity and converted existing  
4 M12 transportation contracts (including Dawn to Parkway, Parkway to Dawn, Parkway to  
5 Kirkwall and Dawn to Kirkwall capacity) of approximately 391,000 GJ/d to M12-X  
6 transportation service. A summary of Union's M12-X and Kirkwall to Parkway contracts is  
7 included in Schedule 6-1.

8 Since the completion of the facility modifications and commercial in-service of contracts  
9 necessary to move Appalachian natural gas into Ontario on November 1, 2012, flow at  
10 Kirkwall has seen a dramatic change. Union has consistently received demand for receipts at  
11 Kirkwall (i.e. imports from Niagara) with average daily nominations from November 1, 2012  
12 to February 28, 2013 of approximately 328,000 GJ/d (see Figure 6-2). In winter 2012/2013,  
13 Union physically received natural gas at Kirkwall from TCPL for a total of 120 days (up to  
14 February 28, 2013). Niagara, which had been an export point for natural gas leaving Ontario  
15 for previous decades, is now importing natural gas to supply Ontario customers. This is a  
16 significant change that has occurred over a very short period of time.

### 17 *Increasing Deliveries at Parkway*

18 Continued expansion of the pipeline capacity at and downstream of Parkway is critical:

- 19 1) to allow markets in Ontario, Québec and the U.S. Northeast to diversify gas  
20 supply portfolios and access natural gas from the Dawn Hub, Niagara, Chippawa  
21 and the growing production of the Appalachian basin; and,

1           2)     for Union to have the ability to resell Dawn to Kirkwall turn back capacity as  
2                 Dawn to Parkway capacity.

3     Due to increasing Marcellus and Utica supply, Union sees no future market opportunity to  
4     sell or resell Dawn to Kirkwall capacity for natural gas exports to the United States.

5     While flow from Dawn through Kirkwall has been in decline, there has been a dramatic  
6     increase in flow through Parkway into the TCPL Mainline. This has occurred mainly due to  
7     the changing North American supply dynamics and the resulting market shift from long haul  
8     transportation to short haul transportation. Historically the connection between Union's  
9     Dawn-Parkway System and the TCPL Mainline at Parkway operated bi-directionally.  
10    During the winter period, natural gas flowed east from Dawn into the TCPL Mainline at  
11    Parkway. Conversely, in the summer period gas flowed west from the TCPL Mainline into  
12    the Dawn-Parkway System for customers filling storage at Dawn or requiring deliveries at  
13    Kirkwall. For winter 2005/2006, flow through the Parkway interconnection with TCPL was  
14    less than 0.54 PJ/d on a design day.

15   As more natural gas for eastern markets was sourced at or transported through Dawn, flow  
16   east through the Parkway interconnection with the TCPL Mainline increased significantly.  
17   From 2006 to 2008, the capacity of the Dawn-Parkway System expanded by over 1 Bcf/d,  
18   including 53 kilometres of NPS48 pipeline looping and an additional 89,500 HP of  
19   compression. The expansion of the Dawn-Parkway System during that period was largely  
20   supported by:

- 1           1)     U.S. Northeast utilities (ANE) and Gaz Métro adjusting natural gas supply
- 2                     portfolios, increasing Dawn-Parkway transportation capacity; and
- 3           2)     incremental Dawn-Parkway transportation capacity contracted by Ontario gas-
- 4                     fired power generators and interconnecting pipelines.

5     As a result, flow east through the Parkway interconnection with the TCPL Mainline has  
6     significantly increased since 2005. For winter 2014/2015, Union forecasts flow east through  
7     the Parkway interconnection with the TCPL Mainline to be 2.3 PJ/d on a design day,  
8     growing to 3.3 PJ/d for winter 2015/2016, representing more than a six fold increase since  
9     2005.

10    To put into perspective the importance of this change, on an hourly basis, flow through the  
11    Parkway interconnection with the TCPL Mainline on a design day in winter 2015/2016 will  
12    be the energy equivalent of nearly 40,000 MW of electrical generation.<sup>2</sup> This is  
13    approximately 50% greater than the highest historical peak electricity demand in Ontario  
14    (27,005 MW in August 2006) and is greater than the installed power generation in the  
15    Province of approximately 35,000 MW.

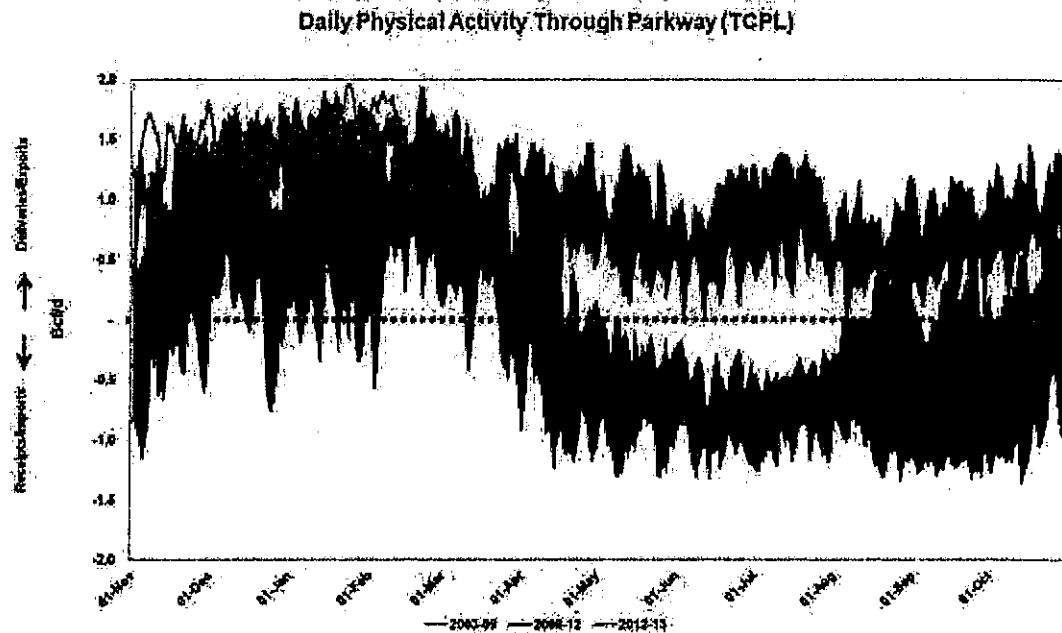
16    In addition to the significant increases in flow at Parkway, another fundamental change has  
17    been that deliveries into the TCPL Mainline are now made on a year-round basis to serve  
18    downstream markets. Union has not physically flowed westerly from Parkway on the Dawn-  
19    Parkway System since November 2009. Daily flows at the connection between Parkway and  
20    the TCPL Mainline are shown in Figure 6-4 below.

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<sup>2</sup> When combined with deliveries to Enbridge at the Parkway(Consumers) and Lisgar delivery points, total deliveries at Parkway (including to TCPL) exceed the energy equivalent of over 50,000 MW.



Figure 6-4

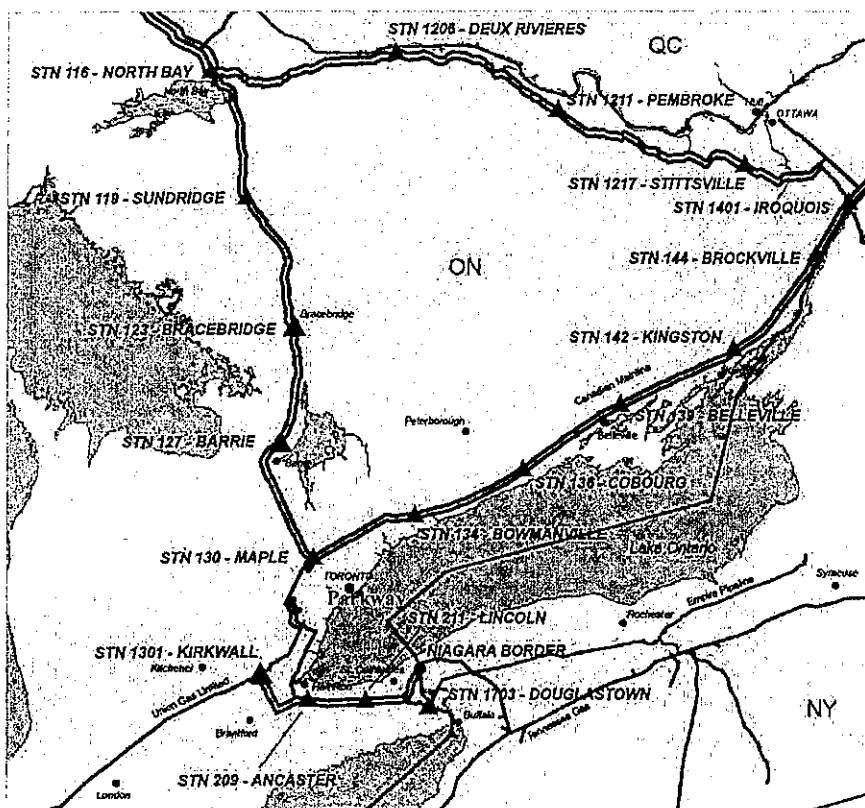


This change in throughput at Parkway has increased Union's reliance on Parkway compression to provide firm deliveries into the TCPL Mainline for Ontario, Québec and U.S. Northeast customers. By winter 2015/2016, Parkway will be the second largest point of natural gas throughput in Ontario next to the Dawn Hub. Parkway has increasingly become a very significant and critical infrastructure point in the delivery of natural gas to customers in Ontario and eastern North America.

Union expects that increased deliveries at Parkway will contribute to continued high utilization of TCPL's Eastern Triangle (the portion of the TCPL Mainline located in Ontario east and south of North Bay and between Parkway and Québec). Union, Enbridge and Gaz Métro will continue to rely solely on transportation on the Eastern Triangle to serve customers in Ontario and Québec. The Eastern Triangle is critical to eastern Canadian

natural gas utilities. The competitiveness of TCPL short haul tolls is critical to ensure the availability of economic supplies for customers served using the Eastern Triangle. TCPL's Eastern Triangle is shown in Figure 6-5 below.

Figure 6-5



While some expansion has been undertaken, the portion of the Eastern Triangle between Parkway and Maple (near Canada's Wonderland in Vaughan) will remain at capacity. Further growth of the Dawn-Parkway System will require expansion of the pipeline capacity downstream of Parkway to remove the existing capacity constraint between Parkway and Maple. TCPL is currently working on an expansion for 2015 that corresponds to the growth being brought forward in this Application.

# TAB 8

**SECTION 7**

**NEW DAWN-PARKWAY SYSTEM DEMANDS**

Demand for transportation on the Dawn-Parkway System continues to grow. Customers interested in contracting on the Dawn-Parkway System are generally driven by:

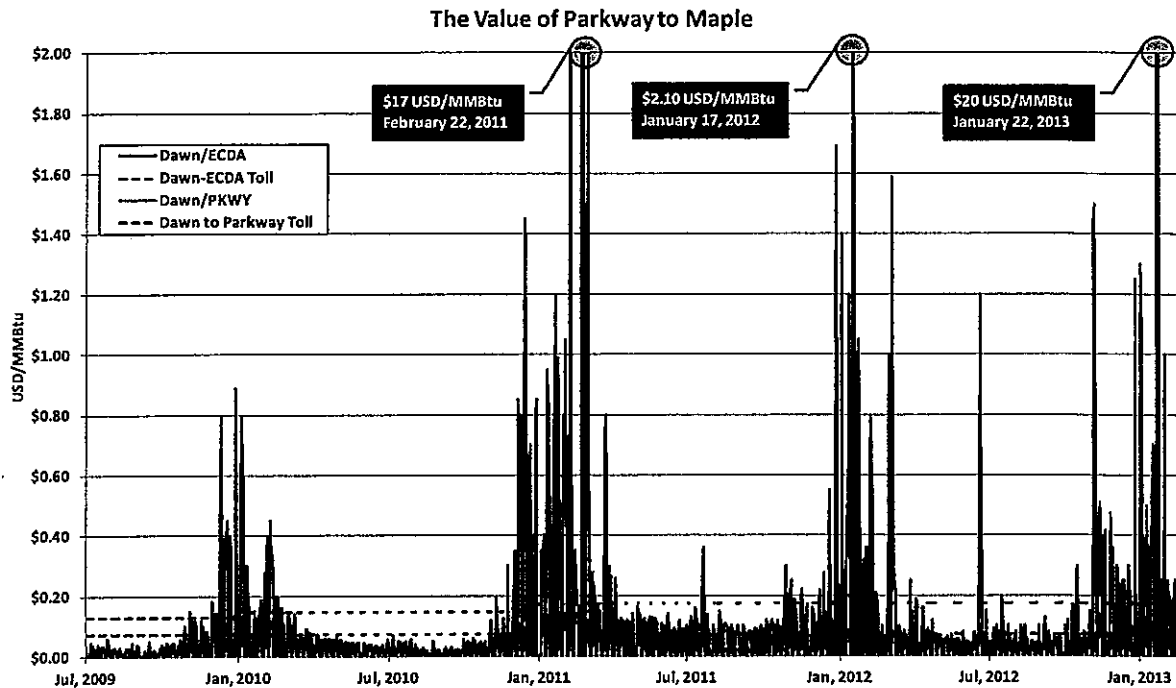
- 1) increased access to the liquid market, diverse natural gas supplies and premium storage facilities at the Dawn Hub;
- 2) the continuing trend from long haul transportation to short haul transportation; and
- 3) growing demand in central, eastern and northern Ontario as well as Québec and the U.S. Northeast.

Enbridge and Gaz Métro expressed interest in new transportation capacity to provide increased diversity of supply and competitive energy options for Ontario and Québec. In addition, Union identified a requirement for incremental Dawn to Parkway transportation capacity to diversify the natural gas supply portfolio for Union North customers.

To serve these markets, incremental pipeline capacity is required on the Dawn-Parkway System as well as pipeline systems downstream of Parkway, including the TCPL Mainline between Parkway and Maple.

1 Pipeline capacity on the path between Parkway and Maple is constrained. This is evident  
2 when comparing the market value of the Dawn to Enbridge CDA transportation path against  
3 the posted pipeline transportation rates as shown in Figure 7-1. Over the past four years  
4 there has been a significant premium between the next day cash market value of Dawn to  
5 Enbridge CDA transportation (jagged blue line) and the posted TCPL tolls (dashed blue line).  
6 This has occurred consistently during the winter period and occasionally during the summer  
7 period. However, the next day cash market value of Dawn to Parkway transportation (jagged  
8 red line) over that same period has not exceeded Union's posted transportation rates (dashed  
9 red line) to the same extent. This indicates that the constraint driving volatility in the market  
10 is downstream of the Dawn-Parkway System. This market valuation adds significant cost to  
11 consumers in Ontario looking to transport natural gas to the Enbridge CDA (GTA area).  
12 Expansion through the Parkway to Maple corridor would allow more gas to flow downstream  
13 of Parkway to meet market demand, to allow markets to access more diverse and cost  
14 effective supply options, and to reduce future price volatility for Ontario energy consumers.

Figure 7-1



TCPL has proposed expansions of the Parkway to Maple corridor in both 2012 and 2013.

The 2012 Eastern Canadian Mainline Expansion was constructed and was commercially placed into service. It is expected that TCPL will complete the 2013 Eastern Canadian Mainline Expansion and place it into service during 2013. Union continues to see further interest for transportation capacity east of Parkway.

To determine market interest in Dawn to Parkway and Parkway to Maple transportation capacity, Union conducted a binding open season (the "Open Season").

1     *Binding Open Season*

2     On March 13, 2012, Union announced the Open Season for transportation capacity between  
3     Dawn and Maple. Service on the Dawn-Parkway System would commence as early as  
4     November 1, 2014 and service on the Parkway Extension Project between Parkway and  
5     Maple would commence as early as November 1, 2015.

6     Publication of Union's Open Season was as broad as possible to encourage all market  
7     participants the opportunity to bid. Communication included: direct e-mails to over 400  
8     current and potential customers; a posting on the Spectra Energy Twitter account; posting of  
9     the notice and Open Season package on Union's web-site; and a press announcement issued  
10    to various industry trade publications. Union sent interested parties a binding Open Season  
11    package for service.

12    The Open Season package and process followed the Standards for Transportation Open  
13    Seasons under the Storage and Transportation Access Rule ("STAR"). The package included  
14    the following:

- 15       1)     a description of Union's transportation offering;
- 16       2)     a description of the Open Season process;
- 17       3)     a link to the M12 Rate Schedule, General Term and Conditions M12 Standard  
18               Contract, Pro-forma Precedent Agreement and a Pro-forma Financial  
19               Backstopping Agreement; and
- 20       4)     a transportation bid form.

1 The press announcement, Open Season package and Pro-forma Precedent and Financial  
2 Backstopping Agreements are attached as Schedule 7-1.

3 The Open Season was scheduled to close April 25, 2012. Subsequent to Union's Open  
4 Season announcement, TCPL initiated a concurrent open season offering transportation  
5 capacity between Parkway and Maple. On April 24, 2012, Union extended the date for the  
6 closing of the Open Season to May 4, 2012 to align with the concurrent open season for  
7 transportation services being held by TCPL. The TCPL open season, which ran from March  
8 30, 2012 to May 4, 2012 also solicited bids for transportation services from Parkway to  
9 eastern and northern markets that utilizes the path between Parkway and Maple.

10 Union sent a revised Open Season package by direct e-mail to over 400 current and potential  
11 customers and posted the revised Open Season package on Union's web-site. A copy of the  
12 revised Open Season package is attached as Schedule 7-2.

13 In the revised Open Season package, Union offered the transportation services shown in  
14 Figure 7-2 below. Transportation service on the Parkway Extension Project was offered  
15 commencing November 1, 2014 to align with the TCPL open season. Shippers were asked to  
16 provide their bids for a term of not less than ten years.

17



Figure 7-2

Transportation Service Offered	Start Date	Capacity (PJ/d)	Receipt Point	Delivery Point
Dawn to Parkway	01-Nov-14	0.4	Dawn	Parkway
	01-Nov-15	0.4	Dawn	Parkway
Kirkwall to Parkway	01-Nov-14	0.3	Kirkwall	Parkway
	01-Nov-15	0.2	Kirkwall	Parkway
Parkway Extension Project	01-Nov-14	0.5 - 0.7	Dawn, Kirkwall, Parkway	Maple
	01-Nov-14	0.3	Maple	Parkway, Dawn

Union received interest of over 995,000 GJ/d of capacity with 786,000 GJ/d starting in 2014 or earlier and 209,000 GJ/d starting in 2015. Capacity requests that met the respective service parameters were awarded as per Union's Allocation Procedures in Section XVI of the M12 Transportation Rate Schedule. Union awarded capacity to three shippers (Enbridge, Gaz Métro and Vermont Gas) totaling incremental Dawn to Parkway capacity of 665,884 GJ/d. In addition, Union required 70,157 GJ/d of incremental Dawn to Parkway transportation capacity to serve in-franchise demand. This requirement is described in more detail in Section 11. In total, 736,041 GJ/d of incremental Dawn to Parkway transportation capacity was awarded.

1 Bids for transportation capacity on the Parkway Extension Project were not awarded as  
2 Union did not receive enough interest to support the Parkway Extension Project. As a result,  
3 Union is no longer pursuing the Parkway Extension Project. Union bid into the concurrent  
4 TCPL open season to provide Parkway to the Union EDA and Parkway to the Union NDA  
5 capacity for Union North customers, which will support the TCPL Mainline expansion  
6 through the Parkway to Maple corridor for November 2015 (further detail on these contracts  
7 can be found at Section 11).

8 Based on available Dawn to Parkway System capacity, incremental facilities will be required  
9 to meet the long-term market demand expressed in the Open Season for Dawn to Parkway  
10 transportation. Union also held a reverse open season.

#### 11 *Reverse Open Season*

12 Under STAR, Section 2.2.1 (iii), Union is required to conduct a reverse open season in order  
13 to ensure efficient expansion of the Dawn-Parkway System. All firm M12 transportation  
14 contract holders on the Dawn-Parkway System received a reverse open season letter by e-  
15 mail on May 18, 2012 requesting that they confirm their interest in maintaining their current  
16 firm M12 transportation contracts. The reverse open season letter was also posted on  
17 Union's web-site. A copy of the reverse open season letter is provided as Schedule 7-3.

18 Union conducted the reverse open season from May 18, 2012 through June 4, 2012 and  
19 solicited turn back of Dawn to Parkway and Dawn to Kirkwall capacity starting November 1,  
20 2014 and/or November 1, 2015. Only three firm M12 transportation holders provided a  
21 request to turn back capacity. All turn back requests are conditional upon Union executing

contracts for new capacity with all conditions within those new transportation contracts being satisfied or waived.

Each shipper and Union agreed to the turn back of Dawn-Parkway System capacity effective on October 31, 2014, as listed below in Figure 7-3. The National Fuel Gas turn back is conditional upon National Fuel Gas management approval.

Figure 7-3

<u>Shipper</u>	<u>Path</u>	<u>Turn back Capacity (GJ/d)</u>
Greenfield Ethanol	Dawn to Parkway	2,000
BP Canada Energy Group	Dawn to Parkway	20,000
National Fuel Gas	Dawn to Kirkwall	26,695
<b>Total</b>		<b>48,695</b>

The turn back received in the reverse open season will be used to reduce the requirements for incremental Dawn-Parkway System facilities. The reverse open season bids will be awarded once all shipper and Union conditions precedent have been waived or satisfied in binding transportation agreements, with the exception of Union placing the facilities into service.

# ***Binding Contracts for Dawn to Parkway Capacity***

Union has moved to execution of binding contracts with Enbridge, Gaz Métro and Vermont Gas as listed in Figure 7-4 below.

**Figure 7-4**

<u>Shipper</u>	<u>Start Date</u>	<u>Term (years)</u>	<u>Path</u>	<u>Awarded Quantity (GJ/d)</u>
Vermont Gas	01-Nov-2014	10	Dawn to Parkway	8,100
Enbridge	01-Nov-2015	10	Dawn to Parkway	400,000
Gaz Métro	01-Nov-2015	10	Dawn to Parkway	257,784
Union Gas	01-Nov-2015	N/A	Dawn to Parkway	<u>70,157</u>
<b>Total</b>				<b>736,041</b>

The Open Season requested that binding transportation contracts be executed, including precedent agreements and financial backstopping agreements, thirty days after the close of the Open Season. This date was extended in order to allow parties to negotiate related downstream transportation agreements concurrently. Union now has binding transportation agreements with Enbridge, Gaz Métro and Vermont Gas subject to conditions precedent.

## ***Related Projects***

In addition to their new Dawn to Parkway System capacity, Enbridge, Gaz Métro and Union require downstream transportation to reach the intended market area.

1 Gaz Métro and Union require transportation on the TCPL Mainline, downstream of Parkway,  
2 to move 367,784 GJ/d of natural gas (257,784 GJ/d and 110,000 GJ/d respectively) to the  
3 intended markets. Therefore, the Gaz Métro and Union Dawn to Parkway capacity is  
4 dependent upon a further TCPL Eastern Canadian Mainline Expansion for November 1,  
5 2015, which TCPL is committed to pursue.

6 According to information submitted by TCPL in EB-2011-0210, the TCPL open season held  
7 concurrently with the Union Open Season resulted in TCPL receiving bids for service in  
8 excess of 0.5 PJ/d (EB-2011-0210, Exhibit K9.4, Union-TCPL 3). Union entered into this  
9 TCPL open season for transportation starting November 1, 2014 to support natural gas  
10 deliveries to Union North. Union expects that TCPL will expand capacity between Parkway  
11 and Maple to serve this incremental interest. In September 2012, Union was informed by  
12 TCPL that the incremental capacity to serve the TCPL open season bids would not be  
13 available for November 1, 2014 as provided in the TCPL open season. TCPL informed open  
14 season participants that this incremental capacity would be available November 1, 2015.

15 The Enbridge Dawn to Parkway capacity is dependent upon completion of its proposed GTA  
16 Project to reach the intended delivery area within its GTA pipeline system. In its February  
17 12, 2013 correspondence with the Board, Enbridge indicated that it has redesigned its  
18 proposed GTA Project and will:

- 19 1) connect to TCPL at a point approximately five kilometers downstream of  
20 Parkway;

- 1           2)     share usage of the segment from the TCPL connection point to Enbridge's Albion  
2                 Road Station with TCPL; and
- 3           3)     will increase the pipe size in that segment from NPS36 to NPS42.

4     Enbridge proposes that the GTA Project will be in-service by November 1, 2015.

5     As a result of the timing of the related projects, Union allowed shippers who were awarded  
6     capacity in its Open Season to adjust the starting date of the contract term to November 1,  
7     2015. Union will inform respondents to the reverse open season that the turn back requested  
8     will be fulfilled, subject to the conditions, starting November 1, 2015.

9     Clearly, the expansion to provide new capacity downstream of Parkway remains critical for  
10    Ontario, Québec and U.S. Northeast consumers to access: the liquidity and diversity of  
11    competitively priced supply of the Dawn Hub; the flexible storage services available at the  
12    Dawn Hub; and new, cost-competitive supply from the nearby Marcellus and Utica shale  
13    formations.

14    *Enbridge Capacity*

15    Enbridge has executed contracts with Union for 400,000 GJ/d of Dawn to Parkway  
16    transportation capacity starting November 1, 2015. This incremental transportation capacity  
17    is in addition to approximately (2.15 PJ/d) of Dawn to Parkway transportation capacity and  
18    approximately 68,000 GJ/d of Dawn to Kirkwall transportation capacity currently contracted  
19    with Union.

1 Enbridge has executed an M12 transportation contract, a precedent agreement and a financial  
2 backstopping agreement. Enbridge has waived or satisfied all conditions precedent with the  
3 exception of government and regulatory approvals. These conditions precedent are required  
4 to be satisfied before September 30, 2013.

5 Enbridge is the largest shipper on the Dawn-Parkway System which links the Enbridge  
6 delivery area to Dawn and its storage at the Tecumseh facilities near Sarnia, Ontario.

7 Enbridge currently holds a 1.7 PJ/d Dawn to Parkway transportation contract as part of their  
8 Dawn-Parkway System transportation portfolio which represents approximately 25% of the  
9 total Dawn-Parkway transportation capacity. The primary term of that contract expires  
10 March 31, 2014. Union and Enbridge have negotiated an extension of the primary term to  
11 October 31, 2022 and increased the termination notice period from the standard two years to  
12 five years.

13 In addition to the new Dawn to Parkway transportation capacity of 400,000 GJ/d from Union,  
14 Enbridge has also requested a shift of 400,000 GJ/d of Dawn to Parkway capacity from a  
15 delivery point on the suction side of Parkway (i.e. at prevailing line pressure) to a delivery  
16 point on the discharge side (i.e. flows through compression). The total 800,000 GJ/d will  
17 flow through Parkway on the TCPL Mainline to the interconnection of the proposed GTA  
18 Project with the TCPL Mainline, driving an increase in horsepower required at Parkway.

#### 19 *Gaz Métro Capacity*

20 Gaz Métro has executed contracts with Union for 257,784 GJ/d of Dawn to Parkway  
21 transportation capacity starting November 1, 2015. This incremental transportation capacity

1 is in addition to 285,000 GJ/d of Dawn to Parkway transportation capacity currently  
2 contracted with Union. As previously noted, Gaz Métro requires incremental transportation  
3 capacity on the TCPL Mainline east of Parkway to alleviate the current capacity constraint  
4 between Parkway and Maple on the TCPL Mainline to facilitate its intended markets.

5 Gaz Métro has executed an M12 transportation contract, a precedent agreement and a  
6 financial backstopping agreement. As stated earlier, Gaz Métro has received Régie approval  
7 of this Dawn Hub commitment and has waived or satisfied all conditions precedent.

8 *Vermont Gas Capacity*

9 Vermont Gas has executed contracts with Union for 8,100 GJ/d of Dawn to Parkway  
10 transportation capacity starting November 1, 2014. This incremental transportation capacity  
11 is in addition to 20,500 GJ/d of Dawn to Parkway transportation capacity currently held by  
12 Vermont Gas, representing a 40% increase in their Dawn to Parkway transportation capacity.  
13 This transportation capacity will provide Vermont Gas with increased access to the liquidity  
14 and supply diversity of the Dawn Hub. Vermont Gas does not require incremental  
15 downstream transportation on the TCPL Mainline to complement this new Dawn to Parkway  
16 System capacity.

17 Vermont Gas has executed an M12 transportation contract, a precedent agreement and a  
18 financial backstopping agreement. All shipper conditions precedent have been satisfied.

19



1     *Union Capacity*

2     Union will require incremental Dawn to Parkway System capacity for 70,157 GJ/d to serve  
3     Union North. This requirement is described further in Section 11. As previously noted,  
4     Union requires transportation service on TCPL, including Parkway to Union NDA and  
5     Parkway to Union EDA, to alleviate the capacity constraint on the TCPL Mainline between  
6     Parkway and Maple to facilitate serving its intended markets. Union is applying for pre-  
7     approval from the Board for these contracts.

8     *Long Term Expectations for Dawn-Parkway System*

9     Although Union expects future growth opportunities on the Dawn-Parkway System, Union is  
10    also faced with trying to manage significant turn back risk. Turn back risk exists on both the  
11    Dawn to Parkway and Dawn to Kirkwall paths, where parties who currently hold service  
12    contracts may not renew those contracts at the end of their term. This turn back risk was  
13    discussed in EB-2011-0210<sup>3</sup>. The greatest risk of turn back begins in 2016 and represents  
14    the capacity held by certain U.S. Northeast utilities. As Union receives notice of that turn  
15    back capacity, it will attempt to re-sell the capacity to other customers. Union's ability to re-  
16    sell or re-purpose turn back capacity will depend on the market conditions at the time, and in  
17    some cases, may rely on other third parties, such as TCPL, expanding their system. In the  
18    event that Union is unable to fully mitigate this risk, it may apply to the OEB for a deferral  
19    account to capture the lost revenue as a result of turn back for the cost of the unused capacity.

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<sup>3</sup> Exhibit A, Tab 2, Schedule 1, pp. 11-12, Exhibit C1, Tab 3, p. 6, Schedules 1-5  
Interrogatories: J.B-1-7-7, J.B-1-13-4, J.C-4-2-1

# TAB 9

1                                   **SECTION 9**

2                                   **PROJECT COSTS, ECONOMICS AND BENEFITS**

3    *Project Costs*

4    Union is proposing to construct the following facilities at a total cost of \$204 million:

- 5           1)     The proposed Brantford-Kirkwall pipeline at an estimated capital cost of \$96  
6                   million (see Schedule 9-1).
- 7           2)     Proposed Parkway D Compressor Station at an estimated capital cost of \$108  
8                   million (see Schedule 9-2).

9    The amounts shown in Schedules 9-1 and 9-2 cover all costs related to materials, construction  
10   and labour, environmental protection measures, contingencies, and interest during construction  
11   ("IDC") of the Brantford-Kirkwall/Parkway D Project. The Proposed Parkway D Compressor  
12   station also includes the costs related to measurement and new associated facilities.

13   *Project Economics*

14           *Economic Feasibility Tests*

15   Union employs a three-stage analysis to assess the economic feasibility of projects in accordance  
16   with OEB recommendations from the E.B.O. 134 Report on System Expansion. This  
17   methodology is consistent with Union's past Trafalgar facilities applications.

18   Stage 1 consists of a discounted cash flow ("DCF") analysis specific to Union. All incremental  
19   cash inflows and outflows resulting from a project are identified. The net present value ("NPV")  
20   of the cash inflows is divided by the NPV of the cash outflows to arrive at a profitability index

1 (“PI”). If the NPV of the cash inflows is equal to or greater than the NPV of the cash outflows,  
2 the PI is equal to or greater than one and a project is considered economic based on current  
3 approved rates.

4 If a project NPV is less than \$0 or the PI is less than 1.0, a Stage 2 benefit/cost analysis may be  
5 undertaken in order to quantify benefits and costs accruing to Union’s customers as a result of  
6 the Project. The NPV of quantified benefits to customers resulting from a project is added to a  
7 project NPV from Stage 1 and then discounted at a social discount rate in order to calculate the  
8 direct net benefit of a project to Union’s customers. A project is considered to be in the public  
9 interest if the net benefit is greater than \$0.

10 The Stage 3 analysis considers other quantifiable benefits and costs related to the construction of  
11 the proposed facilities that are not included in the Stage 2 analysis, and other non-quantifiable  
12 public interest considerations.

13 In addition to these three stages, the Board recently issued a new requirement to the Filing  
14 Guidelines on the Economic Tests for Transmission Pipeline Applications with respect to EBO  
15 134 (EB-2012-0092). This new requirement is as follows:

16 “Any project brought before the Board for approval should be supported by an  
17 assessment of the potential impacts of the proposed natural gas pipeline(s) on the existing  
18 transportation pipeline infrastructure in Ontario, including an assessment of the impacts  
19 on Ontario consumers in terms of cost, rates, reliability and access to supplies.”

20 These impacts have been addressed throughout this application. Figure 9-1 summarizes the  
21 impacts and provides references where more detailed analysis can be found.

Figure 9-1

## Assessment of Potential Impacts

Entity Impacted		Summary of Impact	Reference
Existing Infrastructure	Union	Union's proposal is to construct the NPS48 Brantford-Kirkwall pipeline section and additional compression facilities at Parkway West Compressor Station.	The facilities are described in Section 8 and Section 12.
	Enbridge	Construction of the Brantford - Kirkwall/Parkway D project is required to support Enbridge's proposed GTA Project and vice versa. Union's proposed Project does not impact Enbridge's existing infrastructure.	Section 7
	TCPL	Completion of the Brantford-Kirkwall/Parkway D Project is required to support expansion of the TCPL Mainline between Parkway and Maple and vice versa. In addition to generating more flow on the Parkway to Maple path, this project will also result in reduced long haul flow on the TCPL mainline.	Section 7
Impacts to Ontario consumers	Costs and Rates	<p>The cost of this project is \$204 million.</p> <p>Conversion of long haul contracts for the Union NDA and Union EDA will result in natural gas cost savings for Union's customers of \$18 million to \$28 million annually.</p> <p>The combined impact of this project and the conversion of long haul contracts is discussed in Section 10 and 11.</p> <p>Union is not in a position to evaluate the possible related effects of this Project on costs and rates for other Ontario energy consumers. However, Union does note that in Enbridge's proposed GTA project natural gas costs savings of \$511.1 million from 2015-2025 were identified. (EBO 2012-0451, Exhibit A, tab 3, Schedule 5, page 19, par. 42).</p>	<p>Section 10</p> <p>Section 11</p>
	Reliability and Access to Supplies	This Project supports conversion of WCSB long haul supplies to Dawn for Union and for Enbridge. The conversion of these supplies to Dawn reflects changes in the North American natural gas markets and provides greater reliability and diversity of supply over the long term. Enbridge noted in their GTA Project evidence that purchasing gas supply closer to market provides for more secure gas delivery.	<p>Section 4,</p> <p>Section 5</p>

Stage 1 – Project Specific Discounted Cash Flow (DCF) Analysis

Stage 1 economics were completed for the proposed facilities including both the Proposed Pipeline looping and the Proposed Parkway D Compressor. 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.

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. Operating and maintenance expenses and taxes are deducted from incremental revenues/cost savings benefits to arrive at net incremental cash inflows.

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.

Schedule 9-4 shows the calculation of the incremental M12 transportation revenues included in the DCF analysis based on current rates approved per EB-2011-0210. The gas supply cost savings associated with the Contracts are provided in Section 11, Figure 11-7 (\$28.2 million).

1 Incremental cash outflows include the cost of the Proposed Pipeline facilities as shown in  
2 Schedule 9-1 and the proposed compression facilities shown in Schedule 9-2. The capital costs  
3 exclude general overheads, which would be incurred whether or not the Project proceeds.  
4 Interest during construction is included for capital costs incurred prior to the in-service date of  
5 November 1, 2015.

6 All cash flows are discounted using Union's after tax incremental weighted average cost of  
7 capital. The average cost of capital is the weighted average of the expected incremental cost of  
8 each of the components of the capital structure in the same proportions as approved in Union's  
9 EB-2011-0210 rate application.

10 The Project economics have been evaluated over a 30-year period. These Project economics are  
11 conservative given that Union maintains its pipeline system in a manner that the actual life is  
12 much longer than 30 years.

13 A summary of the key input parameters used in the economic analysis are shown on Schedule 9-  
14 5.

15 Stage 2 – Benefit/Cost Analysis

16 A Stage 2 analysis may be undertaken when the Stage 1 NPV is less than zero. This analysis  
17 was not completed in this case because the Stage 1 NPV is positive. Stage 2 under the sensitivity  
18 analysis (Schedule 9-3B project excluding gas cost savings) was not completed because under  
19 that scenario the proposed facilities would be used to serve Union's ex-franchise customers only.

1 Energy cost savings are also available to other customers in Ontario that will be served as a  
2 result of additional transportation services on Union's Dawn-Parkway system. Enbridge has  
3 estimated in their GTA project filing that savings will be approximately \$51 million per year.  
4 These customers select transportation services on Union's system based on their own assessment  
5 of the most economical way to meet increases in energy requirements. This is described in  
6 Section 4 of the evidence.

7 Stage 3 – Other Public Interest Considerations

8 There are a number of other public interest factors for consideration as a result of the addition of  
9 the proposed facilities that are not readily quantifiable, such as security of supply, contribution to  
10 a competitive market and environmental benefits.

11 Enhanced Security

12 As Union adds additional pipeline sections on the Dawn-Parkway System, security, reliability  
13 and diversity of supply for all customers will be enhanced. The proposed facilities improve the  
14 diversity of supply to all customers by enabling the movement of additional natural gas supplies  
15 away from Dawn. The Brantford-Kirkwall section of the Dawn-Parkway system is the only  
16 section without an NPS48 pipeline therefore this Project will provide additional security to the  
17 system. The proposed facilities provide all customers with enhanced access to alternative  
18 sources of supply in the event of insufficient capacity or disruptions to other pipeline systems.  
19 When approving previous expansions of the Dawn-Parkway System, the Board has consistently  
20 recognized these benefits.

21 Competitive Market Impacts



1 Construction of the proposed facilities will enhance and improve the competitive market. As  
2 capacity away from Dawn increases, including downstream of Parkway, trading activity at the  
3 Dawn Hub increases, which results in increased price diversity, liquidity and competitiveness.  
4 All natural gas customers benefit from increased access to competitively priced gas supply.

5 Environmental Effects

6 Natural gas, because of its clean-burning properties, has an increasingly important role to play in  
7 reducing the environmental impacts of energy use. The use of natural gas, either with or in place  
8 of other fossil fuels, in residential, commercial, industrial and transportation applications reduces  
9 the environmental impact in two key areas. First, the process is frequently more efficient thereby  
10 reducing total energy use. Secondly, natural gas pollutant release per unit of energy is less than  
11 other fossil fuels.

12 Employment

13 The construction of this Project will result in additional direct and indirect employment. There  
14 will be additional employment of persons directly involved in the construction of the Project. In  
15 addition there is a trickledown effect on employment.

16

1        Utility Taxes

2        A decision to proceed with this Project will result in Union paying taxes directly to various levels  
3        of government. These taxes include income and municipal taxes paid by Union as a direct result  
4        of the Project and are included as costs in the Stage 1 analysis. These taxes are not true  
5        economic costs of the Project since they represent transfer payments within the economy that are  
6        available for redistribution by the federal, provincial and municipal governments.

7        Employer Health Taxes

8        The additional employment that will result from the construction of this Project will generate  
9        additional employer health tax payments to aid in covering the cost of providing health services  
10       in Ontario.

11       *Additional Project Benefits*

12       The proposed facilities deliver many benefits to Union's customers, Ontario, and energy  
13       consumers in Québec and the U.S. Northeast.

- 14           1)       Expansion is required - The expansion of Union's Dawn-Parkway System is  
15                       required to meet incremental demand for Union North and ex-franchise  
16                       customers. Through their incremental capacity, Enbridge and Gaz Métro have  
17                       increased their long term commitments to the Dawn Hub and Union's Dawn-  
18                       Parkway System. A Dawn-Parkway System that remains as fully contracted as  
19                       possible benefits both in-franchise and ex-franchise customers.

- 1           2)       Cost benefits for Union South and Union North - Allocating the costs of the  
2                   proposed facilities using the Board-approved allocation of Dawn to Parkway  
3                   costs, adjusted to include the increase in Union North and M12 demands, results  
4                   in a cost reduction of approximately \$1.7 million for Union South in-franchise  
5                   rate classes. For Union North in-franchise rate classes, there is a cost increase of  
6                   approximately \$1.6 million associated with the proposed facilities. However, for  
7                   Union North sales service and bundled direct purchase customers in all zones the  
8                   cost increases resulting for the proposed facilities are more than offset by the \$18  
9                   million to \$28 million in gas cost savings that are expected to accrue to these  
10                  customers as a result of Union's long-term TCPL contracting proposal.
- 11          3)       Enbridge and Gaz Métro customers benefit - Enbridge and Gaz Métro's  
12                   customers will also benefit from the competitive supplies available at Dawn  
13                   delivered in part by the proposed expansion facilities of the Project. Annual  
14                   savings are estimated to be up to \$51 million and \$120 million, respectively.  
15                   Combined with the estimated gas cost savings of up to \$28 million for Union  
16                   North customers, results in savings for Ontario and Québec energy consumers of  
17                   approximately \$200 million per year, or \$2.0 billion between 2015 and 2025.  
18                   These savings are also contingent upon the completion of Enbridge's GTA project  
19                   and TCPL's Eastern Canadian Mainline Expansion in 2015.
- 20
- 21          4)       Diversity and security of supply – Gaining access to Dawn provides customers in  
22                   Union North, Enbridge's franchise, Québec and the U.S. Northeast long-term

1 access to multiple supply basins. This diversity supports competitively priced  
2 choices for customers, while at the same time ensuring secure sources of supply  
3 over the long term.

4 5) Long-term growth and rate stability - Continued growth on the Dawn-Parkway  
5 System is critical for managing long-term usage of existing assets resulting in  
6 more predictable and stable rates in the future. Union expects future turn back on  
7 the Dawn-Parkway System, especially for the Dawn to Kirkwall path. It is in the  
8 best interest of ratepayers if the Dawn to Kirkwall capacity that is turned back can  
9 be re-purposed or re-sold, mitigating rate increases to all rate classes. Building  
10 the Proposed Parkway D Compressor allows for the opportunity to re-sell or re-  
11 purpose turned back Dawn to Kirkwall capacity as Dawn to Parkway  
12 transportation. The ability to do so will continue to be contingent upon other  
13 factors, such as market need, expansion through the Parkway to Maple corridor,  
14 regulatory frameworks, and tolls. It is certain, however, that a prerequisite to  
15 managing any or all of these factors is the expansion of Union's Dawn-Parkway  
16 System as proposed.

17 6) Continued growth of the Dawn Hub - Continued expansion on the Dawn-  
18 Parkway System is driven by, and will drive, a robust Dawn Hub. The gas cost  
19 savings noted above for Union, Ontario, and Québec energy consumers are a  
20 direct result of the ability to access supplies coming into, or stored at, Dawn.  
21 Being connected, either directly or indirectly, to most North American supply  
22 basins allows for a deep, liquid, and competitive market at Dawn. This depth

1 offers Union's customers, and customer downstream of Parkway, security and  
2 diversity of supply at great cost effectiveness.

3 The expansion proposed by the Project will continue to ensure growth of the  
4 Dawn Hub. Increased transportation capacity to take natural gas away from  
5 Dawn will encourage more market participants to bring gas into or transact at  
6 Dawn. Increased market participants contribute to the liquidity and depth of the  
7 market at Dawn, which benefits customers and Ontario over the long term.

8

**TAB 10**

## PRE-APPROVAL OF THE COST CONSEQUENCES OF TWO LONG-TERM TRANSPORTATION CONTRACTS

The purpose of this evidence is to request pre-approval of the cost consequences of two long-term transportation contracts in accordance with the Filing Guidelines for Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts (the “Guidelines”), issued by the Board in EB 2008-0280.

In May, 2012, Union entered a TCPL open season for two new short haul firm TCPL transportation contracts (the “Contracts”) from Union Parkway Belt to the Union Northern Delivery Area and from Union Parkway Belt to the Union Eastern Delivery Area. The volume of these two contracts totals 110,000 GJ/d and will commence November 1, 2015. This capacity, when combined with additional Union Dawn to Parkway transportation capacity of approximately 70,000 GJ/d, will allow Dawn sourced gas to be delivered to the benefit of Union North sales service and bundled direct purchase customers.

The demand charges associated with the Contracts over the 10 year term are in excess of \$110 million. The size of Union's financial commitment is part of the rationale for seeking pre-approval of the cost consequences from the Board.

These new contracts will deliver benefits for Union's customers by responding to changes in the North American gas market. The annual gas cost savings to Union North sales service and bundled direct purchase customers are \$18 million to \$28 million. Natural gas plays a significant

1 and growing role in meeting the energy needs of Ontario. From heating homes and businesses,  
2 fueling manufacturing to generating electricity, having access to abundant, reliable and  
3 economically priced natural gas is key to maintaining a competitive economy in Ontario.

4 As discussed in Section 4, gas supply in North America is undergoing fundamental change.  
5 Traditional supply basins like the WCSB are expected to continue to decline while the shale  
6 supply basins, like the Marcellus, continue to grow. This trend has created a shift in the  
7 traditional flows of natural gas in North America and has resulted in movement away from long  
8 haul transportation towards short haul transportation.

9 Union is proactively responding to the changing North American natural gas supply dynamics  
10 and the needs of its customers by making fundamental changes in its portfolio. Union applies its  
11 long-standing gas supply planning principles, ensuring a reliable, secure supply for its customers  
12 at a reasonable cost. The Contracts will result in projected gas cost savings of \$18 million to \$28  
13 million per year for Union North customers based on proposed 2013 TCPL tolls and approved  
14 2012 TCPL tolls, respectively. As detailed in Section 11.5, Union has also assessed the potential  
15 long haul de-contracting impact on TCPL, and, while the gas cost savings are decreased slightly  
16 as a result of de-contracting, the overall benefit remains significant.

### 17 *The Guidelines*

18 In EB-2008-0280, the Board issued the Guidelines for the pre-approval of long term natural gas  
19 supply and/or upstream transportation contracts. The Guidelines establish the pre-approval  
20 process for long term contracts that support development of new natural gas infrastructure to  
21 connect to new supplies. New infrastructure was defined as new greenfield pipeline facilities to



1 access new natural gas supply sources. Further the Guidelines refer only to the pre-approval of  
2 the cost consequences of contracts, where the cost consequences are material and need to be  
3 committed well in advance of the date on which gas will flow. The process is not a requirement,  
4 and is not to be used for the normal day to day or “business as usual” contracting of the utility.

5 The Guidelines set out the information requirements that an applicant must file when seeking  
6 pre-approval. These information requirements include the contract parameters (as well as the  
7 contract itself), the needs, costs, and benefits. The Guidelines also require the applicant to  
8 address contract diversity within the transportation portfolio, provide a risk assessment and  
9 identify any other relevant considerations.

10 In EB-2010-0300, the Board considered a request by Union for pre-approval of a TCPL Niagara  
11 to Kirkwall contract. This contract was for a volume commitment of 21,101 GJ/d for a 10 year  
12 term commencing November 1, 2012.

13 In its Decision, the Board denied pre-approval of the Niagara to Kirkwall contract, the Board  
14 commented on the importance of evidence pertaining to security of supply and supply portfolio  
15 diversity, and the relationship between the contracts at issue and supporting infrastructure.

16 Natural gas utilities/LDC’s play a key role in developing new natural gas infrastructure. Large  
17 natural gas pipeline infrastructure investments require long term commitments to ensure their  
18 viability. LDC’s have a proven track record of supporting such projects due to their credit  
19 worthiness.

20 The Board acknowledged the role played by LDC’s in the development of natural gas  
21 infrastructure. In EB-2010-0300 the Board stated:

1 "It is the Board's view that its process for the pre-approval of the costs consequences of  
2 long-term transportation or supply contracts was intended to serve a very specific role in  
3 the development of natural gas infrastructure in the interests of Ontario consumers.  
4 Adoption of the process was recognition by the Board that as a matter of commercial  
5 reality the developers of natural gas infrastructure must in some circumstances require  
6 long-term commitments to support large infrastructure investments. With such assurances  
7 in hand the developer can proceed with the project with confidence and can secure  
8 financing on the strength of such commitments.

9 The Board recognized that the enrolment of regulated utilities for such long term  
10 arrangements would be a necessary and desirable element in new infrastructure  
11 development. It considered that in order to facilitate such developments it was reasonable  
12 to make provision for an extraordinary process wherein the costs consequences of such  
13 long term arrangements could be pre-approved. This was so because regulated utilities  
14 whose sourcing decisions are typically and conventionally subject to ex post facto  
15 prudence review would be reluctant or unwilling to accept very significant long-term  
16 commitments without assurances of costs recovery. The result would be a frustration of  
17 demonstrably needed new natural gas infrastructure."

18 *The Guidelines Apply to this Application*

19 Union has reviewed the EB-2010-0300 Decision and it is Union's view that the Guidelines apply  
20 to the Contracts. There are significant benefits to Union North ratepayers arising from the  
21 Contracts. The Contracts do not represent "business as usual" contracting in Union's portfolio.  
22 Union acknowledges the new Contracts are primarily related to the expansion of existing

1 pipeline infrastructure and not a new greenfield pipeline. However, the significant infrastructure  
2 planned by TCPL, Enbridge and Union along the path (estimated to be \$600 million to \$700  
3 million), along with the long term contractual transportation commitment, reflect a fundamental  
4 change in how the Union North operating area will be served. There is no other forum for the  
5 Board to review the prudence of this fundamental change to the Union North gas supply  
6 portfolio prior to a long-term contractual commitment being made.

7 Specifically, the Guidelines apply because:

8 (a) The Contracts provide access to new supply basins for Union North. Today, Union  
9 North is predominantly supplied by the WCSB via long haul TCPL transportation.  
10 The Contracts, together with the proposed Union facilities and those to be built by  
11 TCPL and Enbridge, will provide access to Dawn and the diverse supply basins that  
12 are connected to Dawn. This represents a fundamental shift in how Union North is  
13 served.

14 (b) There are significant economic benefits of \$18 million to \$28 million per year to  
15 customers as a result of these changes in the Union North portfolio.

16 (c) These Contracts represent significant volume and cost commitments by Union  
17 (110,000 GJ/d of transportation capacity for 10 years). The total cost commitment  
18 exceeds \$110 million.

19 (d) The capacity associated with these Contracts represents a sizeable portion of the  
20 capacity underpinning the significant infrastructure investments by TCPL, Enbridge  
21 and Union along the path of approximately \$600 million to \$700 million. Although

1 not a new greenfield pipeline, these investments are significant and will create new  
2 opportunities for gas to flow in response to changes in the North American gas supply  
3 dynamics providing access to new sources of supply for Union North customers that  
4 would not otherwise be accessible.

5 (e) The gas cost savings for Union North customers as a result of these Contracts will  
6 only materialize with the approval of the Brantford - Kirkwall/Parkway D project and  
7 the approval and construction of the related facilities by Enbridge and TCPL.  
8 Addressing the approval of the long term Contracts and the facilities in a single  
9 application is appropriate and efficient.

10 The evidence in support of this request for pre-approval is organized as follows:

- 11 1. Union Gas Upstream Transportation Portfolio for Union South and Union North
- 12 2. TCPL Contracting Process and Implications for Union's System
- 13 3. Infrastructure Investment
- 14 4. Rationale for the Contracts (Benefits and Risk Assessment)
  - 15 a) Enhanced Security of Supply
  - 16 b) Diversity of Supply
  - 17 c) Economic Benefits
  - 18 d) Risks and Mitigation Measures

5. Impact of Union's Contract changes on TCPL tolls and Union Customers

6. Cost Allocation, Rate Design, and Rate Impacts

7. Summary

**1. Union Gas Upstream Transportation Portfolio for Union South and Union North**

For gas supply planning purposes, Union is divided into two separate operating areas: Union South and Union North. As discussed below, Union South is served using a diversified supply portfolio, while Union North is served almost exclusively using WCSB supplies at Empress via TCPL long haul transportation.

**Union South**

Union South includes customers located west of Mississauga and south of Georgian Bay (Windsor/Chatham, London/Sarnia, Waterloo/Brantford and Hamilton/Halton Districts). Today, the Union South gas supply portfolio relies on the WCSB for less than 40% of its annual supply needs.

To serve Union South, Union contracts for capacity on multiple upstream pipelines to access several supply basins or market hubs. These upstream pipelines provide access to supplies in Western Canada, Gulf of Mexico, Chicago, the U.S. mid-continent and the Marcellus shale basin. Union may also serve Union South by purchasing supply at Dawn.

Effective November 1, 2012, Union increased the diversity of the transportation portfolio serving Union South by contracting on TCPL to move supply from Niagara to Union's interconnect at Kirkwall. This contract provides Union access to gas from the Marcellus shale formation. The

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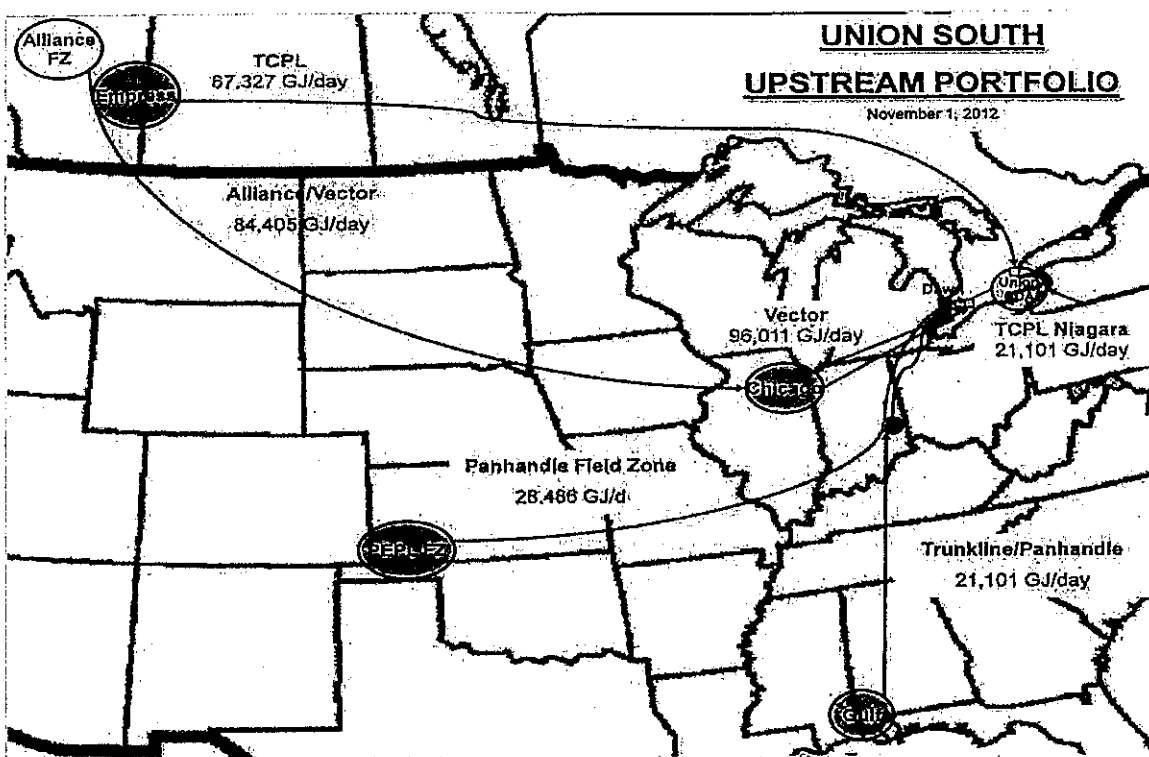
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portfolio of supply and transportation assets provides diversity and reduces the exposure to price volatility for Union South customers. The diversity of the portfolio for Union South is shown below in Figure 11-1.

Figure 11-1



### Union North

Union North is located throughout Northern and Eastern Ontario, from the Manitoba border in the west, to Cornwall in the east. Union North is further divided into six delivery areas for gas supply planning purposes. Five of the delivery areas align with delivery areas on the TCPL Mainline. Union's Manitoba Delivery Area is connected to the TCPL Mainline at the Spruce interconnect and the Centra MDA by two additional pipelines.

From West (Manitoba border) to East (Cornwall) the delivery areas are:

(a) Manitoba Delivery Area ("MDA")

(b) Union Western Delivery Area ("Union WDA")

(c) Union Northern Delivery Area ("Union NDA")

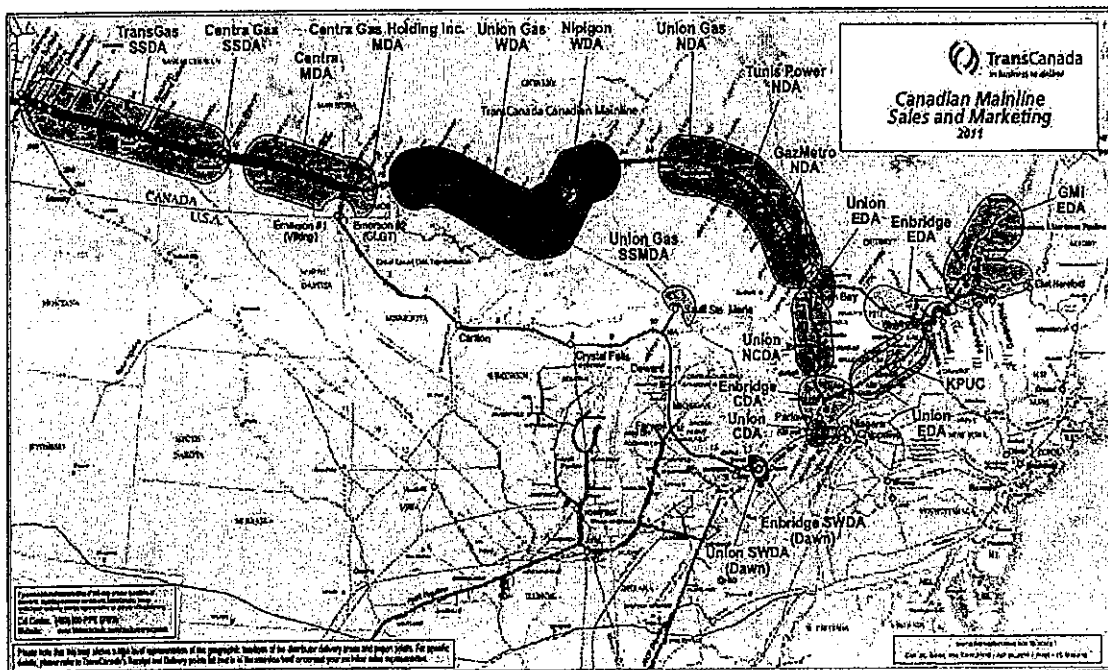
(d) Union Sault Ste. Marie Delivery Area ("Union SSMDA")

(e) Union North Central Delivery Area ("Union NCDA")

(f) Union Eastern Delivery Area ("Union EDA")

A map of these delivery areas is provided as Figure 11-2 below.

Figure 11-2



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1 All of the customers in Union North are served directly from TCPL interconnects and the vast  
2 majority are served almost exclusively from the WCSB. As is shown in Figure 11-3 below,  
3 Union utilizes a portfolio of contracted firm assets including TCPL long haul firm transportation,  
4 TCPL short haul firm transportation and TCPL Storage Transportation Service ("STS") firm  
5 service to meet the needs of Union North.

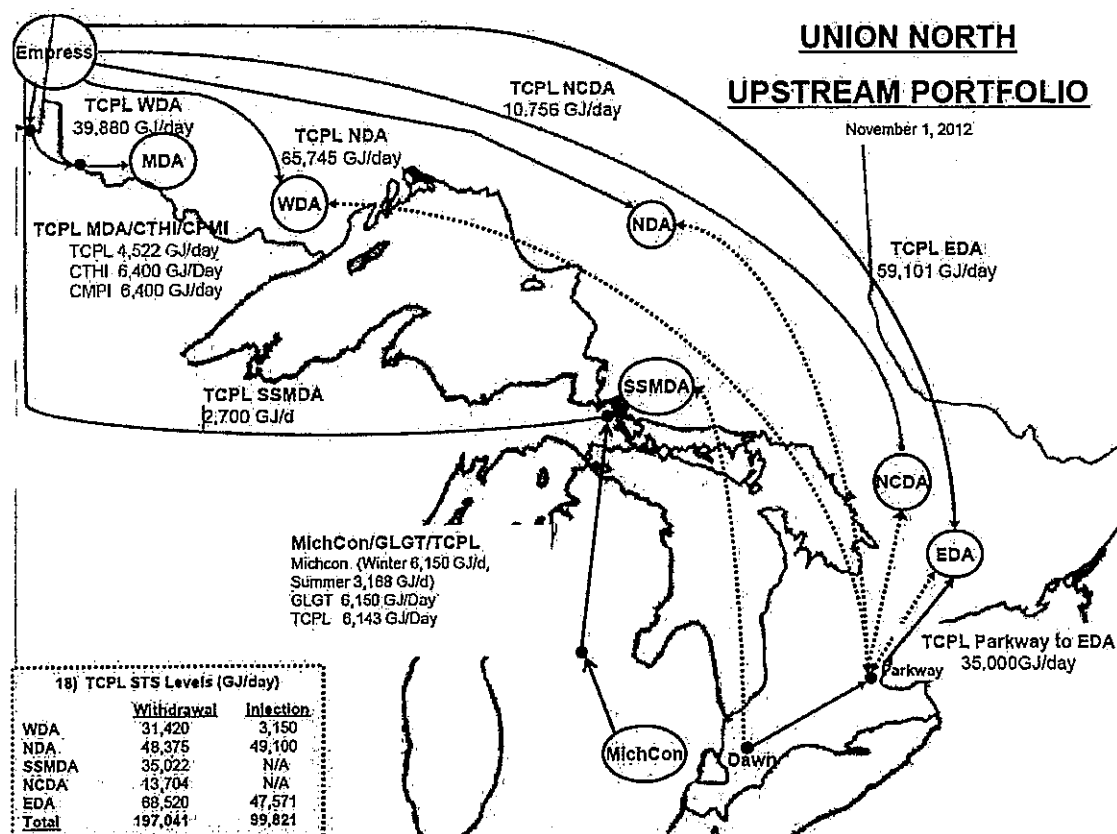
6 STS is only available to TCPL long haul firm shippers. The use of STS allows Union North  
7 customers to access storage at Dawn, reducing the amount of long haul capacity that would  
8 otherwise be required. STS injections allow for excess gas landing in a delivery area, on a given  
9 day, to move to Dawn or Parkway. At Parkway, Union can transport gas to storage on the Dawn-  
10 Parkway System. STS withdrawals allow gas to be withdrawn from storage and transported to  
11 Parkway using the Dawn-Parkway System and then using the TCPL system, transported to the

12



1 delivery areas in Union North where gas is required.

2 **Figure 11-3**



3  
 4 As shown above, Union's North portfolio is primarily dependent on WCSB supply at Empress.  
 5 In 2011, Union took the first step toward achieving supply diversity in Union North by  
 6 contracting for firm transportation on the GLGT system from Michigan to the Union SSMDA.  
 7 This gas is sourced in Michigan on the MichCon system and transported to the Union SSMDA  
 8 via GLGT and TCPL. This new supply source has reduced the cost of gas for Union North  
 9 customers, reduced potential transportation toll volatility and enhanced reliability and security of  
 10 supply. These contracts were identified by Union in EB-2011-0210 (2013 Rebasing proceeding),  
 11 and EB-2012-0087 (2011 Deferral and Earnings Sharing proceeding). As a result, Union North

1 contracted capacity is now approximately 95% from the WCSB and 5% from Michigan. Union  
2 did not seek pre-approval of these contracts due to the relatively small volume and the fact that  
3 no new infrastructure was required.

4 By increasing the level of diversity in Union North, Union has enhanced security of supply by  
5 reducing supply from the WCSB and the corresponding TCPL long haul transportation contracts.  
6 These two new Contracts will allow Union to replace a portion of long haul TCPL transportation  
7 from Empress with short haul deliveries from Dawn to the Union EDA and Union NDA. This  
8 significant change will afford Union North greater access to Dawn and the multiple supply  
9 basins Dawn connects to. This will provide diversity benefits to Union North that Union South  
10 has enjoyed by reducing Union North supply from the WCSB to about 55%. This is a  
11 fundamental change in how Union North customers are served. These changes result in  
12 significant gas cost benefits to Union North customers.

13 The increased diversity resulting from new Contracts and the associated turn back of TCPL long

14

1 haul transportation in the Union North Portfolio is summarized in Figure 11-4 below.

**Figure 11-4**

**Union North System Sales and Direct Purchase Transportation Portfolio**

	Pre-November 2011 (1)		At November 2011 (2)		At November 2015	
	Annual contracted capacity (TJ)	% of portfolio	Annual contracted capacity (TJ)	% of portfolio	Annual contracted capacity (TJ)	% of portfolio
From Empress	60,594	100%	58,330	96%	33,572	55%
From Michigan	-	0%	2,242	4%	2,242	4%
From Dawn	-	0%	-	0%	24,758	41% (3)
Total	60,594		60,572		60,572	

(1) per EB-2011-0210 Rate Order Working Papers, Schedule 21, page 1 of 9, lines 1-7 (column a)

(2) per EB-2011-0210 Rate Order Working Papers, Schedule 21, page 1 of 9, lines 1-7 (column o)

(3) per Figure 11-5, EDA and NDA long haul proposed turn back - 67,831 GJ/d times 365 days

2

3

1    **2. TCPL Contracting Process and Implications on Union's System**

2    A new capacity open season was conducted by TCPL from March 30, 2012 through May 4,  
3    2012. Union bid in the open season and was awarded capacity for two new long term  
4    transportation contracts on the TCPL system that originally were to commence service  
5    November 1, 2014 (the Contracts).

6    The Contracts commence at the TCPL "Union Parkway Belt" and terminate in the Union NDA  
7    and Union EDA.

8    In September 2012, TCPL informed Union that it would no longer be able to meet the original  
9    November 1, 2014 in service date. TCPL re-issued new Precedent Agreements ("PAs") dated  
10   March 7, 2013 for an effective in service date of November 1, 2015. The TCPL PAs outline the  
11   contractual terms and the Estimated Liability Limit (in case of cancellation) and expected spend  
12   schedules that Union is committing to TCPL. Union is in discussions with TCPL and expects  
13   they will be executed shortly.

14   The Contracts with TCPL are for 100,000 GJ/d of firm short haul transportation capacity  
15   between Parkway Belt and the Union EDA, and 10,000 GJ/d of firm short haul transportation  
16   capacity between Parkway Belt and the Union NDA. Service will commence on November 1,  
17   2015.

18   The parameters for the Contracts are set out below:

19

1    Contract for: Union Parkway Belt to Union EDA

- 2        • Transportation Provider: TransCanada Pipeline
- 3        • Quality of Service: FT (Firm Transportation Service)
- 4        • Primary Term: November 1, 2015 through October 31, 2025
- 5        • Volume: 100,000 GJ/d
- 6        • Rate: TCPL NEB approved mainline toll, currently demand is at \$8.15784/GJ/month and
- 7        the commodity toll is \$0.01535/GJ. This equates to annual demand charges of \$9.8
- 8        million or \$98 million over the 10 year term of the contract.
- 9        • Receipt Point: Union Parkway Belt
- 10       • Delivery Point: Union EDA
- 11       • Renewal Notice: Upon expiration of the primary term, Union has the option to renew up
- 12       to the existing volume indefinitely, for further periods of at least one year, on 6 months
- 13       prior notice.

14   Contract for: Union Parkway Belt to Union NDA

- 15       • Transportation Provider: TransCanada Pipeline
- 16       • Quality of Service: FT (Firm Transportation Service)
- 17       • Primary Term: November 1, 2015 through October 31, 2025

- 1 • Volume: 10,000 GJ/d
- 2 • Rate: TCPL NEB approved mainline toll, currently demand is at \$12.3062/GJ/month and
- 3 the commodity toll is \$.02546/GJ. This equates to annual demand charges of \$1.5
- 4 million or \$15 million over the 10 year term of the contract.
- 5 • Receipt Point: Union Parkway Belt
- 6 • Delivery Point: Union NDA
- 7 • Renewal Notice: Upon expiration of the primary term, Union has the option to renew up
- 8 to the existing volume indefinitely, for further periods of at least one year, on 6 months
- 9 prior notice

10 Once in service, the PAs will terminate to be replaced with TCPL's standard FT Service Contract  
11 at NEB approved rates. A copy of TCPL's standard FT service contract<sup>4</sup>, along with the related  
12 FT Toll Schedule and General Terms and Conditions are attached as Schedule 11-1 and Schedule  
13 11-2. The Contracts will replace several other TCPL transportation contracts held by Union.  
14 Although Union does not need to make a final decision on which TCPL transportation capacity it  
15 will de-contract until April 30, 2015, Union will de-contract a portion of both Empress to Union  
16 EDA and Empress to Union NDA long haul transportation capacity, as well as reduce TCPL  
17 Storage Transportation Service (STS) injection and/or withdrawal quantities.

18 The details of the changes in TCPL capacity in the Union North Portfolio for Union NDA and

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<sup>4</sup> Union will file contracts for Parkway to Union EDA and Parkway to Union NDA firm transportation services once executed.

1 Union EDA are summarized in Figure 11-5.

**Figure 11-5**  
**TCPL Capacity Changes (GJ/d)**

	<u>Current</u>	<u>Required</u> <u>Nov 1, 2015</u>	<u>Proposed</u> <u>Change</u>
<b><u>Union EDA</u></b>			
Empress to Union EDA (Longhaul)	58,831	1,000	(57,831)
STS Withdrawals	68,520	26,973	(41,547)
Parkway Belt to Union EDA	-	100,000	100,000
STS Injections	47,571	1,000	(46,571)
<b><u>Union NDA</u></b>			
Empress to Union NDA (Long- haul)	49,077	39,077	(10,000)
Parkway Belt to Union NDA	-	10,000	10,000
STS Injections	49,100	39,077	(10,023)

2

3 The Contracts will require incremental Union Dawn to Parkway transportation capacity to  
 4 transport the necessary volumes from Dawn to Parkway. The Contracts will then transport the  
 5 gas from Parkway to the respective delivery areas. In the spring of 2012, Union held an Open  
 6 Season for Dawn to Parkway capacity. Union's requirements for incremental Dawn to Parkway

1 capacity for its system sales and bundled direct purchase customers were incorporated in that  
2 open season.

3 The amount of Dawn-Parkway transportation required is 70,157 GJ/d. This requirement is a  
4 result of 57,831 GJ/d of TCPL Empress to the Union EDA being turned back and 10,000 GJ/D  
5 of TCPL Empress to the Union NDA being turned back and replaced with short haul  
6 transportation from Parkway. These amounts account for 67,831 GJ/d of the total requirement.  
7 The remaining requirement of 2,326 GJ/d is due to further portfolio changes unrelated to these  
8 two new Contracts which allow Union to reduce reliance on other TCPL transportation designed  
9 to serve Union North. The STS withdrawal capacity of 41,547 GJ/d in the Union EDA is also  
10 being de-contracted and replaced with TCPL firm short haul transportation capacity from  
11 Parkway. No additional Dawn-Parkway capacity is required to support this 41,547 GJ/d portion  
12 of incremental TCPL firm short haul transportation capacity. The Dawn-Parkway capacity was  
13 already in place to support this STS withdrawal capacity. Further, STS injection capacity,  
14 transports gas from the delivery area to Dawn directly, or from Parkway to Dawn and therefore  
15 does not impact the Union Dawn-Parkway capacity requirement.

16 The in-franchise Dawn-Parkway transportation requirement is included in the facilities  
17 requirements for the Proposed Pipeline and Parkway D Compressor found at Section 7, Figure 7-  
18 4 of this evidence.

### 19 **3. Significant Infrastructure Investment Required**

20 The Contracts underpin facilities expansions proposed by Union, TCPL and Enbridge, totaling  
21 \$600 to \$700 million. Given the significant and material investments proposed by Union, TCPL



1 and Enbridge and the fact that the Contracts account for a significant portion of the new capacity,  
2 it is Union's view that the Board should review and approve the cost consequences of the  
3 Contracts in the context of Union's facilities application which they support.

4 Sourcing natural gas supply at Dawn rather than from the WCSB to meet market demand east of  
5 Parkway creates the need to expand the Dawn-Parkway System. The capital investment  
6 associated with expanding the Dawn-Parkway System is \$204 million. This investment in the  
7 expansion of the Dawn-Parkway System is in addition to the capital investments proposed by  
8 Union in EB-2012-0433 (Parkway West Project) of \$203 million. The Parkway West facilities  
9 include a new site that will facilitate the growth compression included in this application, as well  
10 as the Loss of Critical Unit (LCU) which will also ensure security of supply for Union North  
11 customers.

12 In addition to Union's proposed capital investments, TCPL and Enbridge must invest in  
13 infrastructure between Parkway and Maple to facilitate the shift from WCSB supplies shipped  
14 via long haul transportation to Dawn based supplies utilizing short haul transportation services.  
15 TCPL and Enbridge have agreed to share usage of Segment "A" of Enbridge's GTA project to  
16 serve Enbridge's distribution needs and TCPL's transportation needs. As a result, Enbridge's  
17 Segment "A" will be upsized from NPS 36 to NPS 42, with TCPL building from the termination  
18 of Segment "A" to the TCPL pipeline. Union estimates that TCPL will invest \$200 million to  
19 \$300 million to accommodate the contractual requirements of Union and other shippers. These  
20 investments require commitments by Union and other shippers to ensure their commercial  
21 viability.

1 **4. Rationale for the Contracts (Benefits and Risk Assessment)**

2 North American natural gas markets are experiencing dramatic changes. Production from  
3 mature natural gas basins such as the WCSB are in decline while new production basins like the  
4 Marcellus and Utica have emerged. These supply changes are causing shifts in gas supply  
5 portfolios in such that new supply basins are being accessed using short haul transportation  
6 capacity rather than traditional long haul transportation capacity associated with the mature  
7 basins. This has allowed market participants to contract for gas supply at liquid hubs located  
8 closer to market areas.

9 The major factors influencing this trend are described in more detail in Sections 4 and 5 and in  
10 Union's EB-2012-0433 (Parkway West Project prefiled evidence). They include:

- 11 • Conventional WCSB supply is in decline, while intra-Alberta consumption is increasing.  
12 This decreases the amount of gas supply available to be exported east to Ontario ( EB-  
13 2012-0433 pages 19 through 21, and Figure 4-4).
- 14 • Although Western shale production in British Columbia and the development of shale gas  
15 resources in Alberta may help stabilize WCSB production levels it is unclear which  
16 national, continental or international markets will access this emerging Western Canadian  
17 shale gas. For example there are multiple Liquefied Natural Gas facilities being proposed  
18 for coastal British Columbia all vying for these new shale supplies. This creates  
19 uncertainty around the availability of WCSB supplies to serve traditional markets (EB-  
20 2012-0433 pages 21 through 22 and Figure 4-5).

- 1 • Declining supplies have reduced volumetric throughput on TCPL resulting in significant  
2 increases in TCPL long haul transportation tolls ( EB-2012-0433 page 22).
- 3 • New shale supplies in the U.S. have emerged. One of the most prolific gas supply growth  
4 areas in North America has been in the Appalachian basin. Appalachian shale gas is  
5 produced mainly from the Marcellus in Pennsylvania, Ohio and West Virginia and more  
6 recently from the Utica in eastern Ohio and Western Pennsylvania. Marcellus shale gas  
7 production alone has increased nearly 7 PJ/d since the beginning of 2007. It is located  
8 within the Great Lakes region in close proximity to Ontario and other eastern North  
9 American consuming markets. Supplies from this area are expected to more than triple  
10 by 2035. To put this into perspective, Ontario natural gas demand averages just less than  
11 3 Bcf/d (EB-2012-0433, pages 26 through 30).
- 12 • The rapid increase in natural gas supplies has put downward pressure on North American  
13 natural gas prices and reduced pricing volatility. It has also changed the relative price  
14 differences between regions across North America. The change in the regional pricing of  
15 natural gas has impacted market behavior and has allowed eastern North American  
16 customers access to supplies that are in close proximity to their markets this has  
17 decreased the supplies from traditional supply basins requiring long haul transportation  
18 (Section 5).
- 19 • With less Western Canadian supply available to move east, many eastern North  
20 American customers have already rebalanced their supply portfolio in order to access  
21 supplies in closer proximity via short haul transportation and de-contracting supplies on  
22 long haul transportation from the WCSB. These customers include Gaz Métro, ANE,

Enbridge, Centra Manitoba, and Union. Significant amounts of TCPL long haul transportation capacity has also been turned back by marketers and End Users.

Union's Gas Supply portfolio is guided by a set of principles. These principles are designed to ensure customers have access to secure and reliable supplies at a prudently incurred cost and are as follows:

- Ensure secure and reliable gas supply to Union's service territory;
- Minimize risk by diversifying contract terms, supply basins and upstream pipelines
- Encourage new sources of supply as well as new infrastructure to Union's service territory;
- Meet planned peak day and seasonal gas delivery requirements: and,
- Deliver gas to various receipt points on Union's system to maintain system integrity

When deciding to acquire the Parkway to Union EDA and Parkway to Union NDA transportation capacities by way of TCPL's new capacity open season, Union considered the following factors:

- (a) Enhanced Security of Supply
- (b) Diversity of Supply
- (c) Economic Benefits
- (d) Risks and Mitigation Measures

1 (a) Enhanced Security of Supply

2 Adjusting and proactively responding to declining supplies in the WCSB is a necessary and  
3 prudent course of action for Union North customers. Union's proposal addresses this  
4 fundamental change in the gas supply environment.

5 As described in Section 4, pages 1-3, the amount of gas supply available from the WCSB to  
6 move east from Empress is currently in decline and is expected to continue to decline into the  
7 future. Natural gas supplies available to be exported out of Alberta have declined from  
8 approximately 10 PJ/d in 2001 to approximately 6.5 PJ/d in 2011 and are forecast to decline to 2  
9 PJ/d by 2021<sup>5</sup>. TCPL receipts at Empress have declined from 5.5 Bcf/d in 2005 to about 2.1  
10 Bcf/d today.

11 This reduction in supply is a risk for Union North customers as it brings into question whether  
12 there will be sufficient supply at competitive prices available on a sustained basis. Union, and  
13 other eastern LDCs, are responding to this competitive supply risk by proactively contracting  
14 transportation to access new supply options in their supply portfolios with natural gas sourced  
15 from other production basins.

16 To date, customers in Union EDA and Union NDA have been served exclusively from WCSB  
17 supplies. The lack of access to other supply basins has limited the benefits of diversification  
18 available to Union North customers and impacted security of supply. The two new short haul  
19 transportation contracts reflect an opportunity to diversify away from sole reliance on the WCSB  
20 and will allow Union North customers to access Dawn and the multiple supply basins connected

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<sup>5</sup> ST98-2012 Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021", dated June 2012 (Union's prefiled evidence in EB-2012-0433, Page 20, Figure 4.4).

1 to Dawn for a portion of their supply portfolio. This will provide the type of security of supply  
2 benefits to Union North that Union South has enjoyed for many years by allowing access to  
3 secure and reliable sources of supply available at Dawn.

4 (b) Diversity of Supply

5 Accessing supplies at Dawn will increase the diversity and availability of gas supply in the  
6 Union North Portfolio because of the number of sources of supply connected at Dawn.

7 Union receives natural gas at Dawn from a number of interconnecting pipelines which connect  
8 the Dawn Hub to most of North America's major supply basins. Dawn also has significant  
9 storage capacity in close proximity and over 100 counterparties that buy and sell natural gas.  
10 Union's Dawn Hub has been recognized as a key market hub for the Province of Ontario and the  
11 entire Great Lakes region.

12 The Board identified the importance of the Dawn Hub in its NGEIR Decision (EB-2005-0551,  
13 November 7, 2006, page 7-8):

14 "The Dawn Hub is an increasingly important link that integrates gas produced from  
15 multiple basins for delivery to customers in the Midwest and Northeast.

16 ...Dawn has many of the attributes that customers seek as they structure gas transactions  
17 at the Chicago Hub: access to diverse sources of gas production; interconnection to  
18 multiple pipelines; proximity to market area storage; choice of seasonal and daily park  
19 and loan services; liquid trade markets; and opportunities to reduce long haul pipeline  
20 capacity ownership by purchasing gas at downstream liquid hubs."

1 The availability of competitively and transparently priced natural gas supplies and services that  
2 come with an effective and efficient trading hub has benefitted all Ontarians. It is a point where  
3 Ontario natural gas fired power plants purchase their supply. It is critical that Union North  
4 customers also have access to source gas at Dawn.

5 Union has pursued a diverse supply portfolio in Union South and has achieved considerable  
6 diversity, including buying gas at Dawn. This diversity has created a portfolio that is secure,  
7 reliable and reasonably priced. This has allowed Union South customers access to multiple  
8 supply basins, reduced gas price volatility and increased liquidity and price transparency at  
9 Dawn.

10 By expanding the level of diversity for Union North, Union is better able to balance the Union  
11 North supply portfolio with both WCSB and Dawn supply by reducing TCPL long haul  
12 transportation contracts and replacing them with the Contracts. WCSB supply will continue to  
13 be part of Ontario's natural gas supply portfolio. However the Contracts, in addition to Union's  
14 Dawn- Parkway transportation capacity, will allow Dawn sourced gas (which may include  
15 WCSB sourced gas) to be accessed and provide supply diversity for Union North customers.

16 These changes to the Union North Portfolio adhere to Union's guiding principles to minimize  
17 risk to Union North customers by diversifying supply basins, upstream pipelines and contract  
18 terms. The level of diversity created in the portfolio from the Contracts will reduce the portion  
19 of the Northern portfolio served from the WCSB from approximately 95% to 55% and will  
20 provide significant economic benefit to Union North customers.

1 (c) Economic Benefits

2 Union has determined that there are significant costs savings that will accrue to Union North  
3 customers of \$18 million to \$28 million annually over the 10 year term of the Contracts. The  
4 aggregate level of expected savings is \$180 million to \$280 million over the contract term that  
5 will accrue to Union North sales service and bundled direct purchase customers.

6 In addition to the improvement in security and diversity of supply in the Union North Portfolio  
7 described above, Union has also performed a number of economic analyses to determine the  
8 economic implications of its decision to enter into the Contracts.

9 To determine the economic benefit of the Contracts, Union has performed an analysis of the  
10 overall projected gas cost savings modeled using the SENDOUT<sup>6</sup> application and the standard  
11 landed cost analysis as referenced in the Board's filing Guidelines. For the analyses, Union has  
12 run two TCPL toll scenarios: (i) the base case using current approved 2012 TCPL transportation  
13 tolls; and, (ii) a scenario using TCPL's proposed 2013 tolls (revised June 29, 2012) ("Proposed

14

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<sup>6</sup> SENDOUT is a program developed by VENTYX, and is a widely recognized gas supply planning tool used by a number of LDC's in North America. Union has used this software for 26 years and it has been presented in a number of rate applications since 1987.



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1 2013 TCPL tolls"). The TCPL tolls used in the economic analyses are provided in Figure 11-6  
 2 below.

**Figure 11-6**  
**TCPL Toll Scenarios**

100 % LF Tolls (\$/GJ/d)	<u>Base Case</u>	
	Approved 2012 TCPL Tolls	Proposed 2013 TCPL Tolls
Empress to Union EDA	2.2429	1 .7578
Empress to Union NDA	1.7422	1 .3877
Parkway Belt to Union EDA	0.2836	0 .2466
Parkway Belt to Union NDA	0.4301	0 .3687

3  
 4 The results of the overall projected gas cost savings analysis using SENDOUT and the standard  
 5 landed cost analysis for both TCPL toll scenarios are described below.

6 Calculation of Overall Projected Gas Cost Savings Using SENDOUT

7 Union has analyzed the economic implications of its decision to contract for new short haul  
 8 TCPL transportation contracts on behalf of Union North sales service and bundled direct  
 9 purchase customers using its gas supply modeling tool SENDOUT to capture all the economic  
 10 impacts of the changing components in the Union North supply portfolio. Due to the magnitude  
 11 of the changes to the Union North Portfolio, the proposed changes were reflected in SENDOUT

1 along with the TCPL transportation tolls and commodity prices utilized in the standard landed  
2 cost analysis.

3 A summary of the overall projected gas cost savings using SENDOUT for the two TCPL toll  
4 scenarios is provided below.

5 *(i) Overall Projected Gas Cost Savings – Base Case Current Approved 2012 TCPL Tolls*

6 The overall projected gas cost savings associated with Union's proposed contract changes using  
7 current approved 2012 TCPL tolls are approximately \$28.2 million per year. Accordingly over  
8 the initial 10-year term of the proposed TCPL transportation contracts, the projected gas cost  
9 savings are approximately \$282 million.

10 The analysis assumes the contract changes outlined in Figure 11-5, plus the costs associated with  
11 purchasing gas supply at Dawn versus Empress and also the incremental cost of Dawn-Parkway  
12 transmission capacity for Union North customers.

13 The projected gas cost savings above also include savings for Union North bundled direct  
14 purchase customers. Bundled direct purchase customers in Union North purchase their own gas  
15 supply at Empress, while Union provides the upstream transportation service to the customers'  
16 delivery area. The gas cost savings for the bundled direct purchase customers include the higher  
17 cost of purchasing gas supply at Dawn and the lower transportation costs associated with  
18 Union's proposed TCPL contract changes.

19 Figure 11-7 below provides a summary of the overall projected gas cost savings as a result of the  
20 savings related to Union's proposed TCPL contract changes, the higher commodity costs of

shifting gas purchases from Empress to Dawn and the added cost of incremental Dawn-Parkway transportation capacity required to transport gas from Dawn-Parkway for transportation on TCPL from Parkway to Union EDA and Parkway to Union NDA.

**Figure 11-7**

**Current Approved 2012 TCPL Tolls**

**Summary - Cost of Gas (Average Annual Savings/(Cost))**

**(Cdn \$ Millions)**

**Supply Transportation**

Demand	43.1	
Commodity/Fuel	5.1	48.2
Supply Commodity		(18.4)
		<hr/> 29.8
Storage - STS and Related Services		1.1
		<hr/> 30.9
Union Dawn-Parkway		(2.7)
		<hr/>
<b>Union North - Average Annual Savings</b>		<b>28.2</b>
		<hr/> <hr/>

**(ii) Overall Projected Gas Cost Savings – Proposed 2013 TCPL Tolls**

The overall projected gas cost savings associated with Union's proposed contract changes using TCPL's proposed 2013 tolls are approximately \$18.1 million per year. Accordingly over the initial 10-year term of the proposed TCPL contracts, the projected gas cost savings under this scenario are therefore approximately \$181 million. The analysis assumes the contract changes

1 outlined in Figure 11-5, plus the costs associated with purchasing gas supply at Dawn versus  
2 Empress and also the incremental cost of Dawn-Parkway transportation capacity for Union North  
3 customers.

4 As noted above, the projected gas cost savings include savings for Union North bundled direct  
5 purchase customers. The gas cost savings for these customers include the higher cost of  
6 purchasing gas supply at Dawn and the lower transportation costs associated with Union's  
7 proposed TCPL contract changes.

8 Figure 11-8 below provides a summary of the overall projected gas cost savings as a result of  
9 Union's proposed contract changes, the higher commodity costs of shifting gas purchases from  
10 Empress to Dawn and the added cost of incremental Dawn to Parkway transportation capacity  
11 required to transport gas supply from Dawn to Parkway for transportation on TCPL from

12

Parkway to the Union EDA and Union NDA using the TCPL proposed 2013 tolls.

**Figure 11-8**

**Proposed 2013 TCPL Tolls**

**Summary - Cost of Gas (Average Annual Savings/(Cost))**

**(Cdn \$ Millions)**

**Supply Transportation**

Demand	35.6	
Commodity/Fuel	2.5	38.1
Supply Commodity		(18.4)
		19.7
Storage - STS and Related Services		1.1
		20.8
Union Dawn-Parkway		(2.7)
<b>Union North - Average Annual Savings</b>		<b>18.1</b>

The analyses and associated impacts were completed based on the gas supply portfolio and demand forecast available at the time Union responded to TCPL's open season. This was coincidental to the timing of Union's evidence filed in EB-2011-0210. The rate impacts discussed later in this Section are based on the gas supply portfolio and revised demand forecast that reflected the Board's EB-2011-0210 Decision.

Landed Cost Analysis

1 To evaluate upstream transportation options, Union uses a standard landed cost analysis as  
2 established in EB-2005-0520. This analysis incorporates changes in both gas commodity and  
3 upstream transportation costs.

4 Although the transportation capacity costs are dramatically reduced due to the shorter distance of  
5 travel, the purchase point for the gas supply also changes. The change in transportation cost and  
6 the change in gas supply commodity costs between Empress and Dawn are incorporated in the  
7 analysis. The analysis considers the transportation and commodity costs of existing and  
8 replacement paths. It does not contemplate the changes in other services to serve Union North as  
9 shown at Figure 11-5. The SENDOUT analysis, on the other hand, captures all the economic  
10 impacts of the other changing components in the Union North supply portfolio.

11 Union calculated the landed costs using the base case assumption and the alternate scenario of  
12 2013 TCPL proposed tolls. The landed cost analysis prepared using current approved 2012  
13 TCPL tolls is provided at Schedule 11-3. The standard landed cost analysis prepared using  
14 proposed 2013 TCPL Tolls as revised June 29, 2012 is provided at Schedule 11-4. The results of

15

1 the standard landed cost analyses in both scenarios are summarized in Figure 11-9

**Figure 11-9**  
**Standard Landed Cost Analysis**  
**\$/GJ**

Delivery Area	TCPL 2012 Approved Tolls			TCPL 2013 Proposed Tolls		
	Dawn	Empress	Impact	Dawn	Empress	Impact
NDA	7.22	7.56	(0.34)	7.09	7.20	(0.11)
EDA	7.07	8.09	(1.02)	6.98	7.60	(0.62)

2

3 Using current approved 2012 TCPL tolls, the standard landed cost analysis indicates that buying  
 4 gas supply at Dawn and transporting the supply from Dawn to the Union EDA and Union NDA  
 5 using the Dawn-Parkway System and TCPL transportation contracts from Parkway to the  
 6 delivery areas results in a net savings of \$1.02/GJ in the Union EDA and \$0.34/GJ in the Union  
 7 NDA.

8 Using proposed 2013 TCPL tolls, the standard landed cost analysis indicates that buying gas  
 9 supply at Dawn and transporting the supply from Dawn to the Union EDA and Union NDA  
 10 using the Dawn-Parkway System and TCPL transportation contracts from Parkway to the  
 11 delivery areas results in a net savings of \$0.62/GJ in the Union EDA and \$0.11/GJ in the Union  
 12 NDA.

13

14 ICF International Analysis

1 In addition to the standard landed cost analysis described above, ICF International ("ICF")  
2 evaluated the cost differences in sourcing Dawn gas versus Empress gas and transporting to the  
3 Union NDA and Union EDA to validate the landed cost analyses performed by Union.

4 ICF performed analyses on the impacts of buying gas from Dawn and transporting it to the  
5 Union EDA and Union NDA versus the traditional Empress long haul TCPL path. The ICF  
6 landed cost analyses are included in Schedule 4-1 at pages 11 and 12. The actual amount of gas  
7 cost savings that will accrue to Union North customers will depend on the actual TCPL tolls in  
8 effect and the actual cost of gas differential between Empress and Dawn.

9 (d) Risks and Mitigation Measures

10 The Guidelines require applicants to identify risks related to pre-approval of the long term  
11 contracts and plans on how these risks are to be minimized. The following are related risks that  
12 Union has identified, and mitigation measures.

13 (i) WCSB Supply Risk

14 Union has identified that the amount of gas available from the WCSB, which currently provides  
15 95% of the Union North supply, is in decline. Under the status quo, Union will continue to face  
16 the risk of the declining supplies of this basin as the major source of supply for Union North. To  
17 mitigate this risk Union is applying for pre-approval of the two TCPL short haul transportation  
18 contracts, to reduce the reliance on the WCSB and gain access to new sources of supply  
19 available at Dawn. Thus, approval of these Contracts will mitigate that risk as discussed.

20 (ii) Shale Basin Supply Risk



1 The new Contracts will obtain supply from the Dawn Hub. Changes in legislation or regulation  
2 might limit the available supply from shale basins. This risk is mitigated by the fact that the  
3 Dawn Hub is connected to many diverse supply basins.

4 (iii) Forecast Risk

5 This application relies on future forecasts of demand as well as commodity price. Future demand  
6 is not a risk in regards to these contracts as they will serve existing demand, not incremental  
7 load.

8 As described in Section 4, the North American natural gas markets are in a period of substantial  
9 change. There is forecast risk surrounding commodity prices and the price differentials between  
10 various supply basins. Union will continue to seek the support of industry leaders, such as ICF,  
11 to provide forecasts of gas prices at various supply basins to allow Union to evaluate the landed  
12 costs of various gas supply alternatives. The actual amount of savings that will be experienced by  
13 Union North customers will depend on the actual TCPL tolls in effect and the actual cost of gas  
14 differential between Empress and Dawn.

15 As noted above, Union uses ICF forecasts for gas supply and basis differential forecasts to  
16 support its gas supply decisions. Although forecasts change over time, there is consensus around  
17 the continued uncompetitive nature of the costs of the WCSB supplies at Empress to serve  
18 Eastern markets. This can be demonstrated by the exodus away from TCPL long haul  
19 transportation contracts as described in Section 5.

20 (iv) Annual Demand Charge Exposure

1 The current TCPL long haul toll demand charge presents a risk to Union North sales service and  
2 bundled transportation customers who face high annual demand charge exposure. Under the  
3 status quo, Union North customers will remain captive to these TCPL long haul tolls for their  
4 upstream transportation needs.

5 Pre-approval of the Contracts will reduce risk for ratepayers as a result of a significant reduction  
6 in annual demand charge exposure of a shorter transportation path. While the execution of a  
7 long term firm transportation contract incorporates a commitment to demand charges for the  
8 entire term of the contract, when the transportation path is dramatically reduced, so is the  
9 associated demand charge exposure on an annual basis.

10 For example, the current demand charge for the Empress to Union EDA path is \$63.84842  
11 /GJ/month (2012 interim TCPL tolls) and this amount must be paid whether or not any volumes  
12 are transported. By way of comparison, the current demand charge on the short haul TCPL path  
13 from Parkway to the Union EDA, is only \$8.15784/GJ/month (2012 interim TCPL tolls). For the  
14 Union EDA this means that the net annual demand charge exposure is reduced by approximately  
15 \$38 million. If it is necessary to leave the transportation capacity empty due to decreased  
16 consumption, the ultimate cost exposure is reduced when the transportation path is shorter.

17 (v) TCPL Toll Volatility Risk

18 TCPL tolls have been unpredictable and have changed dramatically over the last decade as a  
19 result of the significant changes in the North American supply dynamics. Union ratepayers will  
20 continue to experience TCPL toll volatility risk with the proposed short haul transportation  
21 contracts.

1 TCPL Mainline tolls from Alberta to Union North customers in the EDA have changed from a  
2 range of \$1.00 - \$1.20 CAD/GJ during 2003 to 2007, to \$1.64 CAD/GJ in 2010 and further  
3 increased to \$2.24 CAD/GJ in 2011, which remains the current rate. In contrast, Union's  
4 contracts with other transportation providers have been much more stable and predictable over  
5 the same time period. Reducing the amount of natural gas contracted to move on TCPL firm  
6 long haul transportation capacity, will reduce the absolute amount of exposure related to TCPL  
7 toll volatility.

8 (vi) TCPL facilities –commercial, construction and regulatory risk

9 Certain contracts and services that Union will be de-contracting with TCPL have expiry dates of  
10 December 31, 2015 and are not aligned with the November 1, 2015 implementation date of the  
11 Contracts. This potential overlap period of up to 2 months, could result in additional  
12 transportation demand charges due to this temporary surplus of TCPL transportation capacity.  
13 The total cost of the transportation demand charges of the new contracts for this overlap period is  
14 up to \$1.8 million.

15 Union will be working with TCPL to align the renewal dates of these contracts with the start date  
16 of the new contracts to mitigate the overlap period, but also maintain flexibility should the TCPL  
17 facilities and contracted services be delayed.

18 To mitigate regulatory, commercial or construction risk of TCPL and Enbridge, Union will  
19 monitor the regulatory and construction progress related to their facilities. Union intends to  
20 support applications of TCPL and Enbridge to construct their facilities.

1 Union has worked with TCPL and Enbridge to ensure the commercial arrangements between the  
2 parties recognize the unique nature and the interrelationship of these transactions. The  
3 commercial relationships including precedent agreements, will recognize these risks and  
4 relationships to assist with mitigating risk of the parties. The terms being negotiated between  
5 Union and TCPL recognize these factors.

6 (vii) TCPL toll impact

7 There are many factors that impact the TCPL Mainline. Whether it is the continued de-  
8 contracting of long haul transportation capacity on TCPL or the potential conversion of portions  
9 of the Mainline to oil transportation, it is extremely difficult to assess the TCPL toll going  
10 forward.

11 These Contracts and the subsequent de-contracting on TCPL long haul transportation will impact  
12 the TCPL long haul tolls. This potential impact was assessed in the analyses and is discussed in  
13 Section 11.5 of this evidence. The increased toll impact as a result of de-contracting on TCPL is  
14 relatively small and not material.. The potential increase in tolls decreases the savings by  
15 approximately \$2.0 million per year. Accordingly there are substantial savings for Union North  
16 customers even with a potential toll increase

17 Overall, the relative risk of pre-approving the proposed contracts is lower than the risks inherent  
18 in the status quo. The risks to Union North customers of contracting long term for TCPL short  
19 haul transportation capacity are more than offset by the significant economic benefits due to gas  
20 cost savings, increased security of supply and diversity of supply.

21 5. Impact of Union's Contract changes on TCPL tolls and Union Customers

1 The Board-approved standard landed costs and SENDOUT analyses use transportation tolls  
2 known at the time the decisions are being contemplated. Union has performed sensitivity  
3 analyses on the potential impact to TCPL tolls, resulting from the contractual changes  
4 summarized in Figure 11-5. These sensitivity analyses identify the impact of potentially higher  
5 TCPL tolls on Union customers due to the remaining TCPL services within the portfolio. These  
6 analyses assume that the change of \$10 million in revenue to TCPL has the impact of one cent  
7 change in Union EDA tolls as discussed in EB-2010-0300. These impacts are described below:

8 i) Overall Projected Gas Costs Savings – Base Case Current Approved 2012 TCPL Tolls

9 The impact on the Empress to Eastern Zone toll could be an increase of approximately \$0.05/GJ  
10 (from \$2.24/GJ to \$2.29/GJ). Other TCPL services that Union buys may also increase. The  
11 expected savings to Union North customers of approximately \$28.2 million may be modestly  
12 reduced due to increased TCPL tolls for remaining service contracts. Union estimates this  
13 potential TCPL toll impact could decrease Union North customer savings by approximately \$2.0  
14 million per year. In addition, Union South customers could experience a toll increase on the  
15 TCPL Empress to Union CDA contract. This impact is estimated at \$1.2 million per year.

16 (ii) Overall Projected Gas Costs Savings – Proposed 2013 TCPL Tolls as revised June 29, 2012

17 The impact on the Empress to Eastern Zone toll could increase by approximately \$0.03/GJ (from  
18 \$1.76 to \$1.79). The expected savings for Union's customers referenced earlier of \$18.1 million  
19 may be reduced. Union estimates the potential TCPL toll impact could decrease Union North  
20 customer savings by approximately \$1.6 million per year. In addition, Union South customers  
21 could experience a toll increase on the TCPL Empress to Union CDA contract. That impact is  
22 estimated at \$0.9 million per year.

1 With many other changes taking place in the marketplace in addition to Union's actions, it is  
2 extremely difficult to determine how those changes will impact TCPL tolls. These calculations  
3 assume that Union's activity is the only impact to TCPL revenues and that TCPL is unable to  
4 replace any lost revenue or capacity in any other fashion.

5 In an environment of significant TCPL toll uncertainty, Union's analysis shows that under either  
6 TCPL toll scenario above, there are significant benefits to Union North customers as a result of  
7 these two new short haul transportation contracts. Further, to the extent that TCPL tolls increase  
8 as a result of Union de-contracting TCPL long haul transportation capacity, the substantial net  
9 benefit to Union North customers is not materially impacted.

10 **6. Cost Allocation, Rate Design, and Rate Impacts**

11 This following evidence describes:

12 (a) Union's current Board-approved cost allocation methodology for Union North  
13 upstream transportation costs;

14 (b) Union's current Board-approved rate design for Union North gas supply  
15 transportation and storage rates;

16 (c) the rate and bill impacts associated with Union's proposal to replace long haul  
17 TCPL FT transportation contracts and STS transportation contracts with short  
18 haul TCPL FT transportation contracts; and

19 (d) future cost allocation and rate design considerations.

1 As described above, Union is seeking pre-approval of the cost consequences associated with two  
2 long-term short haul transportation contracts to serve Union North sales service and bundled  
3 direct purchase customers. In addition to the enhanced diversity and security of supply that  
4 results from the Contracts, Union estimates that there is an overall reduction in gas supply costs  
5 of \$18.1 million to \$28.2 million per year for Union North sales service and bundled direct  
6 purchase customers. The following analyses is based on gas cost savings of \$28.2 million as  
7 provided at Figure 11-7 and assumes current approved TCPL tolls and Union's proposed 2013  
8 Gas Supply Plan, as of May 2012.

9 Updating the gas cost savings to reflect the current approved 2013 Gas Supply Plan per the  
10 Board's (EB-2011-0210) Decision, reduces the gas cost savings to approximately \$25.6 million.

11 For the purposes of calculating rate impacts, Union estimates the overall gas cost savings to be  
12 \$31.3 million per year. The difference between the gas cost savings of \$25.6 million and \$31.3  
13 million (or \$5.7 million) is due to \$5.5 million in bundled direct purchase gas supply commodity  
14 costs (which are not included in Union's gas supply commodity rates), and \$0.2 million in  
15 Dawn- Parkway costs.

16 The reconciliation of the upstream transportation cost savings and gas supply commodity cost  
17 increases described above are provided at Schedule 11-5.

18 To calculate rate impacts, the overall gas cost savings of \$31.3 million are comprised of \$43.8  
19 million per year in upstream transportation cost savings and \$12.5 million in additional gas  
20 supply commodity costs resulting from the purchase of gas supply at Dawn versus Empress.

1 Based on Union's current Board-approved cost allocation methodology, the upstream  
2 transportation cost savings of \$43.8 million per year will be allocated to Union North sales  
3 service and bundled direct purchase customers in all zones. The additional gas supply  
4 commodity costs of \$12.5 million per year will be allocated to Union North sales service  
5 customers only.

6 (a) Current Cost Allocation – Union North Upstream Transportation Costs

7 In Union's Board-approved 2013 Gas Supply plan, Union North upstream transportation costs  
8 are considered to be either transportation or storage-related costs. In addition, Dawn storage and  
9 Dawn-Parkway System demand costs are treated as storage-related costs for Union North  
10 customers.

11 Upstream transportation costs deemed to be transportation-related include firm transportation  
12 demand, diversion and firm transportation commodity costs associated with gas supply  
13 transportation contracts with TCPL, Centra Transmission Holdings ("CTHI"), Centra Pipelines  
14 Minnesota ("CPM"), Michigan Consolidated Gas Company ("MichCon") and GLGT. Gas  
15 supply transportation contracts on these pipelines are required to meet sales service and bundled  
16 direct purchase customer demands in Union North.

17 Upstream transportation costs deemed to be storage-related include TCPL STS transportation  
18 and short haul TCPL FT transportation demand and commodity costs. Existing short haul TCPL  
19 FT transportation contracts include Dawn to Parkway capacity contracted with TCPL and  
20 Parkway to the Union EDA. TCPL STS transportation and short haul TCPL FT contracts



1 provide Union North customers with access to Dawn storage to meet daily, seasonal and annual  
2 balancing requirements.

3 Union North storage-related costs also include costs associated with Union North sales service  
4 and bundled direct purchase customers' use of Dawn storage and the Dawn-Parkway  
5 transmission system. Union North customers require Dawn storage and Dawn-Parkway  
6 transmission to meet daily, seasonal and annual balancing requirements.

7 The current Board-approved cost allocation methodologies for transportation and storage-related  
8 upstream transportation costs, Dawn storage and Dawn-Parkway transmission costs are  
9 described below.

10 *Firm Transportation Demand and Diversion Costs*

11 In Union's Board-approved 2013 cost allocation study, firm transportation demand and diversion  
12 costs are allocated to Union North rate classes based on a combination of average day volumes  
13 and peak day over average day demands. This cost allocation methodology recognizes that firm  
14 transportation demand and diversion costs are required to meet both average annual daily  
15 demands and peak day demands that exceed the average annual daily demands.

16 The average day demand costs are determined by calculating the proportion of average day  
17 demand to the total contracted firm transportation demand. The average day demand costs are  
18 allocated to rate classes in proportion to the Union North average day sales service and bundled  
19 direct purchase volumes.

1 The remaining firm transportation demand and diversion costs in excess of the costs required to  
2 serve sales service and bundled direct purchase demands on an average day are allocated to rate  
3 classes in proportion to excess peak day over average day demand.

4 A portion of the gas supply firm transportation demand costs are also directly assigned to  
5 interruptible Rate 25 based on winter sales volumes.

6 The 2013 Board-approved allocation of firm transportation demand and diversion costs is  
7 provided at Schedule 11-6.

8 *Firm Transportation Commodity Costs*

9 In Union's Board-approved 2013 cost allocation study, firm transportation commodity costs are  
10 allocated to rate classes in proportion to Union North annual sales service and bundled direct  
11 purchase delivery volumes. A portion of the upstream transportation commodity costs are also  
12 directly assigned to interruptible Rate 25 based on winter sales volumes.

13 *TCPL STS and Short-Haul TCPL FT Demand and Commodity Costs*

14 In Union's Board-approved 2013 cost allocation study, TCPL STS and short haul TCPL FT  
15 demand costs are allocated to Union North rate classes in proportion to the excess of peak day  
16 over average day demand.

17 The STS commodity and fuel-related costs are allocated to Union North rate classes in  
18 proportion to winter delivery volumes, excluding Rate 25 and T-Service.

19

1     Dawn Storage and Dawn-Parkway Transmission Demand and Commodity Costs

2     In Union's Board-approved 2013 cost allocation study, Dawn storage costs are allocated to  
3     Union North based on design day demands and allocated to rate classes in proportion to the  
4     excess of peak day over average day demand.

5     Dawn-Parkway transmission demand costs are allocated to Union North based on distance-  
6     weighted design day demands and allocated to rate classes in proportion to the excess of peak  
7     day over average day demand.

8     Commodity-related costs are allocated to Union North based on forecasted sales service and  
9     bundled direct purchase delivery volumes and allocated to rate classes in proportion to winter  
10    delivery volumes, excluding Rate 25 and T-Service.

11    (b) Current Rate Design – Union North Gas Supply Transportation and Storage Rates

12    As described above, Union utilizes a variety of upstream transportation contracts on TCPL,  
13    CTHI, CPM, MichCon and GLGT, as well as Dawn storage and the Dawn-Parkway transmission  
14    system to meet daily, seasonal and annual requirements for Union North sales service and  
15    bundled direct purchase customers in six delivery areas (representing four zones). Union's  
16    Board-approved rate design for recovering upstream transportation and storage costs in Union  
17    North gas supply transportation and storage rates is provided below.

18    Gas Supply Transportation Rates

19    Union's Board-approved rate design for Union North gas supply transportation rates recognizes  
20    that Union North consists of four zones (from west to east; Fort Frances, Western, Northern and

1 Eastern) and that upstream transportation for Union North customers is predominantly provided  
2 using long haul TCPL FT transportation capacity from Empress.

3 Accordingly, Union's Board-approved rate design recognizes that a portion of upstream  
4 transportation costs in gas supply transportation rates are different for each zone, while the  
5 remaining upstream transportation costs to serve customers are common to all four zones. This  
6 two step approach to setting gas supply transportation rates in Union North is described in more  
7 detail below.

8 The first step in setting Union North gas supply transportation rates is to determine the portion of  
9 the upstream transportation costs related to the zonal differentials within each rate class. For  
10 each zone, Union calculates the 100% load factor rate based on the upstream firm transportation  
11 tolls. The zonal differentials are calculated as the differences between the most westerly zone  
12 (Fort Frances) and all other zones. The zonal differentials multiplied by the forecast zonal  
13 billing units by zone in each rate class establish the costs related to zonal differences. This step  
14 determines the 'zonal' portion of gas supply transportation rates.

15 The second step in setting Union North gas supply transportation rates is to set the portion of the  
16 rate to recover the remaining transportation costs that are common to all sales service and  
17 bundled direct purchase customers within a rate class, regardless of zone. Accordingly, these  
18 costs are recovered from all customers in the rate class based on the Board-approved volume  
19 forecast.

1 To determine final gas supply transportation rates Union adds the zonal portion of gas supply  
2 transportation rates for each zone to the portion of the rate that is common for customers in all  
3 zones.

4 Please see Schedule 11-7 for the calculation of Rate 01 gas supply transportation rates by zone.  
5 As shown at Schedule 11-7, Line 3 column (a), total 2013 Board-approved upstream  
6 transportation costs allocated to Rate 01 are \$70.278 million. Of this amount, \$22.679 million or  
7 33% (Line 13) are related to zonal cost differentials in the Western, Northern and Eastern zones  
8 as compared to the Fort Frances zone. For example, the Western zonal cost differential is 0.6014  
9 cents/m<sup>3</sup> (Line 5) or \$1.030 million (Line 6); which represents the incremental transportation  
10 costs to serve sales service and bundled direct purchase customers in the Western zone compared  
11 to similar customers in the Fort Frances zone.

12 The remaining transportation costs of \$47.599 million or 67% (Line 14) are recovered from all  
13 Rate 01 customers based on the 2013 Board-approved volume forecast. The result is a common  
14 portion of the Rate 01 gas supply transportation rate of 5.3819 cents/m<sup>3</sup> (Line 16), which is  
15 applicable to all zones.

16 For example, the Board-approved gas supply transportation rate for the Fort Frances zone is  
17 5.3819 cents/m<sup>3</sup> (Line 16). This rate includes the common portion of the rate only, as there are  
18 no zonal cost differentials associated with this zone. In contrast, the Board-approved gas supply  
19 transportation rate for the Western zone is 5.9834 cents/m<sup>3</sup> (Line 17). This rate is comprised of  
20 the common rate of 5.3819 cents/m<sup>3</sup>, plus the zonal differential rate of 0.6014 cents/m<sup>3</sup>. Rate 01  
21 gas supply transportation rates in the Northern and Eastern zones are set in the same manner as  
22 described above.

1        Storage Rates

2        Union North storage rates applicable to sales service and bundled direct purchase customers  
3        include costs associated with TCPL STS transportation, short haul TCPL FT transportation,  
4        Dawn storage and the Dawn-Parkway transmission system. Union's Board-approved rate design  
5        for setting Union North storage rates is consistent with the rate design used to set gas supply  
6        transportation rates described above.

7        A portion of Union North storage rates are common to all customers in each zone and a portion  
8        of storage rates are based on west to east TCPL zonal differentials (i.e. zonal or distance-based).

9        The calculation of 2013 Board-approved Rate 01 storage rates by zone is also provided at  
10       Schedule 11-7, column (b).

11       (c) Rate and Bill Impacts

12       To calculate the Union North gas supply transportation and storage rate and bill impacts  
13       associated with Union's proposal, Union started with the Board-approved 2013 Gas Supply Plan  
14       and made the changes to reflect the replacement of long haul TCPL FT transportation contracts  
15       and STS contracts with short haul TCPL FT transportation contracts. Consistent with the Board-  
16       approved 2013 Gas Supply Plan, the revised Gas Supply Plan is based on current approved 2012  
17       TCPL tolls. The detailed cost comparison of the Board-approved 2013 Gas Supply Plan and the  
18       revised Gas Supply Plan is provided at Schedule 11-8.

19       Subsequently, Union included the revised Gas Supply Plan in its 2013 Board-approved cost  
20       allocation study. The upstream transportation costs were allocated to rate classes using Union's  
21       Board-approved cost allocation methodology, as described earlier. The cost allocation impact by

1 rate class is provided at Schedule 11-9. As shown at Schedule 11-9, Line 7, column (f) the  
2 upstream transportation cost savings for Union North sales service and bundled direct purchase  
3 customers are \$43.8 million, of which approximately \$29.9 million are allocated to the Rate 01  
4 rate class (Line 7, column (a)).

5 The resulting Rate 01 gas supply transportation and storage rates by zone using Union's Board-  
6 approved rate design compared to current approved rates (per EB-2011-0210) are provided at  
7 Schedule 11-10.

8 To determine bill impacts for the average Rate 01 residential customer, Union has used the gas  
9 supply transportation and storage rates as calculated per Schedule 11-10. In addition, Union has  
10 estimated the bill impact on the average sales service residential customer associated with the  
11 \$9.4 million in gas supply commodity costs allocated to the Rate 01 rate class (Schedule 11-9,  
12 Line 10, column (a)). The bill impacts also include the impacts associated with the Brantford to  
13 Kirkwall and Parkway D Compressor project described in Section 10. The bill impacts for the  
14 average Rate 01 residential customer by zone and Rate M1 residential customer as compared to  
15 Union's current approved rates (per EB-2011-0210) are provided at Schedule 11-11.

16 The bill impacts for the average Rate 01 sales service residential customer by zone in Union  
17 North are also provided in Figure 11-10 below. For the average Rate 01 sales service residential  
18 customer consuming 2,200 m<sup>3</sup> per year, the bill impact is a reduction of (\$42.00 to \$43.00) per  
19 year. For the average Rate M1 residential customer in Union South consuming 2,200 m<sup>3</sup> per

1 year, the bill impact is a reduction of approximately (\$1.12) per year.

2 **Figure 11-10**

3 **Estimated Bill Impact**

4 **Average Rate 01 Sales Service Residential Customer by Zone**

5 **Includes Brantford to Kirkwall and Parkway D Compressor Project**

6 **And Long Term Contracting Proposal**

<b>Rate 01 Zone</b>	<b>EB-2011-0210 Current Approved Bill (\$)</b>	<b>EB-2013-0074 Estimated Bill (\$)</b>	<b>Bill Impact (\$)</b>	<b>Bill Impact (%)</b>
Fort Frances	892.26	849.31	(42.95)	(4.8)
Western	911.98	868.99	(42.99)	(4.7)
Northern	977.67	934.67	(43.00)	(4.4)
Eastern	1,006.02	963.01	(43.01)	(4.3)

7

8 As described in EB-2012-0433 (Union's Parkway West Project), the rate impacts associated with  
 9 the Parkway West Project result in rate decreases for Union North and Union South in-franchise  
 10 customers. For the average Rate 01 residential customer in Union North consuming 2,200 m<sup>3</sup>  
 11 per year the bill impact is a reduction of approximately (\$1.00) per year, while for the average  
 12 Rate M1 residential customer in Union South consuming 2,200 m<sup>3</sup> per year the bill impact is a  
 13 reduction of approximately (\$1.25) per year.

14



1 As described in Section 10, Union will propose to build the annual revenue requirement  
2 associated with the Parkway West Project into Union South delivery rates, Union North gas  
3 supply transportation and storage rates, and ex-franchise transportation rates effective January 1,  
4 2014. Union will also propose to adjust in-franchise and ex-franchise rates on an annual basis  
5 from 2014 to 2018 in order to recover the costs associated with the Parkway West Project.

6 To calculate final rate impacts Union included the largest annual revenue requirement for  
7 Parkway West (\$16.6 million), the largest annual revenue requirement for the Brantford to  
8 Kirkwall and the Parkway D Compressor project (\$15.9 million) and the modified 2013 Gas  
9 Supply Plan in its 2013 Board-approved cost allocation study. The bill impacts for the average  
10 Rate 01 residential customer by zone and Rate M1 residential customer as compared to Union's  
11 current approved rates (per EB-2011-0210) are provided at Schedule 11-12.

12 The bill impacts for the average Rate 01 sales service residential customer by zone in Union  
13 North are also provided in Figure 11-11 below. For the average Rate 01 sales service residential  
14 customer consuming 2,200 m<sup>3</sup> per year, the bill impact is a reduction of approximately (\$42.00 to  
15 \$43.00) per year. For the average Rate M1 residential customer in Union South consuming

16

1 2,200 m<sup>3</sup> per year, the bill impact is a reduction of approximately (\$1.90) per year.

2 **Figure 11-11**

3 **Estimated Bill Impact**

4 **Average Rate 01 Sales Service Residential Customer by Zone**

5 Includes Brantford to Kirkwall and Parkway D Compressor Project,  
 6 Parkway West Project with Gas Supply and Long Term Contracting Proposal

7

Rate 01 Zone	EB-2011-0210 Current Approved Bill (\$)	EB-2013-0074 Estimated Bill (\$)	Bill Impact (\$)	Bill Impact (%)
Fort Frances	892.26	849.46	(42.80)	(4.8)
Western	911.98	869.16	(42.82)	(4.7)
Northern	977.67	934.82	(42.85)	(4.4)
Eastern	1,006.02	963.17	(42.85)	(4.3)

8

9 (d) Future Cost Allocation and Rate Design Considerations

10 As Union fundamentally changes the manner in which it serves Union North sales service and  
 11 bundled direct purchase customers, Union will need to review its current approved cost  
 12 allocation and rate design methodologies used to set Union North gas supply transportation and  
 13 storage rates. Pre-approval of the cost consequences of the new long term transportation  
 14 contracts will assist Union as it undertakes its review of cost allocation and rate design.

1 In making its determination on the need for cost allocation and/or rate design changes Union will  
2 need to consider several factors. These factors include:

- 3 • An allocation of upstream transportation costs that reflect cost causality;
- 4 • The level of current rates and the magnitude of any proposed change;
- 5 • The potential impact on customers; and
- 6 • Customer expectations with respect to rate stability and predictability.

7 Union will bring forward any cost allocation or rate design proposals for Board approval in a  
8 future rates proceeding.

## 9 **7. Summary**

10 There have been significant changes to the North American supply dynamics and a movement  
11 away from the WCSB and long haul transportation. Union, TCPL and Enbridge are investing in  
12 significant infrastructure to respond to these market factors. By using transportation on Union's  
13 Dawn-Parkway System and entering into the Contracts, Union is responding to these changes.  
14 This response introduces supply and transportation diversity to Union North and allows access to  
15 the Dawn Hub. Access to the multiple basins that connect to the Dawn Hub provides greater  
16 security of supply, supply diversity, and economic choices for Union North customers. There  
17 are significant cost savings as a result for Union North sales service and bundled direct purchase  
18 ratepayers. Accordingly, pursuant to the Guidelines, the Board should approve the recovery of  
19 the cost consequences of the Contracts as proposed by Union.

TAB 11

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UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Ref: EB-2012-0451, Overall Proposal  
 EB-2012-0433, Overall Proposal  
 EB-2013-0074, Overall Proposal

Preamble: Where applicable, the following questions are to be answered by both Companies separately.

- a) Please comment on the extent to which TCPL's planned "Energy East Pipeline" (the gas to oil conversion of a portion of TCPL's mainline) has affected, or will affect, should it proceed, the plans for each of the subject applications. Please specifically comment on any timing or scheduling impacts and any impacts to specific forecasts or assumptions underpinning the applications.
- b) To what extent is Spectra Energy Inc.'s planned "Nexus" pipeline relevant to each of the subject OEB applications?
- c) Please provide a map or schematic showing the current situation with respect to gas flowing into, within, and exiting the Province of Ontario. Please indicate what the future gas flows will be, as they are expected post-construction of the subject applications. The objective of the schematic is to show the impact of the subject projects. Please at a minimum indicate volumes and key points of delivery, import, export, and points of custody transfer. Please show, to the extent possible, the improved supply diversity, flexibility, and reduced upstream supply risk.
- d) Please provide a map showing the existing major gas transmission pipelines in southern Ontario from North Bay southwards. Please indicate compressor stations, looping and pipe size. Please also show the location of the proposed facilities.
- e) Please comment on the impact and implications of the recent National Energy Board TCPL Mainline tolls Decision (RH-003-2011) on the subject applications. Please indicate if there are outstanding items with respect to the implementation of the NEB's Decision that could have material implications for the OEB projects. Please provide details of any such material implications.
- f) Please provide a brief narrative as to how the subject applications meet each of the Board's statutory guiding objectives for gas, as found at Part I General (2) of the *OEB Act, 1998*.

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- g) Please provide the annual volumetric forecast of Marcellus and Utica shale gas production expected to enter the Ontario gas market over the next 20 years.
  - h) Please provide the annual gas volumes received at Dawn over the past 10 years and the expected volumes over the next 20 years.
- 

**Response:**

a) Crude Oil Pipeline Conversion

There is no direct link or impact to the projects in the Union applications with the proposal by TransCanada to convert one of their lines to oil. Enbridge, Gaz Métro and Union have made their decisions to access the Dawn Hub in 2015 prior to the announcement of the crude oil line conversion, and these decisions would not be impacted by the crude oil line conversion.

However the oil line conversion combined with the NEB decision (RH-003-2011), does have negative impacts for Ontario customers as discussed below. Union is generally indifferent to repurposing underutilized natural gas pipeline assets to crude oil service provided that it does not negatively impact Ontario and Québec natural gas markets. Union will require a full understanding of TransCanada's plan to assess impacts on Union's in-franchise and ex-franchise customers.

In April 2013, TransCanada announced an open season for crude oil transportation services from Alberta to eastern Canada (see attached Press Release). In conjunction with the open season release, TransCanada indicated that the proposed crude oil pipeline conversion would result in natural gas pipeline capacity to eastern markets being approximately 300 TJ/d short of current FT demand (see attached Non-Critical Notice). Based on current use of discretionary services, including that used by existing northern and eastern customers, TransCanada pipeline capacity is estimated to be short of eastern market demand by an additional 700,000 TJ/d on a cold winter day (total shortfall is estimated to be approximately 1 PJ/d). In order to achieve a 2017 in-service for the crude oil pipeline, TransCanada will remove sections of its Mainline from natural gas service starting with the Northern Ontario Line in 2015 and followed by the Eastern Triangle in 2016 (between North Bay and eastern Ontario).

TransCanada also released two open season packages to its natural gas shippers related to the proposed crude oil pipeline conversion. In March 2013, TransCanada released an open season for existing FT and FT-SN capacity on its Mainline. In the March open season, TransCanada only offered this existing capacity on the basis that existing natural gas capacity

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would be available for natural gas usage until that capacity is removed to facilitate the proposed conversion of existing natural gas facilities to crude oil service.

In May 2013, TransCanada released a capacity management open season as a step to assess and potentially reduce FT and STS commitments to eastern markets. TransCanada requested notice: i) if shippers do not intend to renew beyond October 31, 2016; ii) if shippers wish to terminate all or a portion of their demand; iii) if shippers are interested in converting to a new service (FT-2); and iv) if shippers may be interested in changing their receipt point to Iroquois (Waddington).

#### Impact on Ontario Pipeline Capacity

The crude oil pipeline conversion will leave Ontario and Québec markets short of natural gas pipeline capacity to meet current market needs.

Natural gas capacity shortfalls created by the crude oil pipeline conversion are expected to significantly impact eastern Ontario and Québec natural gas markets given that during peak periods, the amount of STFT and, potentially, IT capacity available will be greatly diminished. Insufficient pipeline capacity will likely result in higher secondary market pricing and volatility for Ontario customers. This issue is significant given that the RH-003-2011 decision provides TransCanada with broad discretion to price STFT at any price equal to or greater than the FT toll (i.e. no ceiling) and IT at any price the secondary market will pay. This will impact customers in eastern Ontario and Québec such as industrials, power generators and LDCs that currently rely on discretionary services as part of their energy management portfolio. This new capacity constraint will be in addition to the existing capacity constraint between Parkway and Maple.

With 1/3 of the TransCanada capacity proposed to be removed by November 1, 2016 (1 PJ/d removed from a total capacity today of approximately 3 PJ/d) to eastern Ontario and Québec (as a result of the crude oil conversion), discretionary services during parts of the winter will be scarce with the potential for greater price spikes and associated volatility. As discussed further below, Union expects that this will result in Ontario and Québec industrial and power generation customers that currently rely on discretionary services today seeking access to the Dawn Hub for natural gas supply and associated short haul transportation in the future. As well, the eastern Canadian market is becoming more attractive to large industrial customers and the uncertainties created by the current situation are directionally negative for the Ontario and Québec economies.

As provided in Exhibit I.A4.UGL.APPRO.11, Union expects that current demand for Dawn-Parkway transportation capacity to access the Dawn Hub will increase in the future (beyond the demand expressed for 2015 Dawn-Parkway System capacity) as a result of the TransCanada crude oil line conversion. It is expected that existing customers will seek access to Dawn-based supply and short haul transportation (to address the shortages arising from the crude oil line conversion), as well as new incremental customer demands related to

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the possible movement of the Parkway Obligation to Dawn and/or the development of large fertilizer, power and LNG plants in Ontario, Québec and Atlantic Canada also wanting to reach back to Dawn.

Union's understanding is that in June TransCanada will offer customers currently using discretionary services access to "new" firm pipeline capacity that TransCanada would propose to build to partially replace pipeline capacity that is to be removed as part of the proposed crude oil pipeline conversion. The same open season may also attract new market growth as well. It is unclear to Union whether TransCanada will offer customers in Ontario, Québec and the U.S. Northeast the opportunity to exercise choice in the market to access to the Dawn Hub (and if they do under what terms and conditions) or only offer Empress based supply on long haul and long term TransCanada transportation capacity. For further information please see Exhibit I.A1.UGL.Staff.7. Union believes that TransCanada, as an open access, monopoly pipeline, should be focused on understanding the existing and future firm requirements of the eastern natural gas markets and ensuring that its existing natural gas infrastructure is used to meet these requirements.

#### Impact on TransCanada Tolls

With respect to impacts of the crude oil pipeline conversion on TransCanada Mainline tolls, there is insufficient information available to evaluate impacts on rates to serve eastern markets, including Union North. TransCanada has had very little consultation with the market and its natural gas shippers regarding the crude oil pipeline conversion. Much more discussion is required to be able to determine the impacts. Many factors could impact the tolls, including:

- The selling price of the assets transferred and whether it will be the market value or book value
- The significant shortfall created through the Energy East Pipeline as TransCanada expects to remove approximately 1 PJ/d of capacity from the Eastern Triangle
- Potential requirement for TransCanada to build new incremental natural gas transportation facilities to meet existing and new market demand versus using existing natural gas capacity for existing and new natural gas needs and building new incremental facilities to accommodate the capacity needs for crude oil service
- The recovery of Abandonment Costs as required by the National Energy Board starting in 2015
- TransCanada may need to address integrity issues on the Northern Ontario Line prior to converting one of the three pipelines to crude oil service on this segment of their system.

#### Impact on Union's Proposed Projects

With respect to the 2015 Dawn-Parkway demands, Union does not expect that the incremental Enbridge commitment of 400 TJ/d of Dawn-Parkway transportation capacity will be physically impacted by the proposed crude oil pipeline conversion since flow on the



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TransCanada system for these volumes is limited to a 5 kilometre section downstream of Parkway. Enbridge has recently updated their evidence to detail the economic impacts that the proposed crude oil line conversion has had on their project.

Union also does not expect the crude oil pipeline conversion to impact the requirement for reliability at Parkway (Parkway West). In fact, the crude oil conversion effectively eliminates the ability to provide contracted services using the TransCanada Mainline as an alternative to the physical loss of critical unit protection provided by the Parkway West Project. See Exhibit I.A1.UGL.Staff.7 for further detail.

The incremental Gaz Métro and Union Dawn-Parkway transportation capacity is dependent upon transportation services on the TransCanada system downstream of Parkway. While this demand requires expansion between Parkway and Maple, it does not represent new incremental capacity to TransCanada on the Mainline downstream of Maple. Since the Gaz Métro and Union demands already flow on the Mainline they are not likely impacted by the crude oil pipeline conversion. The impacts of not expanding through the Parkway-Maple corridor or delays in that expansion are discussed in Exhibit I.A1.UGL.Staff.7.

Please see Attachment # 1.

- b) Several projects are being considered to bring Marcellus and Utica natural gas to Ontario and the Dawn Hub. The Dawn Hub is an attractive market to Marcellus and Utica producers due to the liquidity and depth of the market, access to storage, the interconnectivity with upstream pipeline and the take away capacity to growing market downstream. Those same factors also make the Dawn Hub an attractive supply point for customers in Ontario, Québec and the U.S. Northeast. If the scenario described in Exhibit I.A1.UGL.Staff.1 part a) occurs and customers are prevented from getting back to Dawn, there will be negative consequences to Ontario and Québec customers.

A number of projects have been proposed to bring incremental natural gas supply to Ontario and the Dawn Hub. This would include the proposed NEXUS Pipeline (Spectra Energy is one of three partners) as well as use of existing and new capacity on ANR and GLGT (through the Lebanon Lateral). Natural gas supply is also contracted to Niagara and Chippawa that currently is not supported by firm transportation commitments to markets in Ontario (see Exhibit I.A1.UGL.BOMA.4). Union also understands that a potential project is being evaluated by Tennessee Gas Pipeline to bring incremental gas supply to Niagara and that Iroquois Gas Transmission is evaluating a project to reverse flow and deliver natural gas to the Ontario/New York border at Waddington. Links to publically available information is provided below:

<http://www.spectraenergy.com/Operations/New-Projects-and-Our-Process/New-Projects-in-US/NEXUS-Gas-Transmission/>

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<http://www.rbnenergy.com/return-to-sender-the-feeders-of-lebanon-anr-lebanon-lateral-reversal>

Ontario does and will require new natural gas supply given the projected decline in Alberta supply available to flow to eastern markets. However, the facilities proposed by Union as part of these applications are not dependent upon any new natural gas supply project being developed, including the NEXUS Pipeline.

c) This response was provided by ICF International.

Figures 1 through 3 below provide schematics showing the current and future situation with respect to flow into, within and exiting Ontario. Figure 1 shows the ICF forecast of primary flows into and out of Ontario in 2012 with the major pipelines and pipeline interconnects impacting the Ontario Market. Figure 2 shows the same basic data with additional pipeline flow data for 2012 and for 2020. Figure 3 shows the ICF forecast of the change in regional pipeline flows between 2012 and 2020. Additional information on pipeline flows into and out of Ontario is included in the response to g) and h) below.

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Figure 1: Natural Gas Flowing Into, Within, and Exiting Ontario, 2012 (Average MMBtu/d)

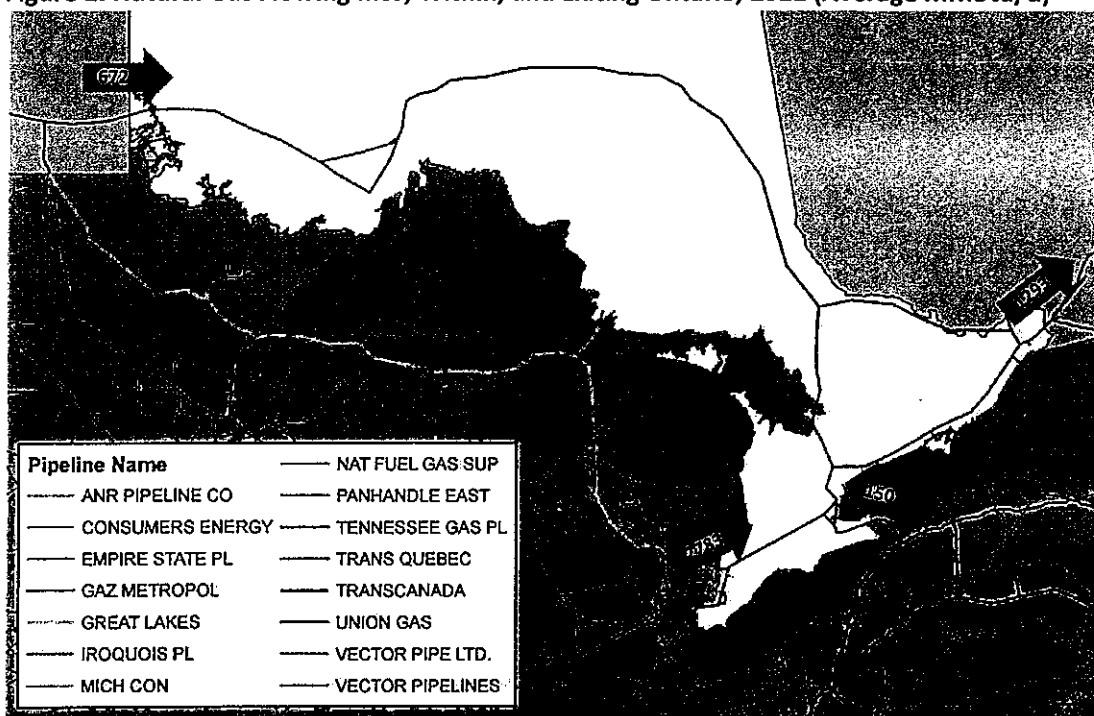
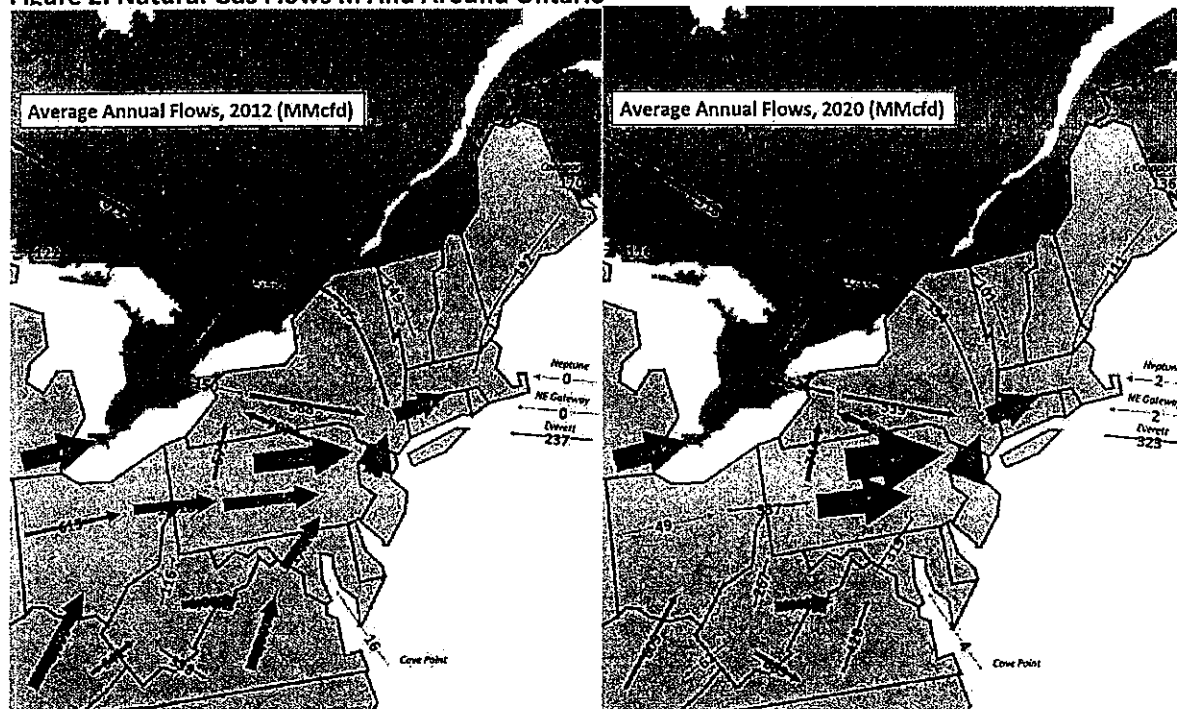
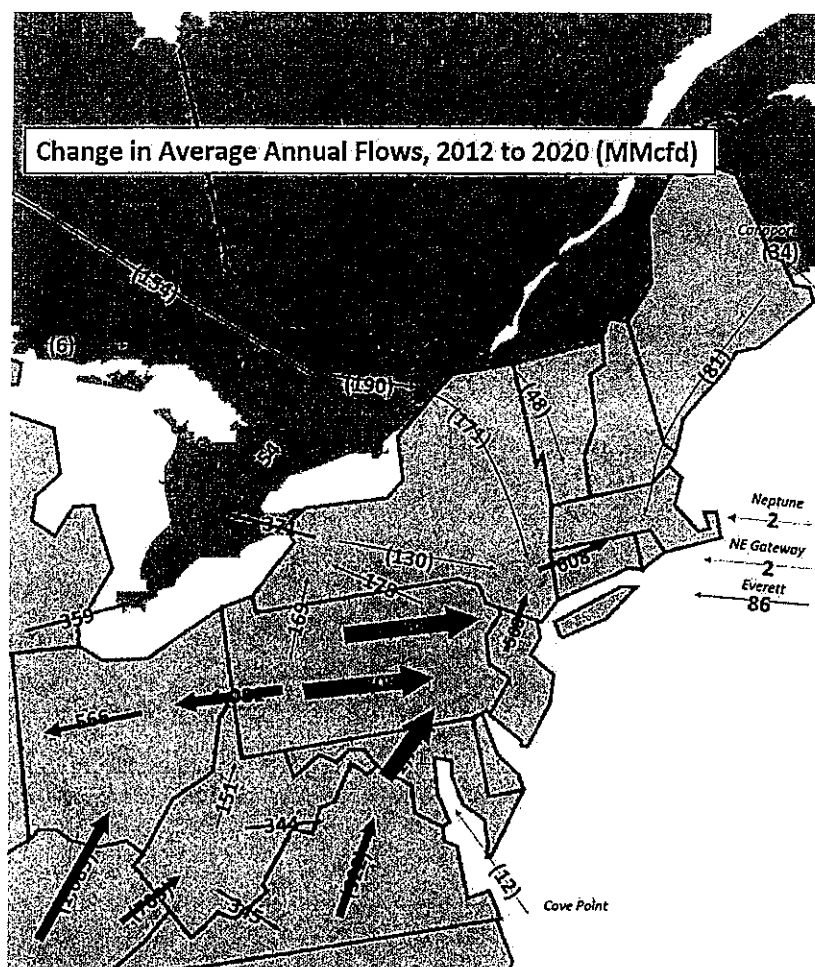


Figure 2: Natural Gas Flows In And Around Ontario



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Natural gas from the WCSB will continue to be imported into Ontario from Manitoba via the TCPL mainline as well as from Michigan via Emerson and the GLGT and Vector Pipeline. The allocation of flows on the Northern and Southern routes of the TCPL system will depend to a significant degree on the operational decisions of the TCPL Pipeline.

The Parkway Projects are necessary to facilitate the changes in gas markets that are expected to occur, including increasing flows into Ontario from New York through Niagara, as well as the increase in flows from the Marcellus and Utica basins through Michigan into Ontario at Dawn, but it would be incorrect to attribute the changes shown on these maps solely to the Parkway Projects. The shift in pipeline flows and supply patterns between 2012 and 2020 are driven by a variety of changes in natural gas market supply and infrastructure, including the Parkway Projects, increased pipeline capacity out of the Marcellus and into Ontario via Niagara.

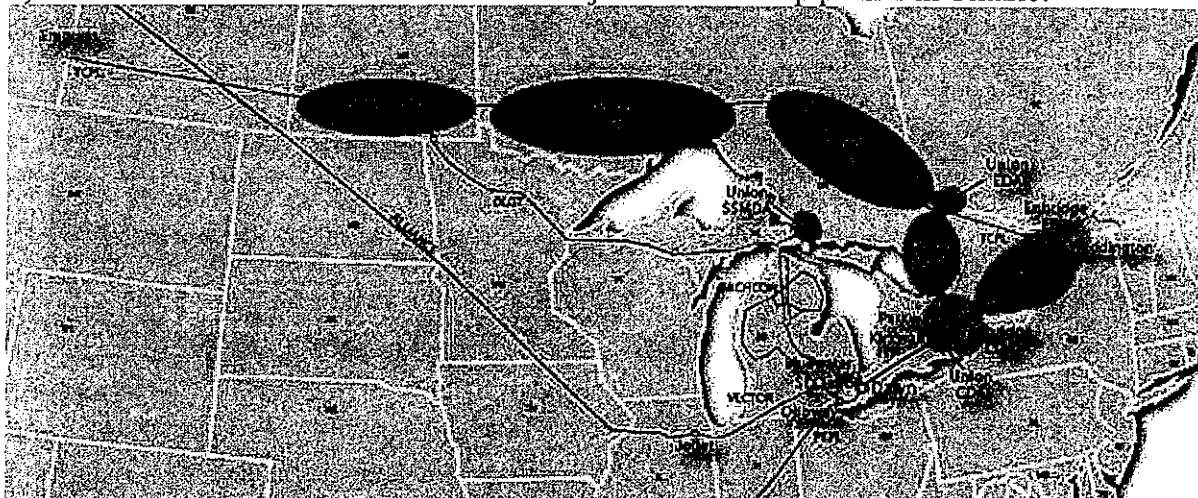
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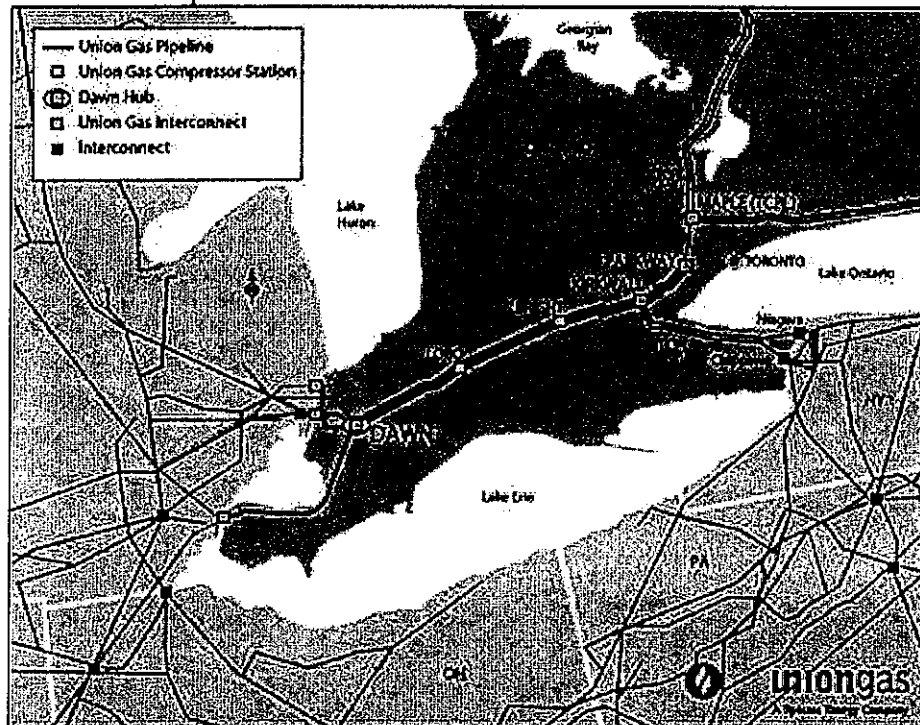
Exhibit I.A1.UGL.Staff.1

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d) Please see the attached schematic for all major transmission pipelines in Ontario.



Union does not have detailed information on TCPL or Enbridge's systems. The schematic below provides more detail on Union's Dawn-Parkway system, including the location of the main compressor stations; Dawn, Lobo, Bright, and Parkway. Please see EB-2012-0433, Sections 5, 6, and 11 for detail on Union's Dawn-Parkway System and the proposed Parkway West Compressor Station.



e) NEB Decision (RH-003-2011)

The NEB Mainline tolls Decision (RH-003-2011) has changed the framework in which TransCanada operates under. In summary, to offer some protection to captive customers, the NEB has set the TransCanada firm tolls at levels that are below TransCanada's cost of service. The NEB has given TransCanada significant pricing (on interruptible service and short term firm service) and service discretion to provide them the opportunity to compete more effectively and earn additional revenue. However the NEB has also been clear that TransCanada may be at risk for revenue shortfalls captured within various deferral accounts. These changes have impacted TransCanada's approach to the market – including suspending the Parkway to Maple expansion previously committed to by TransCanada to provide service in 2015.

As discussed in Exhibit I.A1.UGL.Staff.1 part a), Ontario and Québec natural gas markets will also be impacted by the proposed crude oil pipeline conversion as part of TransCanada's Energy East Pipeline. The combined effects of TransCanada's response to the NEB Decision and the conversion of a portion of the natural gas assets to crude oil pipeline service is that TransCanada has greater ability to influence the primary and secondary natural gas markets in Ontario.

The specific impacts of the NEB Decision (RH-003-2011) on Union's application are as follows:

- **Projected Gas Cost Savings - Implementation of the NEB Decision results in** approximately 20% lower tolls for shippers. This impacts the results of the landed cost analyses included in EB-2013-0074. Union has not done a complete analysis and assessment due to the fact the TransCanada tolls are subject to final NEB determinations regarding TransCanada's Compliance filing and request for Review and Variance. Union has however completed a preliminary analysis using tolls included in the TransCanada Compliance filing and TransCanada Review and Variance filing. These initial results show that the annual gas cost savings of replacing Union EDA and Union NDA TransCanada long haul capacity with TransCanada short haul contracts and supplies from the Dawn Hub are reduced from \$18 million to \$28 million as provided in EB-2013-0074 to approximately \$15 million (Compliance tolls) to \$18 million per year (Review and Variance tolls).
- **2015 Facility Expansions/Long Term Short Haul Contracts -** As also noted in Exhibit I.A3.UGL.Staff.20 part a), as a result of the NEB Decision, TransCanada's Board of Directors has not approved TransCanada's 2015 Eastern Mainline Facilities Expansion program and therefore TransCanada has suspended development of this project. As discussed in Exhibit I.A1.UGL.Staff.7, Union continues to discuss potential solutions

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with TransCanada and other market participants to provide the needed incremental pipeline capacity in the Parkway-Maple corridor. To preserve a 2015 in-service date, Union and Gaz Métro have initiated an environmental assessment for a pipeline from Enbridge's Albion Road Station to Maple (or a point near Maple). To the extent that TCPL is either unable to build or unwilling to build between Parkway to Maple, Union (and or other third parties) will expand on this corridor. Union believes that Ontario, Québec and U.S. Northeast customers will continue to actively seek access to diverse, secure, competitively priced and reliable supplies of the Dawn Hub. For impacts to the projects proposed by Union, please refer to Exhibit I.A1.UGL.Staff.7.

- Discretionary Services - The NEB Decision also allows for TransCanada to have full discretion in setting tolls for interruptible and short term firm services. Union does not rely on these services in its gas supply plan. Union expects this to have an impact on some Ontario and Québec customers who rely on these services to supply their needs (see Exhibit I.A1.UGL.Staff.1 part a).
- Future Access to Dawn - Union expects that TransCanada will offer an opportunity for customers to commit to "new" capacity in an open season this month (see Exhibit I.A1.UGL.Staff.1 part a) for new capacity in 2016 and beyond. It is unclear to Union whether TransCanada will offer Ontario, Québec and U.S. Northeast customers with the opportunity to access to the Dawn Hub (and if they do under what terms and conditions) or just provide access to Empress based supply on long haul TransCanada transportation.

#### Application to Review and Vary

On May 1, 2013 TransCanada filed an Application to Review and Vary the NEB Decision. In summary, TransCanada's proposals in this application are as follows:

- Change Tolls - TransCanada has requested to change tolls according to one of the 2 options below (This proposal would have the impact of reducing the amount of dollars being deferred):
  - Option 1(Proposed): Adjust the 5 year Empress to Dawn toll from \$1.42/GJ to \$1.52/GJ as well as other tolls in an appropriate fashion
  - Option 2 (Alternative): Maintain short-haul tolls at current levels and adjust remaining tolls to recover aggregate costs over the multi-year period.
- Contract renewal changes – Shippers that have 1 year rolling contract renewals on TransCanada may be required to increase their terms to 10 or 15 years if they are on any segment of TransCanada that needs to be expanded. As outlined above, the conversion of capacity to oil will leave northern and eastern customers short capacity and under TransCanada's proposal would require new incremental natural gas capacity to be built. This would then require all existing contract

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holders on the same path operating under 1 year rolling contracts to increase contract terms to 10 or 15 years

- Diversions and Alternate Receipt Points – Today TransCanada allows customers with an FT contract to divert their supply to other points either within the path or further downstream to an alternate point. In the Review and Vary filing TransCanada has applied to eliminate the ability for FT customers to divert supply to downstream points and redefines the primary contract path, thus altering the available Alternate Receipt Points. Union, as an LDC, finds this attribute of the service to be very valuable and uses this current feature to help balance loads between different geographic areas.
- Storage Transportation Service (“STS”) - Elimination of the overrun feature of the STS service

The NEB has not yet determined whether or not this Application will be heard.



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- f) Union's applications support the Board's statutory guiding objectives as follows:
1. To facilitate competition in the sale of gas to users.
    - Construction of the proposed facilities will enhance and improve the competitive market for natural gas. As capacity away from Dawn increases, including downstream of Parkway, trading activity at the Dawn Hub increases, which results in increased price diversity, liquidity and competitiveness. All natural gas customers benefit from increased access to competitively priced gas supply. (Reference EB-2013-0074 Section 9 page 7)
  2. To protect the interests of consumers with respect to prices and the reliability and quality of gas service.
    - Union's Parkway West application is in response to changing North American supply flows to enhance and maintain reliability for Ontario natural gas customers, as well as natural gas customers in Québec and the U.S. Northeast, at reasonable cost. Union estimates this increased reliability will cost a residential customer in Enbridge's franchise area less than \$10 per year.
    - The Brantford to Kirkwall and Parkway D Project results in significant gas cost savings for Union, Enbridge and Gaz Métro. These savings, estimated to range between \$273 million and \$308 million annually over the next 10 years, arise from increased access to the Dawn Hub as a result of proposed expansion.
    - The Brantford to Kirkwall and Parkway D Project also provide Ontario customers greater access to the Dawn Hub and the multiple supply basins connected to it, including supplies in the Marcellus and Utica shale formations increasing security and diversify of supply.
  3. To facilitate rational expansion of transmission and distribution systems.
    - By building the Brantford-Kirkwall/Parkway D Project, Union is rationally expanding its transmission system to respond to customer demand for new service as well as changing North American supply flows.
    - Union has worked cooperatively with EGD and TCPL to develop these projects in an effort to align the overall approach.
  4. To facilitate rational development and safe operation of gas storage.
    - N/A

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5. To promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
  - The Parkway Projects do not explicitly further the Board's statutory objective to promote conservation and energy efficiency. They do, however, support the reliability of the natural gas system in Ontario and enhance liquidity at Dawn, which supports and enhances the economic circumstances of natural gas customers in Ontario.
- 5.1 To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.
  - Union is proactively responding to the changing North American natural gas supply dynamics and the needs of its customers by making fundamental changes in its portfolio, and enhancing reliability at Parkway, as well as maintaining and enhancing the viability of the Dawn Hub as a liquid trading hub for customers.
6. To promote communication within the gas industry and the education of consumers. 1998, c. 15, Sched. B, s. 2; 2002, c. 23, s. 4 (2); 2003, c. 3, s. 3; 2004, c. 23, Sched. B, s. 2; 2009, c. 12, Sched. D, s. 2.
  - Union consulted with EGD and TCPL in developing plans, and has held numerous public information sessions regarding these applications.
  - Dealings with Landowners, Agencies and Municipalities
    - 624 letters directly mailed
    - 11 newspaper notices
    - 4 Open Houses
    - Over 100 meetings directly with landowners
  - First Nations and Métis Consultation
    - Notice sent 12 First Nation and Métis Councils
    - Consultations ongoing
  - Stakeholder Meetings
    - 11 stakeholder meetings were held with 38 participants representing 18 stakeholder groups

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g) and h)

The annual gas volumes received at Dawn over the past ten years are shown below:

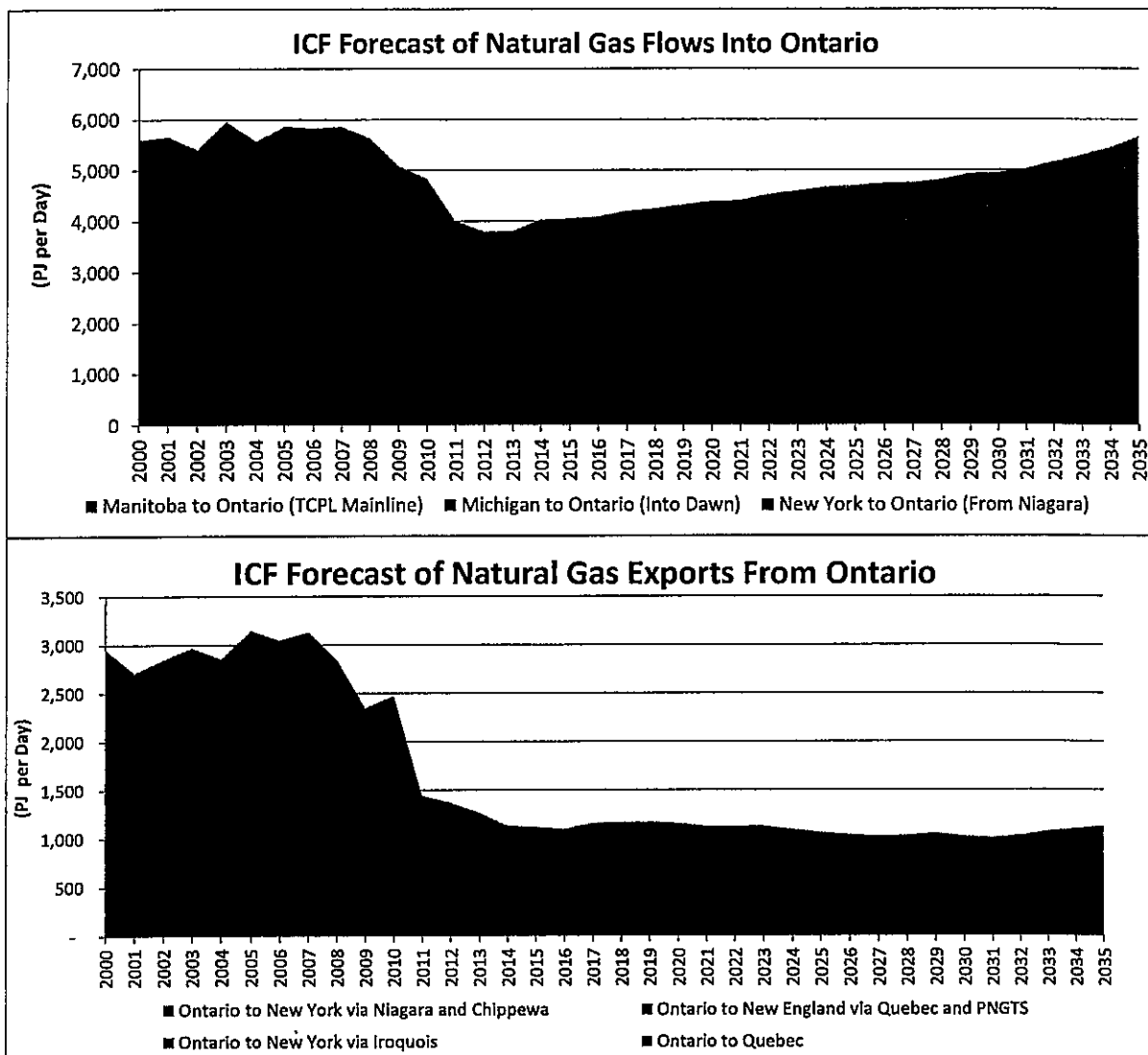
<u>Total Annual Receipts at Dawn (PJ)</u>	
<u>Year</u>	<u>PJ</u>
2003	962
2004	940
2005	863
2006	811
2007	1,000
2008	1,010
2009	1,000
2010	1,104
2011	1,003
2012	904

This response was provided by ICF International:

ICF International forecasts flows into Ontario along the three potential paths as shown in the attached figure:

- 1) It is highly likely that flows from New York to Ontario will be sourced primarily from Marcellus and Utica shale gas production.
- 2) In addition, some but not all of the flows from Michigan into Ontario will also be sourced from Marcellus and Utica shale. The percentage of gas flowing from Marcellus and Utica shales into Ontario through Michigan has not been forecasted by ICF International, but is expected to represent a significant percentage of the total gas flowing into Ontario along this path in the future.
- 3) Under certain conditions, flows entering Ontario from Manitoba may include Marcellus and Utica shale gas flowing through Emerson. Marcellus and Utica shale gas is expected to be a very small percentage of the total gas entering Ontario from Manitoba.

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System-wide Notices distributed by NRG Information Services Inc.

TransCanada Pipelines Ltd.

**Non-Critical Notice**

**Notice Type:** Press Release or Company News  
**Effective Start Date/Time:** Apr 2 2013 09:00  
**Subject:** TransCanada Eastern Oil Pipeline Project

TransCanada has announced that it will hold a binding Open Season to obtain firm commitments from interested parties for a pipeline to transport crude oil from Western Canada to Eastern Canadian markets. This announcement is available on the TransCanada website <http://www.transcanada.com/6280.html>

From the Mainline perspective, this project involves the transfer of approximately 3000 km of 42 inch pipeline from Burstall, Saskatchewan to Iroquois Junction, Ontario to the Eastern Oil Pipeline for conversion from gas to oil service. The project contemplates the transfer of these assets in the 2015/2016 timeframe. This transfer will result in a better and higher use of existing facilities, and is expected to lower the Mainline's annual revenue requirement.

After the transfer, there will continue to be sufficient capacity to meet current firm transportation requirements on the vast majority of the Mainline. However, current firm requirements exceed the capacity that would be available after the transfer by approximately 300 TJ/d to the EDA and export points east of and including Iroquois. However, at this point it is uncertain whether firm requirements at the time of the transfer will be lower than current levels largely due to growth in U.S. gas supplies and infrastructure. As a result, steps will be taken to assess and potentially reduce contractual requirements at the time of the transfer.

TransCanada will provide further details at the April 18, 2013 TTF meeting.

**QUESTIONS**

If you have any questions about this Open Season or any other, please contact your Mainline Customer Account Manager.

**Calgary**

Gordon Betts (403) 920-6834  
 Michael Mazier (403) 920-2651

**Toronto**

Amelia Cheung (416) 869-2115  
 Lisa DeAbreu (416) 869-2171  
 Reena Mistry (416) 869-2159

**Effective End Date/Time:** May 2 2013 09:00  
**Required Response:** No response required  
**Response Date/Time:**  
**Posting Date/Time:** Apr 2 2013 08:00  
**Contacts:** Gordon Betts (NRG) 4039206834  
**Notice #:** 282507801  
**Revision #:** 0



## TransCanada Launches Binding Open Season for Eastern Oil Pipeline

CALGARY, Alberta – April 2, 2013 – TransCanada Corporation (TSX, NYSE: TRP) (TransCanada) announced today that it will hold a binding open season to obtain firm commitments from interested parties for a pipeline to transport crude oil from Western Canada to Eastern Canadian markets.

The Energy East Pipeline project involves converting natural gas pipeline capacity in approximately 3,000 kilometres of TransCanada's existing Canadian Mainline to crude oil service and constructing up to approximately 1,400 kilometres of new pipeline. Subject to the results of the open season, the project will have the capacity to transport as much as 850,000 barrels of crude oil per day, greatly enhancing producer access to markets in Eastern Canada. In 2012, Canada imported more than 600,000 barrels per day to supply its Eastern refineries. The Energy East Pipeline could eliminate Canada's reliance on higher priced crude oil currently being imported.

The open season follows a successful expression of interest phase and subsequent discussions with prospective shippers. Following the completion of the open season, if it is successful, TransCanada intends to proceed with the necessary regulatory applications for approvals to construct and operate the required facilities, with a potential in-service date in late-2017. TransCanada is beginning Aboriginal and stakeholder engagement and field work as part of the initial design and planning work for the project.

The open season will begin on April 15, 2013 and will close on June 17, 2013. Interested parties may submit binding bids for transportation capacity of crude oil from western receipt points to delivery points in the Montreal and Québec City, Que. and Saint John, N.B. areas. Shipper information regarding the open season is available by contacting Louis Fenyvesi at 403.920.6037 or Oliver Youzwishen at 403.920.8094, or by emailing [oil\\_pipelines@transcanada.com](mailto:oil_pipelines@transcanada.com)

With more than 60 years' experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada operates a network of natural gas pipelines that extends more than 68,500 kilometres (42,500 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with more than 400 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns or has interests in over 11,800 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America's largest oil delivery systems. TransCanada's common shares trade on the Toronto and New York stock exchanges under the symbol TRP. For more information visit: [www.transcanada.com](http://www.transcanada.com) or check us out on Twitter @TransCanada or <http://blog.transcanada.com>.

**FORWARD LOOKING INFORMATION** This publication contains certain information that is forward-looking and is subject to important risks and uncertainties (such statements are usually accompanied by words such as "anticipate", "expect", "would", "will" or other similar words). Forward-looking statements in this document are intended to provide TransCanada security holders and potential investors with information regarding TransCanada and its subsidiaries, including management's assessment of TransCanada's and its subsidiaries' future financial and operation plans and outlook. All forward-looking statements reflect TransCanada's beliefs and assumptions based on information available at the time the statements were made. Readers are cautioned not to place undue reliance on this forward-looking information. TransCanada undertakes no obligation to update or revise any forward-looking information except as

5/31/13

TransCanada Launches Binding Open Season for Eastern Oil Pipeline

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required by law. For additional information on the assumptions made, and the risks and uncertainties which could cause actual results to differ from the anticipated results, refer to TransCanada's Management's Discussion and Analysis filed February 13, 2013 under TransCanada's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and other reports filed by TransCanada with Canadian securities regulators and with the U.S. Securities and Exchange Commission.

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**Page Updated:** 2013-04-02 12:00:00h CT

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## TransCanada's Canadian Mainline Capacity Management Open Season

May 13, 2013 – June 13, 2013



TransCanada PipeLines Limited ("TransCanada") announced on April 2, 2013 the Energy East project (the "Project"), which would transfer approximately 3,000 km of 42 inch pipeline from Burstall, Saskatchewan to Iroquois Junction, Ontario for conversion from gas to oil service (the "Assets"). The transfer, if approved, is expected to occur in the 2015/2016 time frame. After the transfer, there will continue to be sufficient capacity to meet firm contracts on the vast majority of the TransCanada Mainline. However, FT and STS firm contracts delivering to Cornwall, East Hereford, Enbridge EDA, GMIT EDA, Iroquois, KPUC EDA, Napierville, Philipsburg, and Union EDA with a receipt point of Empress, Niagara Falls, Union Dawn, or Union Parkway Belt (the "Eastern Firm Contracts") may exceed the capacity available after the transfer. At this point it is uncertain whether firm requirements at the time of the transfer will be less than current firm requirements, largely due to growth in the U.S. gas supplies and infrastructure. As a result, steps, including this Capacity Management Open Season (the "Open Season"), will be taken by TransCanada to assess and potentially reduce the Eastern Firm Contract requirement.

Through this Open Season, TransCanada is requesting shippers with Eastern Firm Contracts to assist TransCanada in an effort to better assess the firm contract requirements at the time the Assets are transferred.

TransCanada requests any interested shippers with Eastern Firm Contracts to advise TransCanada if any of the following apply:

- They do not intend to renew beyond October 31, 2016;
- They wish to terminate all or a portion of their contract demand;
- They may be interested in converting to a new service with a reduced toll and a priority below firm service but above all other services; or
- They may be interested in changing their receipt point to the Iroquois receipt point.

TransCanada will consider other suggestions presented by shippers including variations or combinations of the above options including changes to the terms of the FT-2 service.

In conjunction with this Open Season, TransCanada has filed a Review and Variance of the recent RH-3-2011 Decision with the National Energy Board (the "NEB") including an amendment to the renewal provisions for Mainline services to further assist TransCanada in determining its firm contract requirements subsequent to the transfer of the Assets. If implemented, TransCanada may require shippers holding Eastern Firm Contracts to either increase their contractual term up to 10 years for long-haul paths or up to 15 years for short-haul paths commencing on the date the Assets are transferred or lose their renewal rights at the end of their existing contract term.



**TransCanada's Canadian Mainline  
Capacity Management Open Season**  
**Capacity Management Options:**



**TransCanada**  
*In business to deliver*

**Early Notice of Non-Renewal**

TransCanada is requesting interested shippers who hold Eastern Firm Contracts with an expiry date on or before October 31, 2016 to provide notice to TransCanada that they will not renew all or a portion of their contract demand beyond October 31, 2016.

**Early Termination**

TransCanada is requesting interested shippers who hold Eastern Firm Contracts with an expiry date after October 31, 2016, and who no longer require their contract after October 31, 2016, to submit a request to terminate all or a portion of their contract demand effective October 31, 2016. The shipper's request is conditional on acceptance of such request by TransCanada in its sole discretion and the approval of the Project and the transfer of the Assets by the NEB on terms and conditions satisfactory to TransCanada. The NEB decision on the Project and the transfer of the Assets is expected in late 2014.

If the Project and the transfer of the Assets is approved by the NEB on terms and conditions satisfactory to TransCanada, but delayed, the termination date of the early termination request will remain at October 31, 2016. If the Project or the transfer of the Assets is not approved by the NEB on terms and conditions satisfactory to TransCanada, the early termination will not occur and the contract will remain in effect until the existing expiry date.

## TransCanada's Canadian Mainline Capacity Management Open Season



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**TransCanada**  
In business to deliver

### FT-2 Service

TransCanada is requesting interested shippers who hold Eastern Firm Contracts to submit a request to convert their Eastern Firm Contract to a new service that has a lower priority than FT service in the event of curtailment; however, incorporates many of the other attributes of FT Service ("FT-2 Service"). The toll for FT-2 Service will be biddable as a percentage of the FT toll and is expected to be lower than the FT toll. Shippers may bid the percentage of the FT toll on the bid form. Shippers with Eastern Firm Contracts may convert effective November 1, 2016 all or a portion of their contract demand to FT-2 service up to an aggregate amount of 200,000 GJ/d. The Shipper request for conversion to FT-2 Service is conditional on acceptance of such request by TransCanada in its sole discretion, to sufficient interest in FT-2 Service, and NEB approval of FT-2 Service, the Project, and the transfer of the Assets on terms and conditions that are satisfactory to TransCanada. A comparison of the attributes of FT service and the proposed FT-2 Service is outlined below. For more information on FT-2 Service, please contact your Customer Account Manager.

Attribute	FT	FT-2
Valid Receipt/Delivery Points	All valid receipt/delivery points.	TransCanada will specify the valid FT contract paths available for conversion to FT-2 Service.
Priority of Service	Firm.	Authorization and curtailment priority below FT service but higher priority than diversions, alternate receipt points, and STS quantities delivered on a "best-efforts" basis. Authorization priority will be based on bid price from highest to lowest bid price based on FT-2 bid percentage times applicable FT toll.
Term	Minimum twelve months.	November 1, 2016 until the end of shipper's existing contract term.
Renewal Rights	Minimum one year renewal with six months renewal notice required.	Not renewable. Existing FT-2 shippers will have a Right of First Refusal ("ROFR") option on all or a portion of their current FT-2 contracted capacity if TransCanada determines FT-2 capacity is available past the current expiry date for FT-2 Service. The ROFR option grants existing FT-2 shippers the right to retain the applicable capacity after the expiry of the current FT-2 contracts, provided the shipper matches the highest competitive bid from other shippers for the applicable capacity. If there are no other bids for the applicable capacity, the existing shipper may match the bid floor set by TransCanada to retain their capacity. Shippers have 10 days to exercise their ROFR rights from the close of the FT-2 open season.

## TransCanada's Canadian Mainline Capacity Management Open Season



**TransCanada**  
In business to deliver

Attribute	FT	FT-2
Toll	Monthly FT demand toll.	Biddable as a percentage of the FT toll in effect for the applicable path. TransCanada may determine the minimum bid floor for each applicable path.
Fuel	In kind; applicable monthly fuel ratio.	Same as FT.
Pressure Charges	Applicable at export delivery points.	Same as FT.
Assignments	Contract may be assigned.	Same as FT.
Daily Nomination Windows	Four NAESB windows.	Same as FT.
Diversions	Available.	Available. Incremental daily demand charge for FT-2 shipper will be structured such that FT and FT-2 shippers pay the same aggregate daily demand charge.
Alternate Receipt Points	Available.	Available. Incremental daily demand charge for FT-2 shipper will be structured such that FT and FT-2 shippers pay the same aggregate daily demand charge.

### Change of Receipt Point to Iroquois Receipt Point

TransCanada is requesting interested shippers who hold Eastern Firm Contracts to request a change in receipt point for all or a portion of their contract demand to the Iroquois receipt point with an effective date of November 1, 2016. All requests to change the receipt point to Iroquois will be conditional on acceptance of such request by TransCanada in its sole discretion, NEB approval of the Project, and the transfer of the Assets on terms and conditions satisfactory to TransCanada, and any potential facilities needed at Iroquois and the ability to effect these changes by November 1, 2016.

## TransCanada's Canadian Mainline Capacity Management Open Season



### Open Season Evaluation and Bidding Procedures:

- Bids must be received by TransCanada no later than 3:00 p.m. MST (Calgary time) on June 13, 2013.
- Bids may have additions or removal of conditions as specified by the bidder.
- TransCanada will evaluate all bids based on the overall impact to the system with criteria including, but not limited to, the impact on costs and revenue.

### How to bid:

Service applicants must submit a binding bid via the attached paper version to TransCanada's Mainline Contracting Department at (403) 920-2343 and must be received by 3:00 p.m. MST (Calgary time) on June 13, 2013. All bids received will be evaluated together for allocation purposes and the appropriate paperwork will then be issued to successful service applicants.

### Questions:

For inquiries regarding this open season please direct questions to your Customer Account Manager.

Calgary	
Gordon Betts	403.920.6834
Michael Mazier	403.920.2651
Toronto	
Amelia Cheung	416.869.2115
Lisa DeAbreu	416.869.2171
Reena Mistry	416.869.2159

### Appendix:

- Mainline Tariffs: Toll Schedules & Pro Forma Contracts
- TAPs: Transportation Access Procedures
- 2012 Interim Mainline Tolls: Effective January 1, 2012
- Index of Customers showing recent contracts and renewals
- Other TransCanada information: [www.transcanada.com/customerexpress](http://www.transcanada.com/customerexpress)

# TransCanada's Canadian Mainline Capacity Management Open Season



## Early Notice of Non-Renewal

To: TransCanada Pipelines Limited ("TransCanada")  
450 - 1 Street S.W.  
Calgary, Alberta T2P 5H1

Re: Early Notice of Non-Renewal

\_\_\_\_\_ ("Shipper") hereby provides TransCanada with early notice that it will not exercise the Renewal Option set out in Section 8 of TransCanada FT-Toll Schedule ("Early Notice of Non-Renewal") for the Contract(s) and Contract Demand Quantity each as set out below:

Contract #	Non-Renewed Contract Demand Quantity	Expiry Date

Shipper acknowledges and agrees that:

1. this Early Notice of Non-Renewal is binding on Shipper and cannot be revoked or amended by Shipper without TransCanada's written consent;
2. the Contract(s) or portion of Contract Demand Quantity for such Contracts shall expire on the Expiry Date set out above; and
3. it shall execute an amended FT Contract(s) for the portion of Contract Demand Quantity that does not expire, within five business days from the day TransCanada provides such Contract(s).

Dated this \_\_\_\_ day of \_\_\_\_\_, 2013.

Shipper Name: \_\_\_\_\_

Per: \_\_\_\_\_

Title: \_\_\_\_\_

Signed: \_\_\_\_\_

Per: \_\_\_\_\_

Title: \_\_\_\_\_

Signed: \_\_\_\_\_

## TransCanada's Canadian Mainline Capacity Management Open Season



### Early Termination Notice

To: TransCanada Pipelines Limited ("TransCanada")  
450 – 1 Street S.W.  
Calgary, Alberta T2P 5H1

Re: Early Termination Notice

\_\_\_\_\_ ("Shipper") hereby provides TransCanada with early notice to terminate ("Early Termination Notice") the Contract(s) and Contract Demand Quantity each as set out below effective October 31, 2016 ("Termination Date"):

Contract #	Terminated Contract Demand Quantity

Shipper acknowledges and agrees that:

1. this Early Termination Notice is binding on Shipper and cannot be revoked or amended by Shipper without TransCanada's written consent;
2. the Contract(s) and/or terminated Contract Demand Quantity
3. shall terminate on the Termination Date subject to the following terms and conditions:
  - (a) TransCanada receives approval from the National Energy Board of the Project and the transfer of the Assets on terms and conditions satisfactory to TransCanada;
  - (b) if the Project and/or the transfer of the Assets is approved by the National Energy Board on terms and conditions satisfactory to TransCanada but the Project and/or transfer of the Assets is delayed, the Termination Date shall not be extended and shall remain as October 31, 2016; and
  - (c) if the Project and/or the transfer of the Assets is not approved by the National Energy Board on terms and conditions satisfactory to TransCanada, this Early Termination Notice shall be deemed to be withdrawn by Shipper and of no further force and effect.

**TransCanada's Canadian Mainline  
Capacity Management Open Season**



**Early Termination Notice**

4. it shall execute an amended FT Contract(s) within five business days from the day TransCanada provides such Contract(s).

Dated this \_\_\_\_ day of \_\_\_\_\_, 2013.

**Shipper Name:** \_\_\_\_\_

**Per:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signed:** \_\_\_\_\_

**Per:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signed:** \_\_\_\_\_

**TransCanada's Canadian Mainline  
Capacity Management Open Season**



**Request to Convert FT Contract to FT-2 Contract**

To: TransCanada Pipelines Limited ("TransCanada")  
450 – 1 Street S.W.  
Calgary, Alberta T2P 5H1

Re: Request to Convert Firm Transportation Contract ("FT Contract") to Firm  
Transportation-2 Contract ("FT-2 Contract")

\_\_\_\_\_ ("Shipper") hereby requests TransCanada to convert ("Request to Convert") the FT Contract(s) and Contract Demand Quantity each as set out below to FT-2 Contract(s) on the terms and conditions set out in TransCanada's Canadian Mainline Capacity Management Open Season held from May 13, 2013 to June 13, 2013 effective November 1, 2016 at a percentage of the FT toll in effect on November 1, 2016 as indicated in the table below:

Contract #	Converted Contract Demand Quantity	Bid % (Percentage of FT Toll)
		%
		%

Shipper acknowledges and agrees that:

1. this Request to Convert is binding on Shipper and cannot be revoked or amended by Shipper without TransCanada's written consent;
2. the FT Contract(s) or portion of Contract Demand Quantity for such FT Contract(s) set out above shall convert to FT-2 Contract(s) subject to the following terms and conditions:
  - (a) TransCanada receives approval from the National Energy Board for the Project and the transfer of the Assets on terms and conditions satisfactory to TransCanada; and
  - (b) TransCanada determines in its sole discretion that there is sufficient shipper interest in FT-2 Service and TransCanada receives approval from the National Energy Board of the FT-2 Service on terms and conditions satisfactory to TransCanada;



**TransCanada's Canadian Mainline  
Capacity Management Open Season**



**Request to Convert FT Contract to FT-2 Contract**

3. it shall execute an amended FT Contract(s) and/or a new FT-2 Contract(s) for the converted Contract Demand within five business days from the day TransCanada provides such Contract(s).

Dated this \_\_\_\_ day of \_\_\_\_\_, 2013.

**Shipper Name:** \_\_\_\_\_

**Per:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signed:** \_\_\_\_\_

**Per:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signed:** \_\_\_\_\_

**TransCanada's Canadian Mainline  
Capacity Management Open Season**



**Request to Change Receipt Point to Iroquois Receipt Point**

To: TransCanada Pipelines Limited ("TransCanada")  
450 - 1 Street S.W.  
Calgary, Alberta T2P 5H1

Re: Request to Change Receipt Point to Iroquois Receipt Point

\_\_\_\_\_ ("Shipper") hereby requests TransCanada to change the receipt point ("Request to Change Receipt Point") for the Contract(s) and Contract Demand Quantity each as set out below to the Iroquois receipt point effective November 1, 2016:

Contract #	Iroquois Receipt Point Contract Demand Quantity	Current Receipt Point

Shipper acknowledges and agrees that:

1. this Request to Change Receipt Point is binding on Shipper and cannot be revoked or amended by Shipper without TransCanada's written consent;
2. the receipt points for the Contract(s) or portion of Contract Demand Quantity for such Contract(s) set out above shall change to the Iroquois receipt point effective November 1, 2016 subject to the following terms and conditions:
  - (a) TransCanada receives approval from the National Energy Board of the Project and/or the transfer of the Assets on terms and conditions satisfactory to TransCanada; and
  - (b) TransCanada receives approval from the National Energy Board of any additional facilities that TransCanada determines necessary to provide for this Request to Change Receipt Point and all other such requests TransCanada receives from other shippers, on terms and conditions satisfactory to TransCanada;

**TransCanada's Canadian Mainline  
Capacity Management Open Season**



**Request to Change Receipt Point to Iroquois Receipt Point**

3. it shall execute an amended FT Contract(s) to change the receipt points set out above to the Iroquois receipt point within 5 business days from the day TransCanada provides such Contract(s).

Dated this \_\_\_\_ day of \_\_\_\_\_, 2013.

**Shipper Name:** \_\_\_\_\_

**Per:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signed:** \_\_\_\_\_

**Per:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signed:** \_\_\_\_\_

**Canadian Mainline Existing Capacity Open Season – Revised April 22, 2013**  
**March 26 – May 15, 2013**

TransCanada Pipelines Limited ("TransCanada") has identified an opportunity to repurpose a portion of its Canadian Mainline natural gas pipeline system to oil service. In consideration of the growing potential of the oil project, the Mainline will be offering existing capacity that may be affected by the potential asset transfer, as non renewable firm transportation service ("FT-NR") in this Existing Capacity Open Season (the "ECOS"). Customers can contract for FT-NR for a minimum of one (1) year up to the maximum term, ending October 31, 2015.

TransCanada will be accepting bids in this ECOS for the following transportation services: Firm Transportation (FT), Non-Renewable Firm Transportation (FT-NR) and Short Notice Firm Transportation (FT-SN) with a commencement date on or after June 1, 2013. TransCanada will be accepting bids in this Existing Capacity Open Season for firm service until 8:00 a.m. MST (Calgary time) on May 15, 2013. The available existing capacity is located in the tables below.

**Table 1: Available Existing Capacity <sup>(1)</sup>**

Earlier start dates may be accommodated on most paths, please contact your Mainline Customer Account Manager.

Posted System Segments	FT or FT-SN <sup>(3)</sup> Capacity Starting June 1, 2013 (GJ/d)	FT-NR Capacity Starting June 1, 2013 (GJ/d)
<b>Empress to (Domestic) <sup>(2)</sup></b>		
South Saskatchewan Delivery Area (SSDA)	4,267,085	830,000 <sup>(5)</sup>
Manitoba Delivery Area (MDA)	4,267,085	830,000 <sup>(5)</sup>
Western Delivery Area (WDA)	638,000	615,000 <sup>(5)</sup>
Northern Delivery Area (NDA)	638,000	615,000 <sup>(5)</sup>
North Bay Junction	638,000	615,000 <sup>(5)</sup>
Central Delivery Area (CDA)	638,000	615,000 <sup>(5)</sup>
Eastern Delivery Area (EDA) <sup>(4)</sup>	0	924,946 <sup>(5)</sup>
Eastern Delivery Area (GMI EDA)	0	213,000 <sup>(5)</sup>
Southwest Delivery Area (SWDA)	210,000	0
<b>Empress to (Export) <sup>(2)</sup></b>		
Emerson 1	737,874	0
Emerson 2 <sup>(6)</sup>	3,344,785	0
Kirkwall	24,000	0
Niagara	24,000	0
Chippawa	24,000	0
Iroquois	0	472,427 <sup>(5)</sup>

Napierville	0	123,000 <sup>(5)</sup>
Philipsburg	0	7,600 <sup>(5)</sup>
East Hereford (July 1, 2013 Start Date) <sup>(5)</sup>	0	78,101 <sup>(5)</sup>

**Table 2: Available Existing Capacity <sup>(1)</sup>**

Earlier start dates may be accommodated on most paths, please contact your Mainline Customer Account Manager.

Posted System Segments	FT and FT-SN <sup>(3)</sup> Capacity Starting June 1, 2013 (GJ/d)	FT-NR Capacity Starting June 1, 2013 (GJ/d)
<b>Dawn to</b>		
Kirkwall	24,000	0
Niagara	24,000	0
Chippawa	24,000	0
<b>Parkway to</b>		
Southwest Delivery Area (SWDA)	210,100	0
<b>Sault Ste. Marie to</b>		
Union SSMDA	33,600	0
<b>St. Clair to</b>		
Union SWDA	1,778,900	0
<b>Kirkwall to</b>		
Niagara	871,300	0
Chippawa	304,100	0

**Table 3: Available Existing Capacity <sup>(1)</sup>**

Earlier start dates may be accommodated on most paths, please contact your Mainline Customer Account Manager.

Posted System Segments for FT-SN <sup>(3)</sup>	Capacity Starting June 1, 2013 (GJ/d)
<b>FT-SN Metering Capacity (Subject to Segment Capacity)</b>	
Empress to	
Goreway CDA	51,100
Victoria Square #2 CDA	41,800
Thorold CDA	63,000
Schomberg #2 CDA	14,300

<sup>1</sup> TransCanada is not accepting bids for firm service from all export points unless otherwise listed in the table above.

<sup>2</sup> Bayhurst 1, Grand Coulee, Herbert, Liebenthal, Richmond, Shackleton, Steelman, Success, Suffield 2, and Welwyn are also valid receipt points for the delivery points listed in Table 1.

<sup>3</sup> May not be available on all paths. Please contact your Mainline Customer Account Manager if you are interested in bidding on this service. SNB service could be contracted with FT-SN. If you are interested in SNB, please contact your Mainline Customer Account Manager for more information.

<sup>4</sup> Capacity available to Enbridge EDA, Union EDA, and Cornwall only.

<sup>5</sup> Capacity available between June 1, 2013 and October 31, 2015.

<sup>6</sup> Shippers and prospective shippers should be aware that TransCanada has posted firm capacity to Emerson 2 and East Hereford in excess of the downstream firm take-away capacity on Great Lakes and PNGTS. Great Lakes / PNGTS may have interruptible capacity available on certain days, depending on operating conditions. When insufficient interruptible take-away capacity is available on Great Lakes / PNGTS, those FT shippers on TransCanada that are unable to flow their gas downstream of Emerson 2 / East Hereford may instead nominate diversions to alternate Delivery Points.

### Open Season & Bidding Procedure Highlights

- Bids must be received by TransCanada no later than 8:00 a.m. MST (Calgary time) on May 15, 2013.
- Term: Minimum one (1) year term for the posted Firm Transportation services. Bids with a term of one year or greater shall be in full month increments.
- Toll: The posted capacity will be at the NEB Approved Mainline Toll.
- System Segment Capacity:
  - Some posted segments share common capacity. A successful bid on one system segment may reduce the capacity on another system segment. Any bids that pertain to common capacity will be evaluated together for allocation purposes.
  - Each capacity segment requested must be on an individual bid form.
- Conditional Bidding: Mainline capacity bids can be conditioned on another Mainline capacity bid
  - If an ECOS bid is conditional on another ECOS bid, if either ECOS bid requires a reduction to the maximum daily quantity, the maximum daily quantity for the other ECOS bid will be reduced by the same percentage.
  - Please submit each set of conditional bids in a separate fax, to provide clarity on which bids are related.
- Min Acceptable Quantity: May be specified by bidder in the event that prorating capacity is necessary.
- Please refer to the TAPs: Transportation Access Procedures for more information.
- Please refer to the TAPs for information on bid deposit requirements.

### How to Bid

Service applicants must submit a binding bid via the Paper Version or Electronic Version to TransCanada's Mainline Contracting Department at (403) 920-2343 and must be received by 8:00 a.m. MST (Calgary time) on May 15, 2013. All bids received each day will be evaluated together for allocation purposes and contracts will then be issued to successful Service Applicants who will then have one banking day to return the signed contract to TransCanada.

### Questions

If you have any questions, please contact your Mainline Customer Account Manager.

<b>Calgary</b>	
<b>Gordon Betts</b>	<b>Michael Mazier</b>
Phone: 1.403.920.6834	Phone: 1.403.920.2651
Email: <a href="mailto:gordon_betts@transcanada.com">gordon_betts@transcanada.com</a>	Email: <a href="mailto:mike_mazier@transcanada.com">mike_mazier@transcanada.com</a>
<b>Toronto</b>	
<b>Amelia Cheung</b>	<b>Reena Mistry</b>
Phone: 1.416.869.2115	Phone: 1.416.869.2159
Email: <a href="mailto:amelia_cheung@transcanada.com">amelia_cheung@transcanada.com</a>	Email: <a href="mailto:reena_mistry@transcanada.com">reena_mistry@transcanada.com</a>
<b>Lisa DeAbreu</b>	
Phone: 1.416.869.2171	
Email: <a href="mailto:lisa_deabreu@transcanada.com">lisa_deabreu@transcanada.com</a>	

### Appendix

#### LINKS to Additional Information:

- [Existing Capacity Open Season Paper Bid Form](#)
- [Existing Capacity Open Season Electronic Bid Form](#)
- [Mainline Tariffs: Toll Schedules & Pro Forma Contracts](#)
- [TAPs: Transportation Access Procedure](#)
- [2012 Interim Mainline Tolls Effective January 1, 2012](#)
- [Index of Customers](#) showing recent contracts and renewals
- Other TransCanada Information: [www.transcanada.com/Customerexpress](http://www.transcanada.com/Customerexpress)

**GST Procedures for FT, FT-NR, and FT-SN - FOR EXPORT POINTS ONLY**

TransCanada is required to charge the Goods and Services Tax (GST) or Harmonized Sales Tax (HST), whichever is applicable, on transportation of gas that is consumed in Canada. The GST is set at 5% while HST is set at 13% in Ontario.

Shippers may provide a Declaration which notifies TransCanada that the Shipper's contract is intended to serve an export market and should be charged 0% GST or 0% HST, on any Unutilized Demand Charges (UDC).

The Declaration Form is available at the following link:

FT GST/HST Declaration

Shippers may also zero-rate GST or HST on the associated transportation demand, commodity and pressure charges by making a Declaration on the nomination line in NrG Highway.

Please note:

- Declarations may only take effect on the first day of a month.
- A Declaration cannot be applied retroactively.
- A Declaration supersedes previous Contract Declarations.
- A single Declaration form is used for all of a shipper's firm export contracts eligible for zero-rating of UDC.
- If a Shipper zero-rates their nomination but does not execute a Declaration the Shipper will be charged 0% GST or 0% HST on their nomination but all associated UDCs will be charged the current applicable GST or HST rate.

Please refer to the following website for additional information on GST/HST regulations and rebates  
<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/qnrl/txbl/trnsprttn/menu-eng.html>

For more information on TransCanada's GST/HST practices, contact [Mainline\\_Contracting@transcanada.com](mailto:Mainline_Contracting@transcanada.com).



TAB 12

Filed: 2013-06-07  
 EB-2012-0451/EB-2012-0433/EB-2013-0074  
 Exhibit I.A1.UGL.Staff.7  
Page 1 of 4

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Ref: EB-2012-0451, Pipeline Proposal  
 EB-2013-0074, Section 7 – New Dawn-Parkway System Demands, Page 10 of 14, Lines 13-14

Preamble: Union notes that it entered into a TCPL open season for transportation starting November 1, 2014 to support natural gas deliveries to Union North. However, in September 2012, Union was informed by TCPL that the incremental capacity to serve the TCPL open season bids would not be available for November 1, 2014 as provided in the open season but rather it would be available November 1, 2015. Union notes that it is expecting TCPL to expand capacity between Parkway and Maple to serve this incremental interest.

- a) To what extent are the subject OEB applications dependent on any TCPL facilities expansions, such as the Parkway to Maple Expansion Project noted above? Please explain how any delays in TCPL's facilities expansions will affect the Union and Enbridge proposals?
- b) Please discuss the potential risks of a further delay of incremental capacity from TCPL past November 1, 2015.
- c) Please discuss Union's plans to mitigate any risks from a further delay.
- d) Please discuss the potential effects of TCPL not expanding capacity between Parkway and Maple to serve the incremental interest.

---

**Response:**

(a) Gaz Métro and Union require expansion of the pipeline capacity between Parkway and Maple to realize the benefits of reduced natural gas costs for their customers. These gas cost savings are estimated to be \$103-\$138 million annually and are a result of Ontario and Québec customers having increased access to the liquid Dawn Hub. In order to support an efficient marketplace for energy, it is critical that natural gas be able to flow unimpeded to meet market demands. Restricting flow into, within and out of Ontario undermines the development of an efficient marketplace to the detriment of all energy consumers. The expansion of the Parkway to Maple corridor is necessary to provide Ontario industry, power generators, businesses and residents with increased access to the diverse and affordable natural gas supply of the Dawn Hub. The depth and liquidity of the Dawn Hub depends on the ability to move natural gas supplies to and from that trading point.

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 Exhibit I.A1.UGL.Staff.7  
Page 2 of 4

Union filed a letter with the National Energy Board dated April 29, 2013 that was received from TransCanada (see Exhibit I.A4.UGL.CCC.23) providing notice to Union that TransCanada did not receive its own Board of Directors approval to construct the proposed expansion project downstream of Parkway as expected in 2015, and as a result TransCanada had suspended further work. Union is very concerned by TransCanada's decision to suspend development activities for the 2015 build between Parkway and Maple. The following is an assessment of the impacts of the suspension of TransCanada's 2015 Parkway to Maple expansion.

#### Impact on Union's Parkway West Project

The facilities and timing of the proposed Parkway West Project are not impacted by a lack of pipeline capacity expansion downstream of Parkway or a delay in such a project. The Parkway West Project does not depend on system growth, but rather is predicated on providing loss of critical unit coverage for the compression at Parkway and increased reliability for the substantial interconnection with Enbridge at Parkway.

As discussed in response to Exhibit I.A5.UGL.CCC.26, Union and TransCanada are discussing an alternative to the NPS 42 pipeline proposed as part of the Parkway West Project to connect the existing Parkway Compressor Station to the new Parkway West Compressor Station. This alternative would provide a new interconnection between Union and TransCanada on the west side of Highway 407 and will require new facilities to be built by TransCanada at an existing valve site. Union considers the construction of this interconnection independent of expansion of the Parkway-Maple corridor.

#### Impact on Union's Brantford-Kirkwall Pipeline/Parkway D Compressor Projects

The incremental Dawn-Parkway transportation demands of Gaz Métro and Union require expansion of the pipeline capacity downstream of Parkway to serve markets beyond the GTA in northern and eastern Ontario and Québec. Without expansion of the Parkway-Maple corridor and, as such, without these incremental Dawn-Parkway demands, Union would not construct the Brantford-Kirkwall pipeline project. The Parkway D Compressor would still be required to meet the gas supply needs of Enbridge.

#### Impact on Proposed Enbridge GTA Project

It is Union's understanding that the only potential impact to the proposed Enbridge GTA Project as a result of a TransCanada delay in the Parkway to Maple expansion could be the size of the pipe that Enbridge builds in Segment A between Parkway and the Albion Road Station. Enbridge has identified this line as being either an NPS 36 line or an NPS 42 line. It is Union's view that this line should be built as NPS 42 given the one time opportunity to right size this critical pipeline to facilitate future expansion of the Parkway-Maple corridor, allowing Ontario customers the opportunity to increase access to the liquidity and diversity

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 Exhibit I.A1.UGL.Staff.7  
Page 3 of 4

of the Dawn Hub and to new affordable supply sources such as Marcellus and Utica shale production.

(b) Delay of the expansion of the Parkway to Maple corridor beyond 2015 creates a number of risks:

- i. Gas Cost Savings - The customers in northern and eastern Ontario and Québec that initially requested access to Dawn in 2014, would have a further delay in increased access to the diversity, liquidity and affordability of supply at the Dawn Hub. Without access to the Dawn Hub and new supply sources, natural gas cost savings in the order of \$103-\$138 million annually, will not be realized for Union North and Gaz Métro customers.
- ii. Access to Dawn - Without expansion of the Parkway to Maple corridor, Ontario customers in Union North will lose the benefit of increased access to the diversity of the Dawn Hub. As discussed in Exhibit I.A1.UGL.Staff.1 part a), the proposed crude oil pipeline conversion will leave eastern markets short of capacity to meet firm demand and to meet the significant demand for discretionary services (interruptible service and short term firm service) from northern and eastern Ontario industrials and power generators. As a result, Union expects that some Ontario customers will seek access to the Dawn Hub as well as firm transportation capacity from Dawn to the market area. It is unclear at this time given TransCanada's decision to suspend development of its 2015 Parkway to Maple expansion whether TransCanada's next open season for new capacity will allow access to Dawn and other points upstream of Parkway, such as Niagara and Chippawa (and if they do, under what terms and conditions), or just long haul paths back to Empress. Restricting access only to Empress should be a concern to Ontario and Québec industrials and power generators that would go without increased access to the diverse and economic supply of the Dawn Hub.
- iii. Liquidity at Dawn - Another risk associated with delay of incremental pipeline capacity downstream of Parkway is the impact on liquidity at the Dawn Hub. The Dawn Hub gets its liquidity today from being an attractive place to transact for both buyers (customers) and sellers (producers and marketers). The constraint in pipeline capacity between Parkway and Maple creates risk to the liquidity at Dawn because it restricts the market driven movement of supply away from Dawn making Ontario and the Dawn Hub a less attractive trading point for both buyers and sellers. Any further delay in expansion of the Parkway-Maple corridor increases risk to the health and liquidity of the Dawn Hub. Increasing access to the Dawn Hub will help attract new

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supply sources to Ontario supporting a more competitive marketplace to the benefit of all Ontario energy consumers.

- iv. Turn Back Management - A delay in removing the constraints downstream of Parkway will impact Union's ability to manage future turn back of Dawn-Kirkwall capacity by limiting the ability to resell it as Dawn-Parkway capacity. A discussion of this impact can be found in Exhibit I.A1.UGL.CME.14 a).

In summary, a significant delay would compromise a number of project benefits, which are summarized at EB-2013-0074, Section 9, pages 8-11.

(c) Union remains committed to serving the needs of its Union North customers and the requested demands of Gaz Métro in 2015. Union has stated in the past that a TransCanada expansion through the Parkway to Maple corridor is preferred. To that end, Union is continuing discussions with TransCanada and other market participants to determine if a build in 2015 is possible. Given the significant risk that TransCanada is not able to or not prepared to build, Union and Gaz Métro, have initiated an environmental assessment for a pipeline between Enbridge's Albion Road Station (the end of Segment A of the proposed GTA Project) and a point at or near Maple. If required, this will support an application for regulatory approval and preserve an expansion of the Parkway-Maple corridor in 2015.

(d) Please see parts a)-c) above.

TAB 13

Updated: 2013-04-15  
EB-2012-0451  
Exhibit A  
Tab 3  
Schedule 6  
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### PROPOSED FACILITIES, OPERATION AND SYSTEM BENEFITS

1. The purpose of this evidence is to describe the proposed GTA Project facilities, the intended operation of the facilities, and the operational benefits achieved once in-service.

#### Proposed Facilities

2. Enbridge is proposing two segments of natural gas pipelines and associated facilities, referred to as "Segment A" and "Segment B", that will enhance and reinforce the XHP system within the GTA. The pipelines and associated facilities are described below with references to Figures 1 and 2. Figure 1 is a map overview of the proposed facilities in its entirety. Due to the larger map scale in Figure 1, Figure 2 is an expanded overview of the Parkway Bypass and NPS 36 tie-in.
3. Segment A consists of:
  - A new NPS 42<sup>1</sup> pipeline, approximately 20.9 km in length, that will originate at the proposed interconnection with TransCanada's Mainline transmission system, the "Bram West Interconnect" (Reference 1 in Figure 1) and terminate at the existing Enbridge Albion Road Station (Reference 2 in Figure 1);
  - An expansion to the existing Albion Road Station (Reference 3 in Figure 1); and
  - A tie-in to the existing XHP system via:
    - A new connection to Union Gas' Dawn to Parkway system, known as the Parkway West Gate Station, adjacent to Union Gas' proposed Parkway West compressor station, and approximately 315 m of NPS 36 pipe to tie into the existing Enbridge NPS 36 Parkway North pipeline (Reference 4 in Figure 1, also expanded in Figure 2); and

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<sup>1</sup> Or NPS 36. Further detail is provided at Exhibit E, Tab 1, Schedule 2.

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- An upgrade to the current valve manifold at the existing Parkway Bypass to include pressure regulation between the existing NPS 36 Parkway North pipeline and the existing NPS 36 Mississauga Southern Link ("MSL") pipeline that currently operate at different pressures (Reference 5 in Figure 1, also expanded in Figure 2).

4. Segment B consists of:

- A modification of the existing Keele/CNR Station (Reference 6 in Figure 1);
- 23 km of NPS 36 XHP pipe that consists of a west-east portion and a north-south portion:
  - The west-east portion will originate from the existing Keele/CNR Station, proceed east to intersect with the existing NPS 30 Don Valley pipeline (Reference 7a on Figure 1); and
  - The north-south portion will then proceed south to the tie-in point with the existing NPS 36 pipeline north of Sheppard Avenue East (Reference 7b on Figure 1);
- A new pressure regulation facility, known as "Buttonville Station", located in the Parkway Belt corridor east of Woodbine Avenue, will tie the new NPS 36 pipeline into the existing NPS 30 Don Valley pipeline in the area of the intersection of the two pipelines (Reference 8 on Figure 1); and
- An expansion to the existing pressure regulation facility at Jonesville Station, located just north of Eglinton Avenue East near Jonesville Crescent that will support the existing NPS 36 pipeline feed to the existing NPS 30 Don Valley pipeline running south from the Jonesville Station (Reference 9 on Figure 1) to Station B.



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#### Safety Considerations for Design of New Pipeline Segments A & B

5. Segments A and Segment B were designed to exceed the most stringent standard according to CSA Z662-11<sup>2</sup>. Segments A and B exceed Class 4 design by 18% and 68% due to the use of thicker wall pipe for the NPS 42 and NPS 36 pipe designs, respectively.
6. Canadian design standard CSA Z662-11 specifies the calculation of hoop stress, which for a given diameter of pipe is a function of both the maximum operating pressure and wall thickness. The hoop stress as a percentage of the specified Minimum Yield Strength ("SMYS") of the pipe (i.e., pipe grade), typically referred to as % SMYS is limited based on Class Location. Subject to certain setback limitations prescribed in the Technical Standard and Safety Authority's ("TSSA") PI-98/01 "Guideline for Locating New Oil and Gas Pipeline Facilities", pipelines in a Class 4 location can be designed to operate up to a pressure equal to 44% SMYS.
7. The % SMYS that a pipeline operates at can be reduced either by increasing the pipe grade and/or by increasing the wall thickness. While the CSA Z662-11 is not prescriptive in terms of these design "trade-offs", the Company's design is consistent with U.K. design practices that emphasize the importance of wall thickness in reducing third party damage, which is a predominant threat in urban areas. Thicker wall pipe also has the benefit of increased resistance to corrosion - another threat to pipeline integrity.
8. Segments A and B have been designed with wall thickness of 19.05 mm and 17.5 mm for the NPS 42 and NPS 36 pipe designs, respectively, in order to ensure a very high level of resistance to both third party damage and corrosion.

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<sup>2</sup> The CSA Z662-11 is the Canadian Standards Association's Oil & Gas Pipeline System standard (2011 edition).

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9. The design was validated using U.K. Pipeline Risk Assessment Code IGEM TD/2, which quantifies the benefits to be achieved by reduced hoop stress (i.e., % SMYS) and increased wall thickness. For pipelines operating below 50% SMYS, IGEM TD/2 attributes a safety factor of almost 100% for pipelines designed with wall thickness of 16 mm or greater.
10. The Segment A pipeline from Bram West to Albion is designed to operate at 37% SMYS based on the NPS 42 design. With a wall thickness of 19.05 mm, it achieves a near maximum safety benefit attributable to wall thickness, therefore there is very little incremental benefit to be achieved by designing to operate to below 30% SMYS.
11. The NPS 36 pipelines (the 315 m tie-in and Segment B) are designed to operate at 20% SMYS at a normal operating pressure of 3344 kPa (485 psi), or 26% SMYS at maximum operating pressure of 4482 kPa (650 psi). The pipeline was designed to operate at lower stress levels due to its proximity to the NPS 30 Don Valley line and adjacent development.
12. Both Segment A and B will be hydrostatically tested to 100% SMYS and all welds will be non-destructively tested. Once complete, the pipelines will also be inspected internally, using a caliper tool, to check for dents or buckles caused by construction. These measures will ensure the integrity of the pipe material and construction practices prior to commissioning.
13. Once in service, the pipeline pressures and flows will be monitored remotely by Gas Control, who will also have the capability to isolate segments of the pipeline by remotely closing strategically located valves in the event of an incident.

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Safety Benefits for Existing Pipelines

14. As described in Exhibit A, Tab 3, Schedule 3, the NPS 26 and NPS 30 Don Valley lines were installed in the late 1960's/early 1970's and operate above 30% SYMS.
15. With existing pipelines, design parameters are pre-determined so achieving relative safety benefits typically focuses on operational parameters. One effective method of obtaining a safety benefit is to lower the operating pressure, provided that the system supply demands can still be met. This was the case in the early 1990's, when the installation of Parkway Phase 2 allowed the operating pressure in the NPS 30 pipeline, that runs along Derry Road and Finch Avenue, to be lowered.
16. As explained in Exhibit A, Tab 3 Schedule 3, page 17, 30% SMYS is the generally accepted boundary below which pipelines subjected to excavation damage are more likely to fail by leak rather than by rupture. The TSSA has endorsed this boundary by limiting the requirements of the recently passed Code Amendment FS-196-12 to pipelines operating at or above 30% SMYS.
17. Once the new facilities are in operation, the operating pressure for the NPS 26 and the NPS 30 Don Valley lines will be reduced to 1896 kPa (275 psi) and 2585 kPa (375 psi) respectively, which will lower the hoop stress levels to below 30% SMYS.
18. Even though these pipelines will be operating below 30% SMYS, the Company intends to continue to perform in-line inspections on them as part of its integrity management program.

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#### Additional Safety Features

19. Both the new and existing pipelines associated with the GTA Project are primarily located in existing utility or rail corridors, not on road allowances. These defined corridors can provide a natural buffer against third party damage.
20. The Company plans to Horizontal Directionally Drill ("HDD") several major road crossings and environmentally sensitive water crossings, totaling approximately 8 km of the 44 km pipeline route. HDD pipeline segments will be at depths much greater than 1.2 m offering additional protection against third party damage.
21. Location specific measures to further reduce the threat of third party damage will be considered during the detailed pipeline design phase, to be completed following Board approval of the project. Such measures will improve the awareness of the pipelines, and may include the installation of buried marker tape, concrete slabs, extra pipeline markers, or other pipeline identifiers. The determination of these additional measures cannot be completed until final design because they are dependent on site specific factors such as pipeline depth, separation from other infrastructure, likelihood of construction activity in the area, etc.
22. The Company believes that with the aggregate design and operational measures described above, the overall safety in the area of influence of the GTA Project will be enhanced.

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### Operation of the Proposed Facilities

#### *Segment A*

23. The Bram West Interconnect will provide a new entry point into the GTA XHP system. It will supply gas at 6447 kPa (935 psi) to the new 20.9 km pipeline for delivery at Albion Road Station. Albion Road Station is central to the distribution system and will provide tie-in points to two other XHP networks, the NPS 36 Parkway North line and the NPS 30 line (that runs along Derry Road and Finch Avenue).
24. The pipeline from the Bram West Interconnect to Albion Road Station will be a shared usage pipeline. TransCanada will share usage of the pipeline to transport gas volumes from the Bram West to Albion. At the Albion Road Station, Enbridge gas volumes will be distributed into the existing XHP distribution system.
25. TransCanada will provide a connection for Enbridge at the Bram West Interconnect which will also have provisions for in-line inspection. Albion Road Station will be expanded to accommodate odourization, metering, regulation, and other ancillary equipment.
26. The GTA Project also includes a tie-in from proposed Parkway West Gate Station to the existing NPS 36 Parkway North line via a pipeline approximately 315 m in length. Also, Enbridge proposes to install pressure regulation at the Parkway Bypass. This short pipeline and facilities will provide another supply source to the NPS 36 Parkway North pipeline at 3344 kPa (485 psi) and MSL pipeline at 2413 kPa (350 psi).

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### *Segment B*

27. The 23 km of pipeline that runs east from Keele/CNR Station to the Buttonville corridor, then south to Sheppard Avenue East, will provide 3344 kPa (485 psi) to Buttonville and Jonesville Stations. The regulation facilities at Buttonville and Jonesville Stations allow the NPS 30 Don Valley line to be fed from both Victoria Square and Parkway West Gate Stations.

### System Benefits of the Proposed Facilities

28. The proposed pipelines and facilities in Segment A and Segment B will result in the following operational benefits:
- a. Ability to meet customer growth, and particularly the ability to maintain minimum system pressures at Station B and the downtown Toronto core;
  - b. Operational flexibility through improved connectivity between the western and eastern parts of the GTA XHP system through the elimination of the west-east bottleneck and the improved ability to accommodate system work provided by the second source of supply to the major XHP supply lines<sup>3</sup>;
  - c. Diversification of supply pathways for two critical distribution lines, NPS 26 and NPS 30 Don Valley pipelines;
  - d. Mitigation of operational risk through the lowering of operating pressures of the NPS 26 and NPS 30 Don Valley line and the addition of another major supply point into the XHP distribution system capable of supporting Parkway Gate Station; and
  - e. Improved reliability of upstream arrangements by replacing less secure (short term firm and interruptible) long haul transportation from Western

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<sup>3</sup> The major XHP supply lines include the NPS 36 Parkway North, NPS 36 MSL, NPS 30 Don Valley, and NPS 26 lines.

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Canada with more secure short haul firm transportation from emerging  
U.S. North East and Dawn supply.

29. The proposed pipelines and facilities will only meet the full set of objectives outlined in Exhibit A, Tab 3, Schedule 1 if constructed and operated together.

*Downstream Distribution System*

30. The proposed pipelines will add the XHP pipeline capacity required to meet forecast customer growth. System pressures are forecast to be maintained above minimum requirements until 2025 with the proposed pipelines and facilities in place.
31. The pipeline from the Bram West Interconnect will deliver gas to Albion Road Station. This point is central in the distribution area, a preferred location to further distribute gas to downstream HP and IP networks and to back-feed other XHP networks. Given its central location, once the proposed pipelines and facilities are in place, Albion Road Station can help offset a shortfall at either Parkway or Victoria Square Gate Stations, provided the proposed pipelines and facilities are in place.
32. The 315 m tie-in and added pressure regulation at Parkway Bypass will diversify supplies by adding another supply point into the system, capable of supporting Parkway Gate Station. It will provide a second source of supply to the NPS 36 Parkway North and NPS 36 MSL lines. This will enhance operational flexibility by providing a back-feed to manage maintenance and integrity management activities and abnormal operating conditions. It will also allow for shutdown of the Parkway Gate Station, if required.

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33. Segment B will alleviate the XHP restriction across the existing NPS 26 pipeline and provide a secondary pathway in the transportation of gas from west to east, and vice versa. The direction of gas flow depends on the supply source, use of gas storage volumes, load balancing, and maintenance activities at the time. The improved connectivity between the western and eastern parts of the GTA Influence Area will provide flexibility to balance flows that are increasingly “peakier” based on recent and forecasted customer growth. The capability will aid in the effort to stay within contractual limits.
34. Segment B creates a continuous NPS 36 line at 3344 kPa (485 psi) from Parkway to Jonesville Station, providing a secondary source as far south as Eglinton Avenue to feed the downtown Toronto core. With the proposed Segment A, this major feed would be normally sourced from Albion Road Station via the proposed Bram West Interconnect. It could also be fed from the existing Parkway Gate Station or through the proposed 315 m tie-in via Parkway West Gate Station providing diversity of supply sources. This pipeline will act as an express lane to move gas volumes to the downtown core and to maintain pressures at Station B, while the existing NPS 30 Don Valley line acts like collector lanes by supplying the flows to the more local district stations. In the case of winter maintenance requirements, the twinning along these two routes will mitigate a significant impact on the supply chain and improve the Company’s ability to provide reliable service.
35. The new Buttonville Station, modified Keele/CNR Station, and expanded Jonesville Station and Albion Road Stations includes regulation facilities and tie-ins to adjacent XHP networks which provides enhanced operational flexibility to the existing distribution system and will support maintenance, integrity, and abnormal



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operating conditions. Buttonville Station will provide a second source of supply to the NPS 30 Don Valley line.

36. The new pipelines will add the capacity needed to support the reduction in operating pressures in the NPS 26 and NPS 30 Don Valley lines. Lowering the operating pressure of these lines will reduce the risk of an event causing a prolonged outage of the line, and reduce the probability of significant supply chain impacts and the disruption impact to the community.
37. As the anticipated growth materializes over the 2015 to 2025 period considered by this project, it is expected that additional localized HP reinforcement will occur to further support this growth. These reinforcements are included in the Company's 10-year Asset Plan, and are included in the Economic Analysis in Exhibit E, Tab 1, Schedule 1. These reinforcements are not being proposed in this application and will be filed at a later date in parallel with system need.

#### *Entry Points into the Distribution System*

38. As demonstrated in Exhibit A, Tab 3, Schedule 3, system risks presently exist where upwards of 270,000 residential customer outages, plus the loss of PEC, may result from a complete station failure at Parkway Gate Station. Parkway West Gate Station will provide diversity to the existing Parkway Gate Station and provide a back-up feed to this station. This means that Parkway West would be able to maintain the reliable supply of natural gas to downstream customers in circumstances that warrant a full or partial shutdown of Parkway Gate Station. In addition, the Bram West Interconnect, along with Segment B, could mitigate the impacts of a capacity shortfall at Victoria Square Gate Station. The additional

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capacity supplied by the proposed entry points would be immediately available to compensate for lost capacity in the downstream networks.

39. Parkway West Gate Station will have the ability to displace gas supply flows currently delivered to the GTA through Lisgar Gate Station. As mentioned in Exhibit A, Tab 3, Schedule 3, Lisgar, the oldest gate station in all Enbridge franchise areas, is operated on cold winter days approaching peak day demand. Otherwise, Lisgar is typically operated as a district station. Similar to the decommissioning of Union Gas' Trafalgar Compressor Station one block west, Enbridge expects to downgrade this site to a district station to re-purpose the asset and extend its asset life. This will be possible once the Parkway West facility is in place. The re-purposing of Lisgar Gate Station is not included in this application; however, it is anticipated that it will be included in the Asset Management Plan at a future date.
40. Bram West Interconnect will provide another major interconnection with the upstream system to access supplies from Dawn or other sources, for example, supplies sourced at Niagara Falls. In conjunction with the Segment A pipeline from Bram West to Albion, it will be capable of delivering additional gas supply volumes, up to 800 TJ/d, to Albion Road Station for further delivery downstream which is further described below.
41. In combination, the proposed facilities provide alternate supply sources for all of the major XHP supply lines within the GTA, increasing the diversity of path and reliability of the supply chain.

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*Upstream Transportation*

42. Segment A will provide a means to reduce the Company's reliance on discretionary services and facilitate greater flexibility in procuring gas supply and distributing it to key locations in the distribution system. It will have the capacity to bring an additional 800 TJ/d into the system to support customer growth. As described in Exhibit A, Tab 3, Schedule 5, the Company will be able to reduce its reliance on less secure (short term and interruptible) long haul transportation from Western Canada with more secure short haul firm transportation from emerging U.S. North East and Dawn supplies.
43. Beyond the GTA, it is expected that the addition of the proposed pipelines and facilities will assist in system reliability in other parts of the Enbridge franchise. The GTA has the only distribution system connected to both Union Gas and TransCanada systems. The flexibility and diversity provided by the new major entry point, pipelines, and associated facilities could provide the Company the ability to accept delivery shortfalls within the GTA and free up gas supply required in other areas, such as other regions within the Central Distribution Area ("CDA") and Eastern Distribution Area ("EDA") that do not have diversified upstream supplies.
44. Throughout this application, the Company has described how the proposed pipelines and facilities are required to support the customer growth forecast to 2025, enhance the diversity and flexibility of the gas supply chain, and support the operational risk management challenges in maintaining safe and reliable delivery to customers.

TAB 14

### SUMMARY OF CHANGES

1. The purpose of this evidence is to summarize the changes between Update No. 1, (amended on February 12, 2013), Update No. 2 (amended on April 15, 2013), Update No. 3 (amended May 15, 2013), Update No. 4 (amended on June 3, 2013) and the Application originally filed on December 21, 2012. The Exhibit List included below notes the exhibits amended in each update.

2. Changes in Update No. 1 include:

- 1) Shortening of Segment A

The Segment A main pipeline will now connect to existing infrastructure owned by TransCanada in the vicinity of Highway 407 between Winston Churchill Boulevard and Heritage Road, called the Bram West Interconnect, rather than to Parkway West. The interconnection with TransCanada's system is along the originally proposed route which travels along a protected utility corridor. This changed interconnect reduces the length of the Segment A pipeline by approximately five kilometres ("km") but will require the payment of a toll by Enbridge for use of TransCanada's Mainline from Parkway to the Bram West Interconnect. As a result of the new interconnection, in-line inspection facilities, odourization, metering, regulation, and other ancillary equipment will be relocated accordingly. Joint usage of this portion of Segment A does not impact the need for Union Gas' Parkway West facility. The Parkway West facility will continue to provide gas supply to the GTA Project, reliability benefits, and a tie-in to Enbridge's existing distribution infrastructure.

2) Shared Usage of Segment A

Enbridge and TransCanada are continuing dialogue regarding the details of shared usage of the pipeline segment from the Bram West to Albion. To accommodate the anticipated needs of both companies and their customers, the diameter of the pipe will be increased from NPS 36 to NPS 42. This arrangement will eliminate the need for duplicative pipelines/facilities resulting in less environmental and community impacts.

3) Relocate the Regulation Facility

As indicated in EB-2012-0433, Union Gas' Application of Parkway West, there is a change in the location of the proposed Parkway West facility<sup>1</sup>. The new site will be located approximately 1.5 km south of the original proposed site. The new site allows Union Gas to reduce its feeder pipeline and site interconnection requirements substantially<sup>2</sup>. As a result, Enbridge's facilities at Parkway West, as well as the start point of the proposed tie-in line between Parkway West and Enbridge's existing Parkway North line, will be relocated. The revised tie-in line will be 315 metres ("m") instead of the previously planned 180 m, but represents a more optimal solution when Union Gas' reduced infrastructure requirements are taken into account.

3. Pursuant to amendments made in Update No. 1, changes in Update No. 2 include:

1) Project Costs and Economic Feasibility

The cost estimates and economic feasibility calculations have been updated based on the revised point of delivery to the Bram West Interconnect, the

<sup>1</sup> EB-2012-0433, Section 11, page 96 of 121.

<sup>2</sup> EB-2012-0433, Section 11, page 96, paragraph 3. The new site eliminates the need for the two 54 inch pipelines, eliminates the need for multiple easements and reduces the length of the 42 inch pipeline between Parkway and Parkway West.

shared usage with TransCanada, the shorter length of Segment A, the larger pipe size, the revised location of Union's Parkway Station and the revised tie-in connection from Parkway West to the Parkway North line.

2) Gas Supply Benefits

An update to the gas supply benefits Enbridge expects to generate through gas supply portfolio changes once the GTA Project facilities are put into service. The updated gas supply savings considers impacts from Union Gas' Parkway West (EB-2012-0433) and Brantford-Kirkwall Parkway D (EB-2013-0074) projects, in addition to TransCanada tolls to the new distributor areas and the expected toll from TransCanada to ship gas from Parkway to Bram West.

3) Transportation Services Agreement and Revenue Requirement

Enbridge and TransCanada are negotiating the commercial terms to permit TransCanada to use a portion of the capacity on the pipeline portion of Segment A from the Bram West Interconnect point to the Albion Road Station. The elements of the transportation services arrangement between Enbridge and TransCanada have been included in the evidence. As a result of the arrangement with TransCanada, Enbridge has amended the Application to seek approval for the methodology to establish a new rate for the transportation service to be provided to TransCanada. Enbridge will seek approval for the rate in a subsequent rate application (EB-2012-0459).

4) Timing and Construction Schedule

The timing of the activities necessary to complete the GTA Project have been updated based on the changes outlined in Update No. 1.

4. Pursuant to amendments made in Update No. 1 and Update No. 2, changes in Update No. 3 include:

1) Gas Supply Benefits

In Update No. 2, Enbridge committed to provide an update to the expected gas supply benefits resulting from the National Energy Board ("NEB") Decision in RH-003-2011. This update includes changed assumptions related to transportation capacity displacement as a result of TransCanada's May 1, 2013 Compliance Filing and Review and Variance Application resulting from the NEB's March 27, 2013 Decision in RH-003-2011. As a result, the economic feasibility was also updated.

5. Update No. 4 was filed to make corrections to the customer additions history and forecast and update the land exhibits to include an additional land requirement and its respective landowner.

1) Customer Additions

An administrative error was identified when performing data mining for the interrogatory responses. The error occurred when transferring the customer additions in the GTA Project Influence Area into the summary tables and figures in the pre-filed evidence. This update amends the customer additions tables, figure, select paragraphs that discuss customer additions and customer base, and the economic feasibility. The change in customer additions resulted in a change in the Probability Index from 1.76 to 1.74.

The error did not affect the peak day demand forecast which was determined from the accurate base.



## 2) Land Requirements

One additional land requirement and corresponding landowner was identified in May 2013 along the Segment A pipeline route from Bram West to Albion. The parcel of land was previously believed to have been avoided. However upon further work in the pull-forward detailed design engineering phase, the pipeline alignment was confirmed to pass through this land. The landowner was immediately contacted to discuss the project and easement requirements.

## 3) Curtable Load

A correction was made to Figure 1 in Exhibit A, Tab 3, Schedule 7 to address a typo. Total curtable load is measured in m<sup>3</sup>/day (not m<sup>3</sup>/hour as originally noted).

6. A summary of the changes in the evidence is provided on the following pages.

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Update No. 1</u> (Feb 12, 2013)	<u>Update No. 2</u> (Apr 15, 2013)	<u>Update No. 3</u> (May 15, 2013)	<u>Update No. 4</u> (June 3, 2013)
A	1	1	Exhibit List	✓	✓		
	2	1	Application	✓	✓		
		2	OPCC Distribution List				
		3	List of Interested Parties	✓			
		4	Summary of Changes	New Schedule	✓	✓	✓
	3	1	Purpose, Need, and Timing	✓	✓		✓ Table 2
		2	History of Natural Gas Supply in the GTA				✓ Paragraph 27
		3	Operation and Limitations of Existing Facilities		✓		✓ Paragraph 9
		4	Market Growth				✓ Paragraph 6, Table 1, Figure 2
		5	Natural Gas Demand, Supply, and Expected Gas Supply Benefits		✓	✓	
		6	Proposed Facilities, Operation, and System Benefits	✓	✓		
		7	Alternatives	✓			✓ Figure 1
		8	Timing		✓		

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Update No. 1</u> (Feb 12, 2013)	<u>Update No. 2</u> (Apr 15, 2013)	<u>Update No. 3</u> (May 15, 2013)	<u>Update No. 4</u> (June 3, 2013)
<u>B</u>	1	1	Preferred Route Description	✓			
		2	Alternative Route Description				
	2	1	Environmental Report and Archaeological Assessment	✓	✓		
		2	Environmental Implementation Plan				
<u>C</u>	1	1	Design Specifications		✓		
		2	Hydrostatic Test Procedure		✓		
	2	1	Estimated Project Costs		✓		
		2	Proposed Construction Schedule		✓		
		3	Project Management Framework				
<u>D</u>	1	1	Land Requirements	✓			✓
		2	Negotiations to Date				✓
		3	Permits Required		✓		
		4	Affidavit				
<u>E</u>	1	1	Project Benefits and Economics		✓	✓	✓
		2	Arrangement with TransCanada		New Schedule		
<u>F</u>	1	1	Aboriginal Consultations		✓		

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## PURPOSE, NEED, AND TIMING

### Introduction

1. The intent of this section is to provide a summary of the purpose of the GTA Project and the needs met through the construction of the proposed facilities. In Exhibit A, Tab 3, Schedule 8, the justification for bringing forth the GTA Project Application for Leave to Construct to the Ontario Energy Board (the "Board") at this time will be discussed.
2. Segments A and B are described in detail at Exhibit A, Tab 3, Schedule 6. The existing Extra High Pressure ("XHP") infrastructure is further described in Exhibit A, Tab 3, Schedule 2. The GTA Project Influence Area is later described in Exhibit A, Tab 3, Schedule 4. An overview map of the XHP distribution system with the proposed GTA Project facilities is provided in Figure 1. Major pipelines discussed in this Application are also noted on the map, which includes the NPS 36 "Parkway North", NPS 36 Mississauga Southern Link ("MSL"), NPS 30 "Don Valley", and the NPS 26 lines.

### Purpose and Need

3. The GTA Project has multiple purposes intended to address multiple needs. At the highest level, the purpose of the GTA Project is to reinforce the XHP system to manage operational risks and meet growth needs, in a prudent manner. The specific elements are detailed below.
4. The GTA Project will:
  - a. Meet customer growth requirements over the period from 2015 to 2025 by reinforcing the XHP distribution network;

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- b. Reduce operational risks and enhance safety and reliability by:
    - i. Improving diversity and flexibility of the distribution system through additional looping of single feed XHP lines and providing additional supply sources for the major XHP lines in the GTA Project Influence Area; and
    - ii. Providing the ability to lower pressures on key supply lines;
  - c. Provide entry point diversity by reducing the dependence upon Parkway Gate Station which currently provides more than 50% of the supply to the GTA Project Influence Area and does not have alternate means of supply; and
  - d. Improve supply chain diversity, reduce upstream supply risks and reduce gas supply costs over the period 2015 to 2025.
5. The following evidence will discuss each of the above elements. Table 1 on the following page provides a summary of the nature of the benefits associated with each element of the GTA Project.

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Table 1: Summary of Purpose and Needs Benefits

	Segment A Bram West Interconnect to Albion <sup>1</sup>	Segment A Parkway West Gate Station <sup>2</sup>	Segment B <sup>3</sup>	GTA Project <sup>4</sup>
Customer Growth				↑↑
Safety and Reliability of XHP System	↑	↑	↑	↑↑↑
Entry Point Diversity	↑	↑		↑
Upstream Benefits	↑		↑	↑↑

#### Customer Growth

6. The Company has an obligation to serve customers in the communities in which it operates. Historic and forecast growth in the GTA Project Influence Area is shown in Table 2 provided on the following page. Despite conservation and efficiency gains, the Company's peak day demand has continued to grow over this period, using up reserve capacity in the XHP system. The XHP system in the GTA Project Influence Area was last reinforced in 1992 and subsequent enhancements were driven by the needs of specific large volume customers rather than by organic customer growth. Customer growth and growth in peak day demand are expected to continue for the period from 2015 through 2025.

<sup>1</sup> Segment A – Bram West Interconnect to Albion considered in isolation from other aspects of the GTA Project.

<sup>2</sup> Segment A – Parkway West Gate Station including the tie-in connection to the NPS 36 Parkway North Pipeline considered in isolation from other aspects of the GTA Project.

<sup>3</sup> Segment B considered in isolation from other aspects of the GTA Project.

<sup>4</sup> GTA Project – The relative benefit of the completion of the entirety of the GTA Project as compared to the individual segments.

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Table 2: Historic and Forecast Customer Growth

Years	Residential	Commercial	Apartment	Industrial	Total
2004-2014	151,382	14,311	450	54	166,197
2015-2025	146,672	13,977	750	24	161,423

/u

7. Absent reinforcement, system pressures at Station B are forecast to decline below the levels necessary to serve customers by the 2015/2016 heating season. Customer growth in the GTA Project Influence Area is forecasted to consist predominantly of temperature sensitive customers, driving forecast peak day demand growth of approximately 190 TJ/d from 2015 to 2025. Market growth is further described in Exhibit A, Tab 3, Schedule 4.
8. In particular, the downtown Toronto core continues to experience significant growth through the increased densification of residential and commercial developments. The growth in the downtown core, which is supplied primarily through Station B, is occurring at the furthest distance from the entry points. In order to maintain adequate inlet pressures at Station B to supply the downtown core and the Portlands Energy Centre ("PEC") additional facilities are required. Segment B will facilitate future needs by increasing the capacity to supply Station B. Exhibit A, Tab 3, Schedule 4 shows detailed information on the forecasted growth in the downtown area. However, the full benefit of Segment B to meet growth will not be available without additional capacity being added to the XHP distribution system upstream of Segment B.
9. Segment A provides the ability to move volumes of gas, up to 800 TJ/day, east from upstream supply sources to Albion Road Station. This supports the additional load being supplied by Segment B and the XHP and HP distribution system



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downstream of the Albion Road Station, in addition to other upstream supply benefits, as outlined in Exhibit A, Tab 3, Schedule 5.

#### Enhanced Safety and Reliability of the XHP Distribution System

10. In general, the reserve or unutilized capacity in the existing XHP infrastructure is used to accommodate necessary pressure and/or flow reductions required to mitigate downstream vulnerabilities, manage day-to-day maintenance, integrity programs, unplanned events, and balance system flows. Without such capacity, the Company is concerned that significant outages to customers may result from these downstream vulnerabilities. Downstream distribution vulnerabilities are further described in Exhibit A, Tab 3, Schedule 3. The GTA Project improves reliability by providing diversity and flexibility. Diversity is provided by looping two critical XHP lines that are currently single lines. Flexibility is provided by providing dual supply sources to critical XHP lines that bring supply to the downstream distribution system for eventual delivery to customers.
11. The west to east portion of Segment B will alleviate a restriction in the XHP system caused by the existing west-east NPS 26 XHP line. This NPS 26 XHP line is the sole connection in the Enbridge XHP system between the western and eastern part of the GTA Project Influence Area, operates at lower pressure, and is of a smaller diameter than the pipelines it is connected to at either end. As such, the ability to move gas west-east and vice versa across the GTA will be significantly increased with the installation of Segment B. Further information on the current operation of the XHP distribution system is provided in Exhibit A, Tab 3, Schedule 3.
12. The eastern part of the GTA Project Influence Area and the downtown core is currently fed from a single north-south line (NPS 30 XHP Don Valley pipeline)

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originating at Victoria Square Gate Station and terminating at Station B, with a partial loop that was added in 2008 to serve PEC. The installation of the north-south portion of Segment B provides looping of part of the NPS 30 Don Valley pipeline and provides a second source, Keele/CNR Station for Station B. In conjunction with the associated Buttonville and Jonesville facilities, this improves the diversity and flexibility of delivering gas to the downtown Toronto core and PEC.

13. The installation of the 315 m of NPS 36 XHP pipeline from the new Parkway West Gate Station to the existing NPS 36 XHP "Parkway North" pipeline will provide an alternate supply source into this system providing additional diversity and flexibility in sourcing gas for this pipeline.
14. The installation of the Parkway Bypass Regulation Station will provide additional connectivity between the NPS 36 Parkway North pipeline and the NPS 36 MSL. This, in conjunction with 315 m of NPS 36 pipeline, provides an alternate source of supply for these key distribution supply lines.
15. Segments A and B provide additional sources, connectivity and eliminate constraints, thereby improving the ability to deliver large quantities of gas across the XHP distribution system.

#### Entry Point Diversification

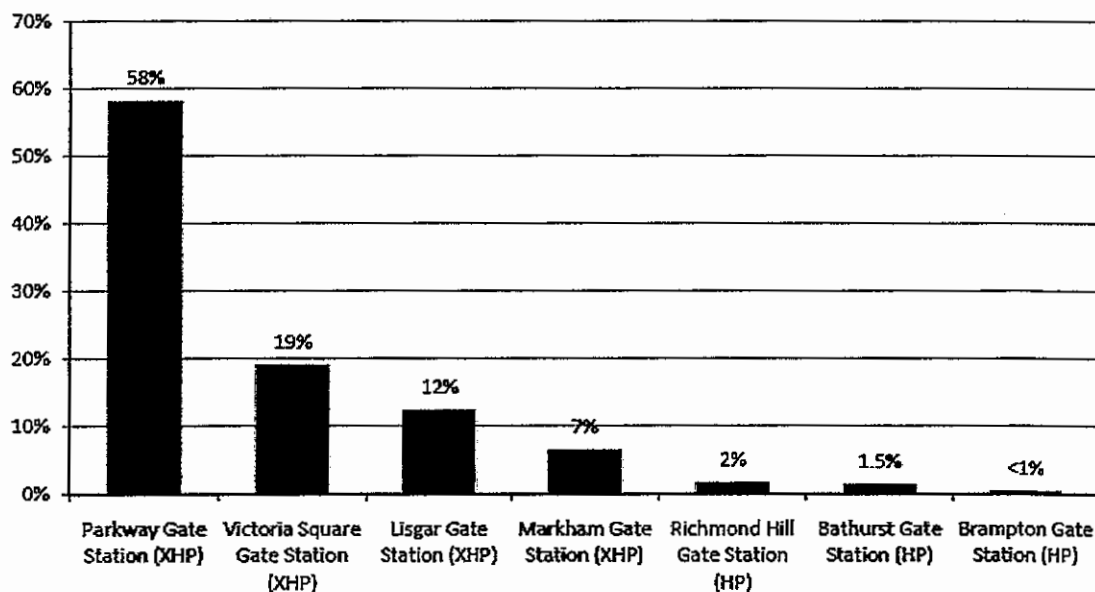
16. There are currently seven entry points for gas being supplied to the Enbridge GTA distribution system. However, only four of these entry points, Parkway Gate Station, Lisgar Gate Station, Victoria Square Gate Station, and Markham Gate

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Station feed into the XHP distribution system. Entry point vulnerabilities are further outlined in Exhibit A, Tab 3, Schedule 3.

17. As shown in Figure 5 below, the Parkway Gate Station currently provides approximately 58% of the supply to the GTA and surrounding area and Parkway, Lisgar, Victoria Square, and Markham Gate Stations provide approximately 96% of the supply in cold winter conditions.

**Figure 5<sup>5</sup>: Composition of Natural Gas Delivery through Gate Stations**



18. Further, the remaining entry points, either alone or in the aggregate, do not have the ability to replace Parkway Gate Station in the event of a supply disruption. While the probability of a supply disruption at Parkway is low, the consequences

<sup>5</sup> The figure is based on un-normalized historical average deliveries on cold winter days from both TransCanada and Union Gas at gate stations supplying XHP or HP to the GTA Project Influence Area and surrounding area. The respective percentages are based on total station flows since an outage of a gate station may affect more than the Influence Area considered by this project.

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would result in substantial customer losses, greater than 270,000 customers plus PEC, with the existing facilities.

19. An outage of this magnitude has not been experienced in Canada. An outage of 30,000 customers in Sudbury took three days to restore service. Restoration of 70,000 services by National Grid on Long Island that were impacted by Hurricane Sandy has taken at least six weeks. As such, restoration of a more widespread outage would be expected to take significantly longer.
20. Gas supply into the GTA is overly reliant on the Parkway Gate Station. The GTA Project through the facilities contemplated in Segment A will serve to mitigate this risk as, after the facilities are constructed, a supply disruption at Parkway would result in no customer losses.

#### Upstream Supply Chain

21. Enbridge has an obligation to meet the demand of its customers 24/7/365 by making appropriate arrangements for supply, transport, and storage of natural gas to bring gas to the entry points of its distribution system. The GTA Project will provide the following upstream supply benefits:
  - a. Improved reliability of upstream arrangements by replacing less secure (short term firm and interruptible) long haul transportation from Western Canada with more secure short haul firm transportation from emerging U.S. North East and Dawn supply; and
  - b. Create the flexibility to respond to unprecedented changes in traditional supply patterns and increase supply diversity to the Enbridge franchise.

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22. North American supply changes have implications for reliability and cost of Enbridge's gas supply portfolio. Enbridge currently procures natural gas from Western Canada, Chicago and the Dawn Hub. These supplies ultimately traverse the TransCanada Mainline and/or the Union Gas system to reach the Enbridge GTA distribution area franchise. Upstream supply and market changes are further outlined in Exhibit A, Tab 3, Schedule 5.
23. The North American natural gas market is currently undergoing unprecedented changes including declines in Western Canadian supplies and substantial increases in new basins in close proximity to the Enbridge franchise.
24. Enbridge's gas supply portfolio has a significant reliance, particularly during peak demand periods, on long haul discretionary services such as Short Term Firm Transport ("STFT"). In addition, direct purchase supply uses STFT and interruptible transport from Western Canada, both of which are a less secure form of transport than Firm Transportation. As such, Enbridge considers the ability to replace STFT and Interruptible Transportation ("IT") with Firm Transportation as an appropriate supply risk mitigation technique and benefit for direct purchase customers.
25. Further, TransCanada is contemplating capacity reductions on the Mainline through conversion to oil and possible pressure de-rates on segments of its pipeline system which are not needed to serve firm transport requirements<sup>6</sup>. These changes will affect the availability of discretionary transport relative to firm transport. Converting long haul discretionary transport to year round long haul firm

<sup>6</sup> Source: Evidentiary record in National Energy Board proceeding in RH-003-2011

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transport will result in less efficient use of capacity and higher costs due to the highly seasonal nature of peak demand on the Enbridge system.

26. Supplies from Marcellus, an emerging supply basin in the U.S. North East and the Dawn Market Hub, supported by firm short haul transport, are ideally suited for sourcing peak and seasonal supply due to their proximity and favourable economics relative to discretionary Western Canadian Sedimentary Basin supplies.
27. The existing upstream infrastructure can bring these emerging supplies economically to Enbridge's Parkway Gate Station. However, these supplies cannot be moved into the Company's distribution system at Parkway Gate Station due to capacity constraints on the existing downstream XHP distribution system, or to other Enbridge gate stations due to capacity constraints on the TransCanada Mainline from Parkway to Maple.
28. As detailed in Exhibit A, Tab 3, Schedule 5, Enbridge expects the GTA Project to provide its customers gas supply savings.

#### Discussions with Union Gas and TransCanada

29. The Company has engaged in discussions with both Union Gas and TransCanada.
30. Discussions with Union Gas have centered on Dawn supply, incremental transportation on the Dawn to Parkway system and reliability concerns with supply concentration at Parkway. Parkway West project proposed by Union Gas provides the following growth and reliability benefits to Enbridge:
  - 1) Incremental compression as a result of additional volumes contracted from Dawn and Niagara;

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- 2) Back-up feed into Enbridge's system; and
  - 3) Loss of Critical Unit Protection at Parkway West, in the form of standby compression for volumes that are compressed and flow from Union Gas to TransCanada's system for further delivery to the Enbridge franchise.
- Enbridge is of the view that physical assets such as standby compression at Parkway are necessary to ensure acceptable levels of reliability, relative to the other options discussed in Union Gas' 2013 Rates proceeding, EB-2011-0210, for transportation services that are designated firm.
31. As a result of these discussions, various facilities are proposed in the vicinity of Union Gas' Parkway and Parkway West compressor stations. The facilities provide an alternate feed to Enbridge's existing Parkway Gate Station, Loss of Critical Unit protection, and adequate compression capacity to serve growth and reliability considerations.
  32. Discussions with TransCanada have centered on bringing Marcellus supply from Niagara using TransCanada's Hamilton line thus providing diversity of supply and path, increased use of TransCanada's existing infrastructure in the vicinity of Parkway and coordinated planning of infrastructure east of Parkway. TransCanada currently has existing transmission lines that transport natural gas from Parkway along the same utility corridor. As a result of the discussions with TransCanada, the scope of the GTA Project's proposed Segment A includes:
    - 1) An interconnection ("Bram West") with the TransCanada Mainline at or near the point where the existing lines cross Highway 407; and
    - 2) Shared use by TransCanada and Enbridge of the pipeline from Bram West to Albion. This would result in a coordinated build out of distribution

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and transmission infrastructure, thus providing benefits to Enbridge's customers and TransCanada's shippers.

33. Based on anticipated market demand and operating requirements, TransCanada and Enbridge are continuing dialogue regarding the details of shared use of the pipeline segment from the Bram West Interconnect to Albion. The proposed shared usage will meet Enbridge's identified needs, provide economies of scale, and permit a reduction in the project scope relative to a dedicated sole use pipeline by Enbridge.
34. Joint usage of this portion of Segment A does not impact the need for Union Gas' Parkway West facilities. These facilities are still required to provide a backup feed to Enbridge's existing Parkway NPS 36 line and adequate compression to serve growth and reliability considerations.

#### Project Timing

35. Enbridge is seeking a decision to be issued in this proceeding in September 2013 in order to meet the required in-service date. Further information regarding the timing of the activities necessary to complete the GTA Project is provided in Exhibit A, Tab 3, Schedule 8.
36. Enbridge has brought forth this Application for Leave to Construct at this time because the near term customer growth and network analysis models demonstrate the minimum pressures required to provide reliable service in the downtown core of Toronto in 2015/2016 heating season will not be satisfied.



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37. In order to have Segment B in service for the 2015/2016 heating season, construction must begin no later than January 2015 and the design, procurement, and permitting process will take more than one year to complete.
38. Segment A provides significant ratepayer gas supply benefits and November 1, 2015 is the earliest date in which those benefits can begin to accrue. The full benefits of Segment B can only be realized when Segment A is in-service. Segment A is also required to meet the commitments for TransCanada as outlined in Exhibit E, Tab 1, Schedule 2.
39. A project of this nature has substantial lead time requirements which cannot be easily shortened. Failure to initiate the project in a timely manner creates unacceptable risk to providing safe and reliable service.
40. The timing is also influenced by the external factors described above in the Upstream Supply Chain section which create supply uncertainties with respect to Enbridge's current gas supply portfolio.

#### Summary

41. The GTA Project will:
  - a. Meet customer growth requirements over the period from 2015 to 2025 by reinforcing the XHP distribution network;
  - b. Improve safety and reliability of the distribution system by eliminating existing constraints in the XHP distribution system;
  - c. Provide entry point diversity by reducing the dependence upon Parkway Gate Station; and
  - d. Improve upstream supply diversity and risk mitigation.

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42. While some benefits will be provided by each of the individual components, the greatest benefits will be realized by completing the GTA Project as described herein.

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### NATURAL GAS DEMAND, SUPPLY & EXPECTED GAS SUPPLY BENEFITS

1. The purpose of this evidence is to provide an explanation of gas demand and supply trends along with an estimate of the gas supply benefits Enbridge expects to generate through gas supply portfolio changes once the GTA Project facilities are put into service.
2. Exhibit A, Tab 3, Schedule 2 describes the evolution of distribution system facilities within the GTA Project Influence Area. The XHP distribution system serving this Influence Area has not had a major expansion and enhancement since 1992. Consequently, where possible, the 1992 to present period is used when discussing the trends in demand and supply provided in this evidence.

#### Gas Demand

3. Demand for natural gas within the franchise area served by the Company is influenced by several variables. Weather, economic conditions, customer additions, total customers, customer mix, energy conservation and Demand Side Management ("DSM") programs and natural gas prices are all variables which can influence the demand for natural gas. For example, low gas prices combined with customer additions and colder temperatures, all else equal, can be expected to increase the demand for natural gas. Conversely high gas prices, increased energy conservation and DSM programs, and slow economic growth, all else equal, can be expected to decrease demand for natural gas. These variables can also work against each other creating a net impact on natural gas demand.
4. In addition these variables can impact the shape of the demand profile throughout any given year or during any given day. For example, increases in the number of temperature sensitive customers can be expected, all else equal, to increase

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natural gas demand during the heating season and at peak or near-peak weather conditions. Increases in the number of temperature insensitive customers will not only increase demand during peak and near-peak conditions but also during off-peak periods as well.

5. Over time changes and trends in these variables will impact the total amount of natural gas demand each year as well as the shape of the demand profile within any particular year or day.

#### Trends in Annual Demand<sup>1</sup>

6. Since 1992 annual gas demand in the Central Weather Zone has increased. However, trends in annual demand differ from sector to sector. The apartment, commercial, and residential sectors have, on average, experienced increased demand for natural gas whereas the industrial sector has, on average, experienced a decline in demand for natural gas. Figure 1 on the following page shows total annual demand, by sector, by year for the Central Weather Zone<sup>2</sup>.

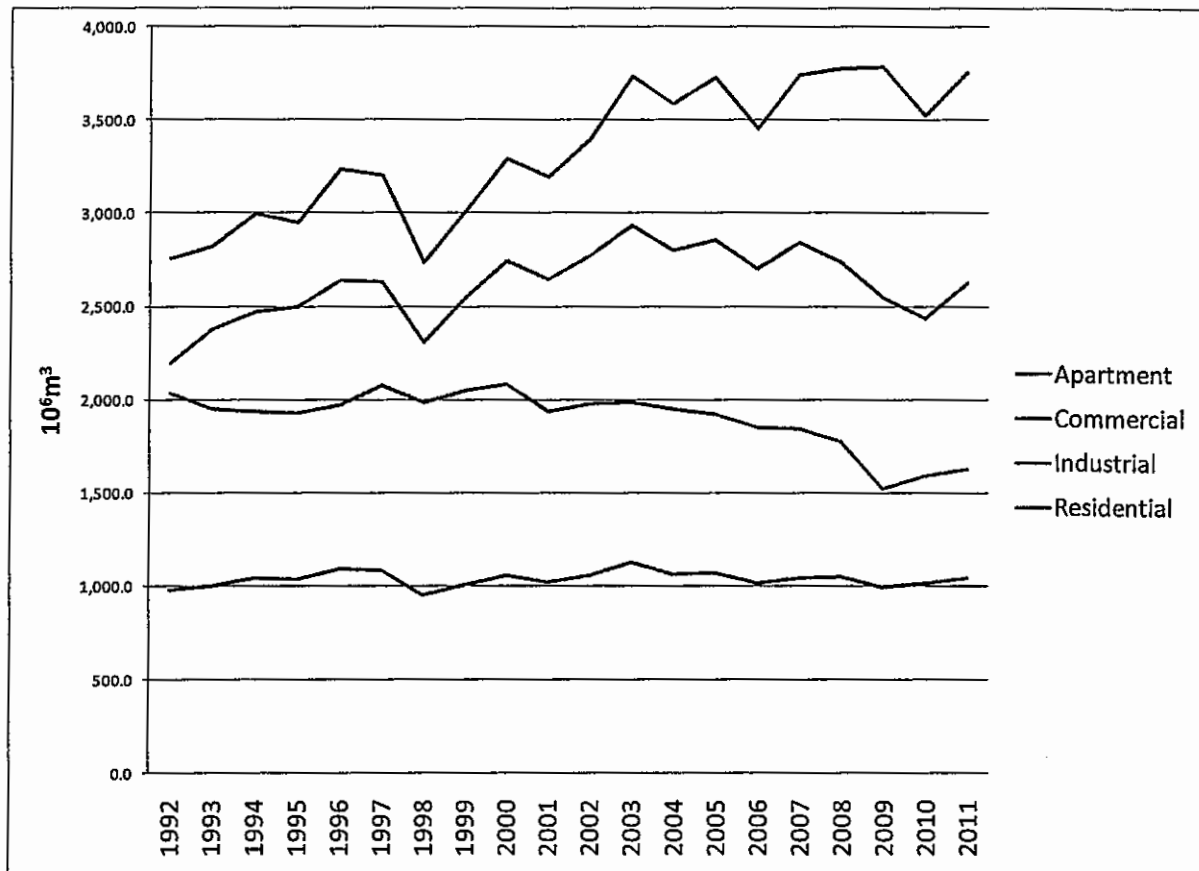
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<sup>1</sup> Annual demand trends by sector are discussed using billing system data since daily send out volumes cannot be attributed to any particular sector. Data are presented for the Central Weather Zone as illustrative of the trends that have been experienced within the GTA Project Influence Area. The Central Weather Zone is comprised of the Metro, Western, Central and Northern areas of the Enbridge franchise area. The Enbridge CDA is also referenced in this evidence. The Enbridge CDA is comprised of the Central Weather Zone and the Niagara Weather Zone.

<sup>2</sup> Data presented in Figure 1 are un-normalized volumes.

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Figure 1: Natural Gas Demand – Central Weather Zone



7. Temperature sensitive residential demand has increased from 35% of total demand in 1992 to 42% of total demand in 2011 for the Central Weather Zone. Industrial demand as a percentage of total demand on the other hand has declined. In 1992 industrial demand comprised 26% of total demand for the Central Weather Zone. In 2011 this figure declined to 18% for the Central Weather Zone. These trends in annual demand are largely a result of customer additions and changes in customer mix over time in addition to macroeconomic factors.

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8. Table 1 below provides the number of customers, as measured by unlocked customers, for the Central Weather Zone for the years 1992 and 2011.

Table 1: Unlocked Customers by Sector, Central Weather Zone

<u>(000's)</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>	<u>Total</u>
1992	4.6	83.6	7.0	753.8	849.0
2011	5.6	114.3	5.9	1,378.4	1,504.1

9. In 1992 temperature sensitive residential customers comprised approximately 89% of the total customer stock in the Central Weather Zone. By 2011 this percentage had increased to approximately 92%. The number of industrial customers has declined, primarily as a result of economic factors.
10. The trends observed in apartment, commercial, and residential customer growth are largely a result of extended periods of economic growth and more recently a favourable housing market and interest rate environment. The continual addition of customers in these three sectors has increased natural gas demand. Growth in demand for these sectors has been partially offset by energy conservation and the Company's DSM programs.
11. The trends in industrial customer sector are due in part to an appreciation of the Canadian dollar, natural gas price volatility experienced in the early 2000's, a general shift from domestic production to production overseas, a shift towards a more service oriented economy in Ontario, and more recently slow economic growth. Loss of industrial customers has in part lead to a decline in natural gas demand for this particular sector.
12. Temperature sensitive customer demands are seasonal during the year whereas industrial customer demands are relatively flat (i.e., base load) throughout the year.

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The implications of these demand trends on natural gas supply and the Company's gas supply portfolio are more fully discussed in the sections that follow.

#### Peak Day Demand Trends

13. Enbridge has an obligation to serve its customers and meet their demands for natural gas in a safe, reliable, and cost effective manner. Enbridge constantly evaluates its gas supply portfolio to ensure this is the case. Ensuring that the gas supply portfolio is able to meet demand on the crucial peak day, or day of highest demand, is extremely important. In light of the demand trends discussed above and changes in the natural gas market it is reasonable to expect that the composition of the gas supply portfolio utilized by the Company to meet natural gas demand has changed. Over time the Company has reduced distance of haul in order to serve an increasingly temperature sensitive demand profile. The reduction in distance of haul has also been driven by diversity and economic considerations.
14. Figure 2 and Figure 3 on the following pages show normalized peak day demand for the Central Weather Zone and the GTA Project Influence Area<sup>3</sup>.

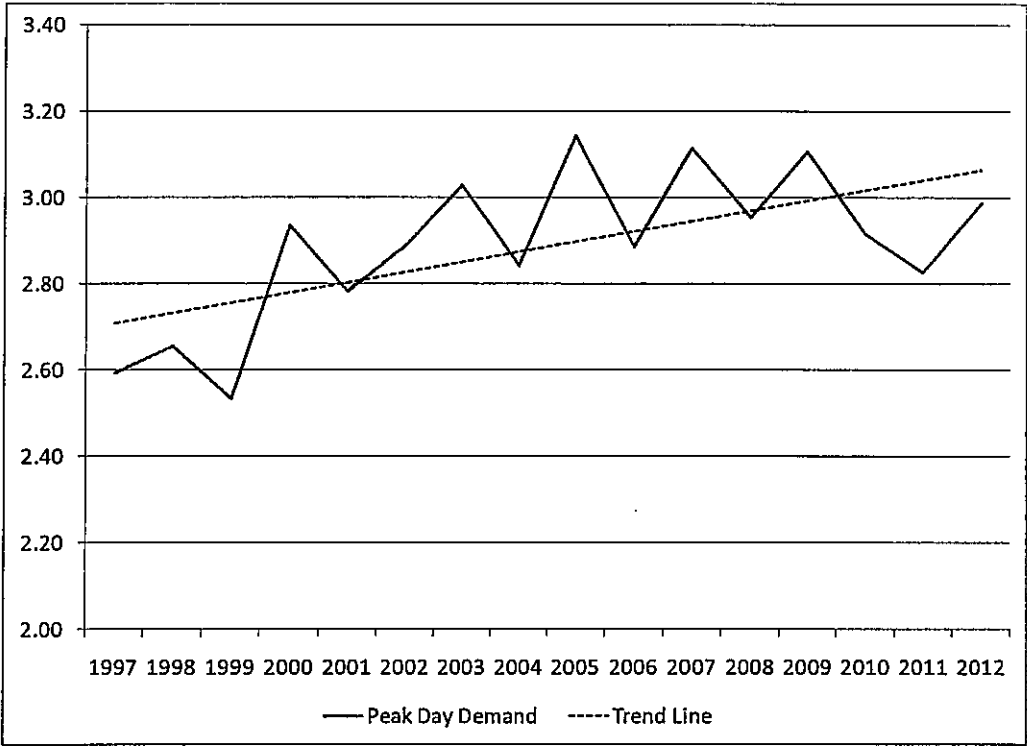
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<sup>3</sup> Peak day demand is normalized to a Design Criteria of 41.4 DDs for Figure 2 and 41 DDs for Figure 3. 41.4 DDs are used for gas supply planning purposes for the Central Weather Zone whereas 41 DDs are used by System Analysis & Design when planning distribution facilities for the areas within the GTA Project Influence Area.



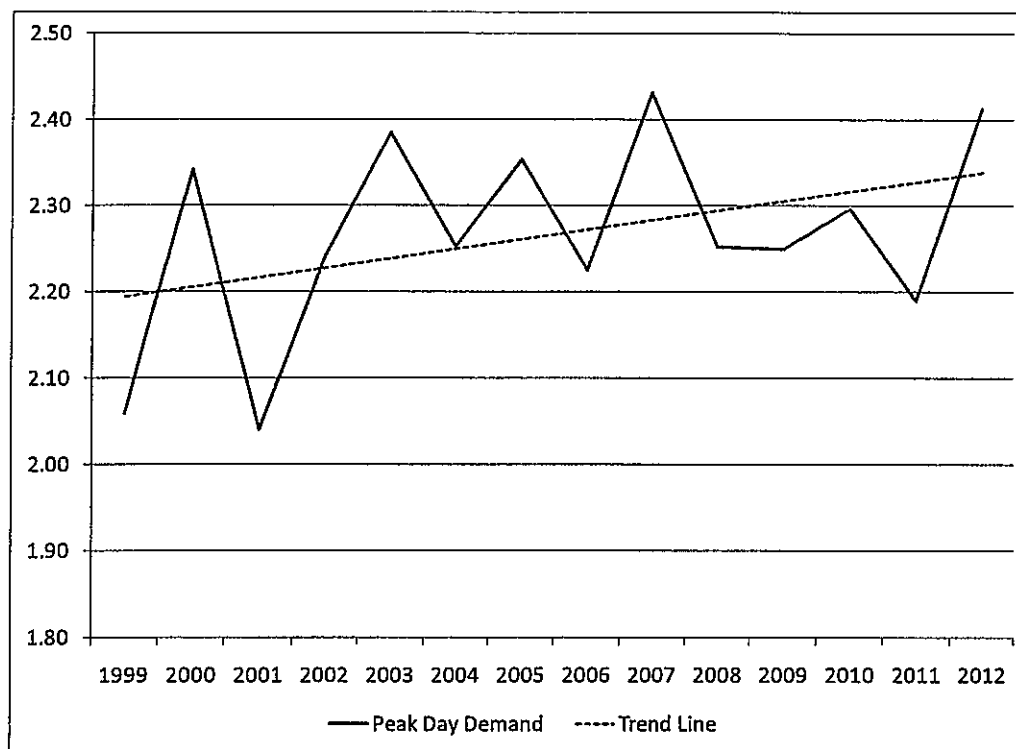
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Figure 2: Normalized Peak Day Demand – Central Weather Zone (PJs)



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**Figure 3: Normalized Peak Day Demand – GTA Project Influence Area (PJs)**

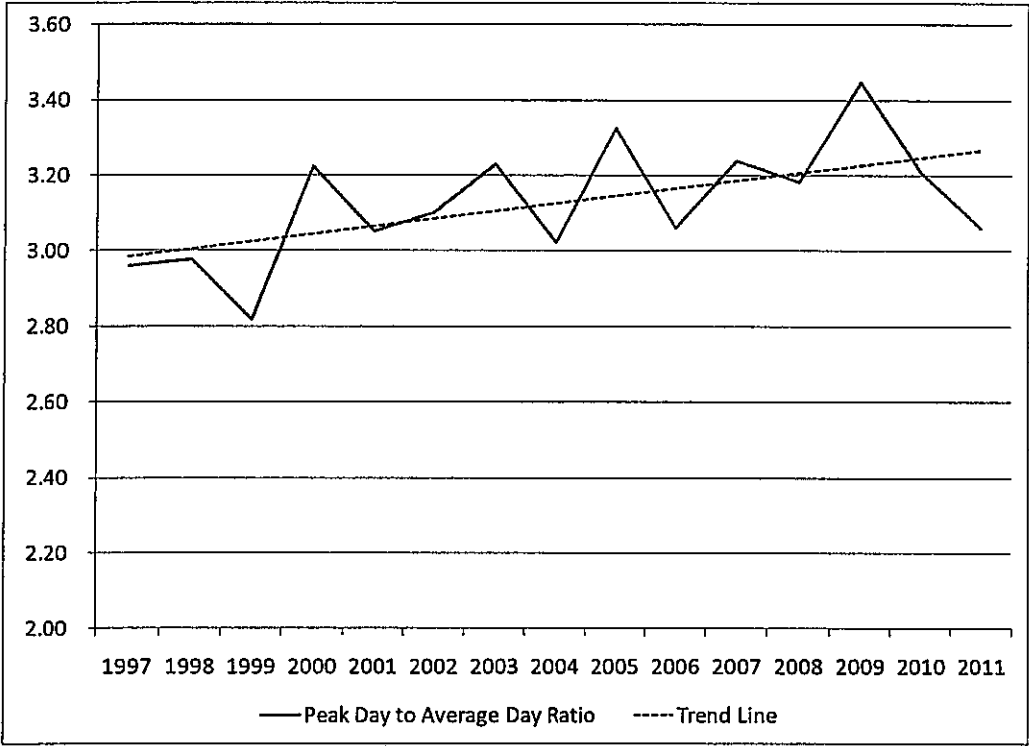


15. On average peak day demand for the Central Weather Zone has increased by 1.2% per year since 1997. The comparable figure for the GTA Project Influence Area is 1.5% per year since 1999.
16. Figure 4 and Figure 5 on the following pages show the ratio of normalized peak day demand to average day demand for the Central Weather Zone and the GTA Project Influence Area<sup>4</sup>.

<sup>4</sup> Data in Figure 4 and Figure 5 have been normalized to the same Design Criteria used to normalize the data in Figure 2 and Figure 3.

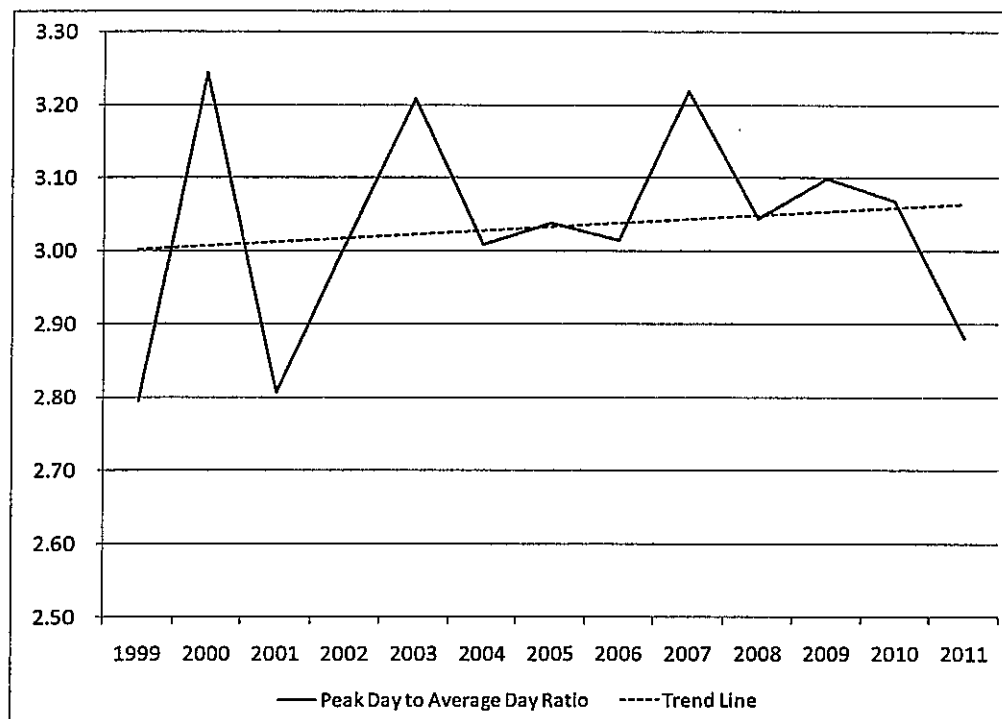
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Figure 4: Ratio of Peak Day Demand to Average Day Demand –  
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Figure 5: Ratio of Peak Day Demand to Average Day Demand –  
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17. The ratio of peak day demand to average day demand for the Central Weather Zone and the GTA Project Influence Area show an increasing trend over time indicating the distribution system load factor has tended to decline over time.
18. The trend of increases in peak day demand is a result of the demand trends discussed above. While industrial demand has declined, the continued addition of temperature sensitive customers to the distribution system has, on average, increased peak day demand over time. Likewise, the increase in the ratio of peak day demand to average day demand is largely a result of changes in the mix of customers with the majority of customer additions being temperature sensitive residential customers. Residential customer additions and the loss of industrial

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customers have caused the demand load profile to become "peakier" as a result of greater seasonal and peak day demand relative to average day and baseload demand.

#### Gas Supply

19. The current gas supply portfolio reflects, in part, the implications of the demand trends discussed above and changes resulting from the evolution of the market for natural gas.
20. As the demand profile has become more seasonal and baseload demand has declined the Company has adjusted its supply portfolio by increasing the amount of short haul contracts to meet seasonal and peak day demand, reducing reliance on paths of longer haul. Table 2 on the following page compares the peak day supply and demand balance for the 2002 Test Year and the current estimate for 2014<sup>5</sup>.

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<sup>5</sup> The 2002 supply/demand balance in Table 2 is derived based on projected peak day demand for the test year assuming transportation contracts in place as of November 1, 2001.

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Table 2: Peak Day Supply/Demand Balances for 2002& 2014 (TJ/d)

	<b>2002</b>	<b>2014</b>
Peak Day Demand Forecast	3,548	3,950
Curtailment	177	163
Peaking Supplies	311	158
TCPL		
STFT	0	519
Long Haul	475	243
Short Haul	0	347
STS	317	365
Union	1,707	1,775
Other Supply	34	33
Direct Purchase		
Delivered Supply	112	288
Delivered Via Assignment From EGD	414	60

21. The Company has reduced reliance on curtailment due to a reduction in the number of customers choosing an interruptible rate thereby reducing the amount of volumes available for curtailment.
22. Reliance on peaking supplies has declined due to reliability concerns relating to this service. The Company continues to be concerned about the reliability of peaking supplies due to a recent failure to deliver in 2011.
23. In addition to the factors noted above, Direct Purchase ("DP") supplies have declined overall as customers have migrated back to system gas supply. Delivered supplies from DP customers have increased whereas DP supplies underpinned by assignments of transportation capacity from the Company have declined.

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24. Contracted TransCanada firm long haul capacity has declined as a result of DP turnback and the relative economics of supplies sourced from the Western Canadian Sedimentary Basin ("WCSB"). Firm short haul capacity has increased as a result of diversification away from Western Canadian supplies, the economics of supplies from Chicago and the Dawn Hub, and the shift to a more seasonal demand profile.
25. More recently the Company has contracted for Short Term Firm Transportation ("STFT") service on the TransCanada Mainline ("Mainline") to meet seasonal and peak day demands. The Company expects to continue to do so absent the GTA Project. This service is firm and contract terms for STFT can vary which makes it an appropriate substitute for peaking supplies. STFT is a less expensive option relative to annual long haul capacity on the Mainline.<sup>6</sup>
26. However, STFT is a discretionary service which does not have renewal rights. In addition, it is priced off of the firm transportation toll for the same path. Consequently, the economics of STFT are determined, in part, by tolls on the Mainline. Recent increases in TransCanada tolls have increased the cost of this service relative to prior years. Holding peaking supplies and curtailment constant, increasing reliance on STFT in the future will likely result in lower load factors on incremental amounts of this capacity as the Company believes three months is the minimum contract term appropriate for this service.<sup>7</sup>
27. TransCanada recently indicated that it would not be continuing integrity work on certain Mainline assets for the remainder of 2012 and that it is currently evaluating the possibility of converting certain Mainline assets to oil service. Both of these

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<sup>6</sup> See amended evidence filed with Update No. 3 starting on page 21 of this exhibit.

<sup>7</sup> See amended evidence filed with Update No. 3 starting on page 21 of this exhibit.

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events, if continued in the case of the former, or if completed in the case of the latter, will potentially limit the amount of capacity available for provision of discretionary services on the TransCanada Mainline system, such as STFT, in the future.<sup>8</sup>

#### North American Supply Expectations

28. Supply dynamics in North America are undergoing a period of significant change. Over time shifts to paths of shorter haul have impacted flows to Ontario markets and the points at which supplies are procured. More recently, the development of emerging supply basins in close proximity to the Ontario market, such as the Marcellus and Utica, have continued to alter the supply and flow picture across North America. As of November 1 of this year natural gas is now flowing into Ontario at Niagara, traditionally an export point for Canadian natural gas for the past few decades.
29. Through recent facilities upgrades by Tennessee Gas Pipeline ("TGP"), National Fuel Gas Supply Corp. ("NFG") and TransCanada gas produced from the Marcellus formation can now be transported north to the US/Canada border to an interconnect with TransCanada and onwards to the Ontario market. Marcellus producers such as Statoil, Anadarko, Mitsui, and Seneca Resources have contracted long term for capacity on the TGP and NFG transmission systems to bring gas produced from Marcellus to eastern Canadian markets.
30. The Marcellus and Utica shale basins are poised for significant growth in the coming years. The state of Pennsylvania, through which the Marcellus and Utica run, experienced an almost four fold increase in natural gas production during the

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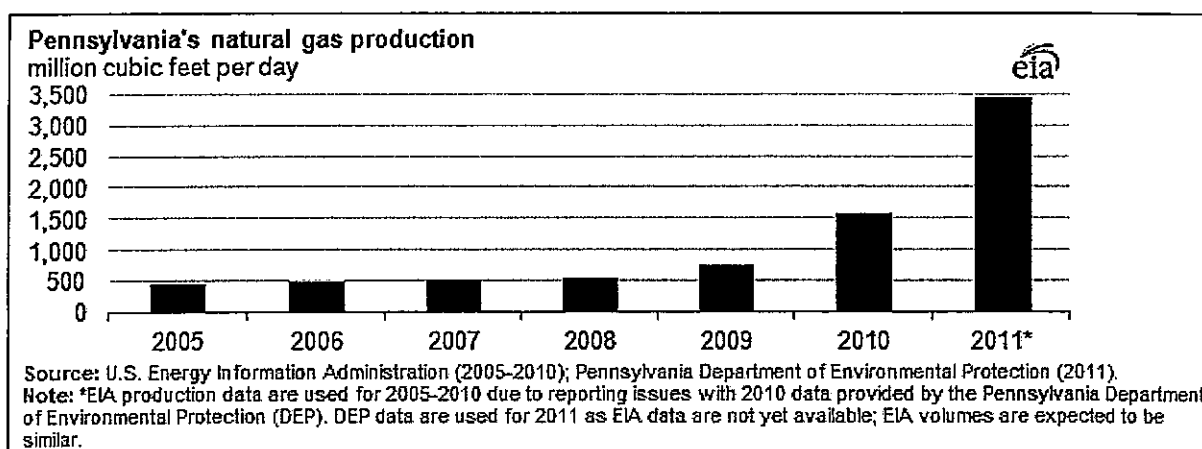
<sup>8</sup> See amended evidence filed with Update No. 3 starting on page 21 of this exhibit.



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2009 to 2011 timeframe. Figure 6 on the following page shows a chart provided in a recent Energy Information Administration ("EIA") publication containing natural gas production statistics for Pennsylvania<sup>9</sup>.

**Figure 6: Pennsylvania's Natural Gas Production**



31. In its Annual Energy Outlook 2012, the EIA indicates that the largest contributor to natural gas production growth in the United States will be shale gas for the next two and a half decades. Specifically, the EIA expects gas production in the US Northeast<sup>10</sup> to increase from about 1.5 tcf (4.2 bcf/d) in 2010 to approximately 5.4 tcf (14.7 bcf/d) in 2035<sup>11</sup>. Marcellus production is expected to account for roughly 3.0 tcf (8.2 bcf/d) of this projected production increase. Furthermore the EIA is projecting production growth, relative to other natural gas production regions in the US, to be greatest for the Northeast region. On the following page, Figure 7 provides a chart from the EIA Annual Energy Outlook which shows total US natural gas production projections to 2035 and Figure 8, taken from the same report,

<sup>9</sup> Energy Information Administration, Today in Energy, "Horizontal drilling boosts Pennsylvania's natural gas production", May 23, 2012.

<sup>10</sup> The US Northeast production region includes the Marcellus and Utica shale formations.

<sup>11</sup> DOE/EIA-0383(2012) Annual Energy Outlook 2012 with Projections to 2035, June 2012.

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shows a regional breakdown of projected natural gas production for the years 2010 and 2035.

Figure 7: Natural Gas Production by Source 1990-2035 (tcf)

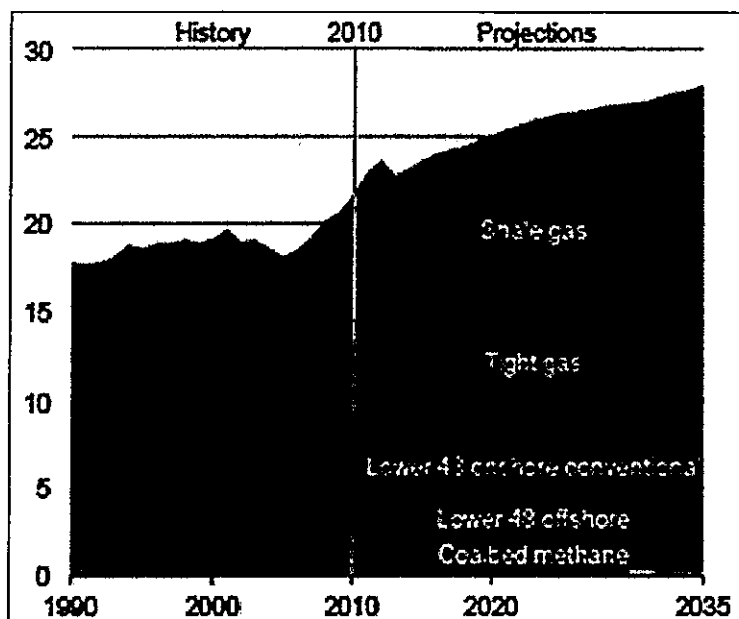
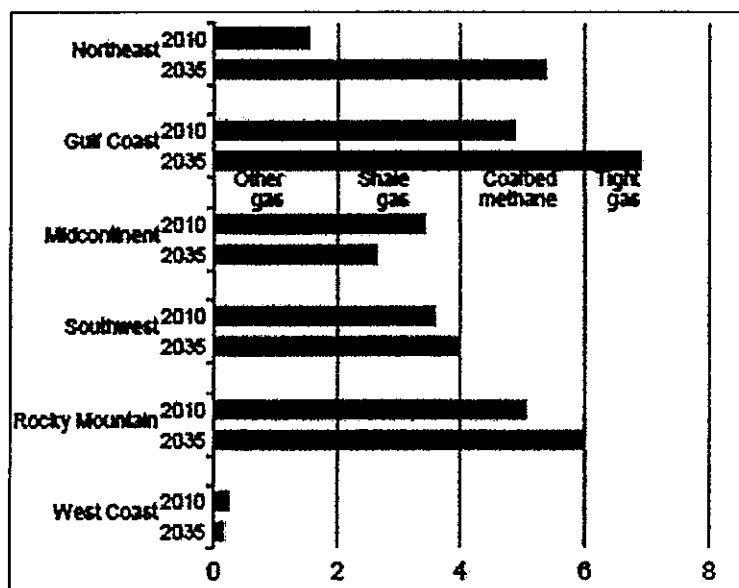


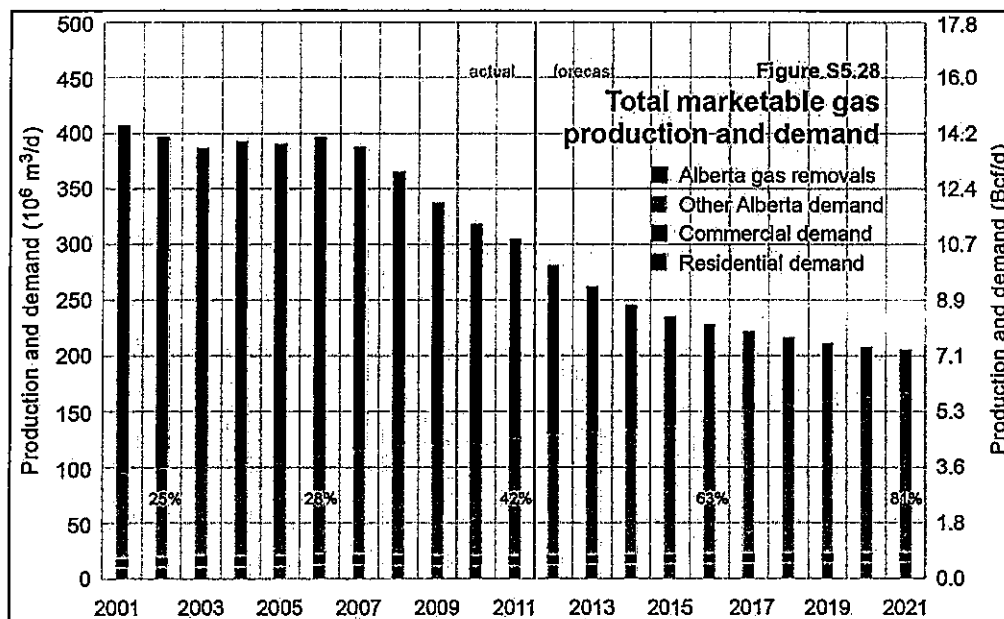
Figure 8: Lower 48 Onshore Natural Gas Production by Region 2010 & 2035 (tcf)



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32. In addition the supply outlook for Alberta exports continues to be bleak. A recent report from the Energy Resources Conservation Board ("ERCB") of Alberta expects continued declines in production within Alberta in addition to increases in intra-Alberta demand<sup>12</sup>. Figure 9 below provides a chart from the ERCB report which shows projections for Alberta conventional gas production, Alberta demand and gas available for export from Alberta. Table 3 on the following page provides data for select years from Figure 9.

Figure 9: ERCB Production Forecast



<sup>12</sup> ERCB ST98-2012 Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021.

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Table 3: Projections From ERCB Report

bcf/d	Production	Demand	Removals (Gas Exports)
2012	10.0	4.6	5.4
2016	8.1	5.1	3.0
2021	7.3	5.9	1.4

33. By 2021 the ERCB is projecting a 75% decline in the amount of natural gas available for export from Alberta. Put another way the ERCB is projecting that by 2021 the amount of conventional gas available for export from Alberta will be slightly greater than the total amount of Western Canadian supplies currently required by the Company to meet winter demands.
34. The ERCB report focuses on conventional gas production in Alberta and does not include projections for potential shale gas production within Alberta or natural gas supplies from British Columbia which connect to the pipeline system in Alberta. While these supply sources could serve to offset declines in the amount of gas available for export from Alberta there is uncertainty around where this gas will flow. For example, there is the possibility that in the future gas produced in the WCSB, in Alberta and British Columbia or both may flow westward for export to markets overseas. The extent to which this occurs or the gas otherwise flows eastward will be dependent on access to overseas markets and natural gas pricing.

#### Expected Gas Supply Benefits

35. The GTA Project will enhance the reliability of various elements of the natural gas supply chain including upstream supply, entry points to the distribution system, and downstream distribution infrastructure.

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36. The Company continues to be concerned about its reliance on unsecured supplies<sup>13</sup>, particularly peaking supplies and DP delivered supplies and the availability of STFT in the future. Expectations for continual declines in production from the WCSB are also a concern. The Enbridge supply portfolio currently has limited connectivity to the emerging basins in the US Northeast. The Company believes that the proximity of these emerging basins and the shorter distance of haul required to deliver these emerging supplies to market make them ideal for displacing STFT and peaking supplies.
37. In light of these expectations and uncertainties the Company believes it is prudent to act now in order to provide additional supply diversity for its gas supply portfolio. Approval of the GTA Project facilities will provide a means through which the aforementioned risks and concerns related to upstream supplies can be mitigated and provide economic benefits to ratepayers.
38. The GTA Project will provide an additional 800,000 GJ/d of upstream takeaway capacity from Parkway to the largest market served by the Company. The new entry point resulting from the project will provide access to supplies from Dawn or other sources, for example, supplies sourced at Niagara Falls. Once in service the GTA Project will allow the Company to alter its gas supply portfolio to take advantage of these opportunities.
39. Once GTA Project facilities are in service the Company expects to reduce reliance on peaking supplies and STFT and source additional supply from Dawn and Niagara. In addition, the Company is contemplating providing DP customers with the option to deliver gas at Dawn and transport these supplies to Parkway via an

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<sup>13</sup> Unsecured supplies include Curtailment, Peaking Supplies and Direct Purchase Delivered Supplies.

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assignment of capacity from the Company. The Company has been in discussions with its DP customers in an effort to gauge interest in alternative delivery points for supply. Allowing delivery of DP supply at Dawn can be expected to produce a benefit by reducing the cost of transport. For an Ontario T-Service customer supply costs would be reduced by the incremental cost of flowing gas from Parkway to the Enbridge CDA. In addition, these supplies would be underpinned by firm capacity due to the assignment and procured at a liquid hub thereby increasing security of supply.

40. Enbridge recently bid into Union's April 24, 2012 Open Season for 400,000 GJ/d of capacity from Dawn to Parkway in 2015. The awarding of this capacity is contingent on regulatory approval of the GTA Project. Enbridge also intends to bid into an upcoming TransCanada open season for capacity from Niagara Falls to Parkway for service in 2015.
41. Assuming a continuation of existing contracting practices, the Company expects it would require approximately 519 TJ/d of STFT and 158 TJ/d of peaking supplies in order to meet projected peak day demand in 2014. These peak day requirements are outlined in Table 2 on page 11 of this exhibit. The Company has not yet determined peak day requirements for 2015<sup>14</sup> and consequently is basing the benefits calculations on the expected gas supply portfolio for 2014.
42. The Attachment <sup>15</sup> provides details and assumptions related to the calculation of the expected gas supply benefits should the GTA Project be approved. Tables A1 to A3 provided in the Attachment, list toll, fuel, and commodity pricing assumptions.

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<sup>14</sup> Peak day requirements for 2015 will be provided when the Company applies for 2015 rates.

<sup>15</sup> The Attachment has been updated with the amended evidence filed with Update No. 3. The Expected Gas Supply Benefits Update can be found on page 21 of this exhibit.

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By replacing approximately 100,000 GJ/d of peaking supplies and 300,000 GJ/d of STFT to the Enbridge CDA with supplies sourced from Dawn and Niagara the Company expects to generate gas supply savings of approximately \$410 million over the 2015 to 2025 timeframe for system gas customers. In the Attachment, Table A4 provides details for this calculation. A shift in DP delivery point obligations can be expected to generate benefits as well. 200,000 GJ/d of DP deliveries at Dawn rather than the Enbridge CDA<sup>16</sup> could generate savings of approximately \$101 million over the 2015 to 2025 timeframe for DP customers. Table A4 provides details for this calculation as well. Overall the Company expects a total savings of \$511 million over the 2015 to 2025 timeframe<sup>17</sup>. The calculation of the GTA Project profitability index includes those benefits attributable to the contracting shift contemplated by the Company and the benefits from the DP delivery point shift.

43. Approval of the GTA Project will provide significant enhancements to the gas supply portfolio. It will improve diversity and flexibility through access to Marcellus and Dawn supply, mitigate risk associated with non-renewable long haul transport services, and reduce gas supply costs.

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<sup>16</sup> Deliveries to the Enbridge CDA are assumed to be procured at Dawn.

<sup>17</sup> The expected gas supply savings have been updated with the amended evidence filed with Update No. 3 and can be found on page 21 of this exhibit.

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### EXPECTED GAS SUPPLY BENEFITS UPDATE

#### Expected Gas Supply Benefits

44. In its amendment dated April 15, 2013 Enbridge committed to provide an update to the expected gas supply benefits resulting from the NEB Decision in RH-003-2011. This update includes the amendments made to the GTA Project Leave to Construct Application ("GTA LTC") which were filed with the Ontario Energy Board (the "Board") on February 12, 2013 along with changed assumptions related to transportation capacity displacement as a result of TransCanada's May 1, 2013 Compliance Filing ("Compliance Filing") and Review and Variance Application ("Review Application") resulting from the National Energy Board's ("NEB") March 27, 2013 Decision ("Decision") in RH-003-2011.
45. Commensurate with the amended scope of the GTA LTC and a review of the NEB Decision and TransCanada's Compliance Filing and Review Application, the expected contracting practice used to generate gas supply benefits associated with the GTA Project facilities now take into account:
- The creation by TransCanada of a new single point distributor delivery area at the Bram West Interconnect which is to be called the Bram West CDA;
  - An Enbridge contract for 800,000 GJ/d of capacity on the TransCanada Mainline from the Union Parkway Belt to Bram West CDA<sup>18</sup>;
  - The creation by TransCanada of a new single point distributor delivery area called Parkway Enbridge CDA;

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<sup>18</sup> Contract is contemplated in conjunction with all necessary regulatory approvals for required facilities.



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- An Enbridge contract for 200,000 GJ/d of capacity on the TransCanada Mainline from Niagara Falls to Parkway Enbridge CDA<sup>19</sup>;
- The utilization of updated tolls for the calculation of gas supply benefits. The tolls utilized for this update, including those to the new distributor delivery areas as provided by TransCanada, are based on TransCanada's Review Application for 2013 to 2017, as filed with the NEB on May 1, 2013, in relation to NEB hearing RH-003-2011, and tolls provided by Union Gas on April 2, 2013 in Board file EB-2013-0074<sup>20</sup>;
- The assumption that Enbridge would contract for long haul FT capacity on the Mainline - rather than STFT – and that this long haul FT and peaking supplies are displaced with short haul FT capacity; and
- The assumption that DP customers will take an additional assignment and/or contract for more long haul FT capacity on the Mainline.

#### Implications of the NEB Decision, Recent Open Season & Compliance Filing and Review Application

46. The NEB Decision establishes the framework for the determination of Mainline tolls for a five year period beginning in 2013 and ending in 2017. While the framework is provided in the NEB Decision, final Mainline tolls are not yet known. There are several aspects of the NEB Decision which have implications for Enbridge's gas supply portfolio. Recent open season announcements by TransCanada have implications for the amount of discretionary services available on the Mainline in the future as do certain elements of the Review Application.

<sup>19</sup> Contract is contemplated in conjunction with all necessary regulatory approvals for required facilities.

<sup>20</sup> Union Gas Limited's Brantford-Kirkwall/Parkway D Project application.

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47. The NEB Decision establishes a baseline toll from Empress to Dawn from which all other tolls are derived. In addition the NEB Decision provides TransCanada with greater discretion in determining the toll to be charged for STFT and IT. Specifically, TransCanada is able to set the minimum bid floor for IT service at whatever level it sees appropriate. Bid floors for STFT are to be set at a minimum of the FT toll for the corresponding path with no upper limit on the bid floor for this service. In its Decision the NEB indicated that:

*"...the existence of a cost-based recourse rate, the FT toll, provides an implicit cap for discretionary shippers that need guaranteed access to the Mainline to meet their requirements. These shippers may elect to contract for FT service and pay the annual costs related to the capacity they need. Alternatively, they may find features of the IT and STFT services more attractive and accept the risk that at certain times of the year they may have to choose between paying high discretionary tolls or not using the Mainline."*<sup>21</sup>

48. TransCanada recently held an Existing Capacity Open Season for non-renewable service on various Mainline paths with service terminating in October 2015<sup>22</sup>. In addition TransCanada also announced that it will be holding a binding open season to obtain firm commitments from interested parties for a pipeline – The Energy East Pipeline - to transport crude oil from Western Canada to Eastern Canadian markets<sup>23</sup>. The Energy East Pipeline involves converting approximately

<sup>21</sup> National Energy Board, Reasons for Decision, TransCanada Pipelines Limited, Nova Gas Transmission Ltd., and Foothills Pipe Lines Ltd. RH-003-2011, page 127.

<sup>22</sup> Canadian Mainline Existing Capacity Open Seasons, March 26 – April 23, 2013, <http://www.transcanada.com/customerexpress/2802.html>. This Open Season was subsequently extended to May 15, 2013.

<sup>23</sup> The Energy East Pipeline Open Season, April 15, 2013 – June 17, 2013 <http://www.transcanada.com/6280.html>

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3,000 kilometers of the Mainline from natural gas to crude oil service in addition to the construction of approximately 1,400 kilometers of new pipeline. According to TransCanada the binding open season is the result of a successful expression of interest phase and subsequent discussions with prospective shippers.

49. A Capacity Management Open Season<sup>24</sup> was also posted recently by TransCanada in which it is indicated that should the transfer of Mainline assets be approved there will be sufficient capacity to meet firm contracts on the vast majority of the Mainline. However contracted capacity for Eastern Firm Contracts may exceed the capacity available on the Mainline post transfer.
50. In the Review Application TransCanada has proposed to amend certain Tariff provisions so as to provide the flexibility required to capitalize on market opportunities for discretionary services as they arise. For example, the current Tariff provisions related to posting STFT availability stipulate that TransCanada post available STFT capacity for five banking days during January 1-15 for the Summer Period (April 1 to October 31) and for five banking days during July 1-15 for the Winter Period (November 1 to March 31). For Summer Period monthly blocks of STFT capacity is posted for five banking days during January 16-31 and for the Winter Period monthly blocks of STFT capacity is posted for a five banking days during July 16-31. TransCanada is proposing to change the five banking day requirement to a period to be determined by TransCanada but no less than one day.
51. Planning for STFT in such an environment would be difficult as the availability of this service might not be known until immediately prior to the period for which it is

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<sup>24</sup> TransCanada's Canadian Mainline Capacity Management Open Season, May 13, 2013 – June 13, 2013, <http://www.transcanada.com/customerexpress/2802.html>.

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required. In addition the minimum bid floor would most likely be set at a level higher than the FT toll during the periods that the Company would require STFT, that is during the winter months when demand for this service is high. If portions of the Mainline are converted to alternative uses and Mainline capacity is reduced the likelihood of being awarded discretionary capacity would diminish relative to today.

52. In addition to the Tariff amendments related to STFT TransCanada is also proposing, in the Review Application, to amend renewal provisions associated with firm Mainline services (FT, STS, FT-SN & SNB). Current provisions allow a shipper the option to extend the term of an existing contract for a minimum term of one year by providing notice to TransCanada at least 6 months prior to the termination date of the contract. These provisions are proposed to be altered in a manner which would provide shippers with two options: i) to extend their contract to a minimum term to be determined by TransCanada not to exceed 10 years for long haul paths and 15 years for short haul paths and ii) to continue with their existing contract, subject to annual renewals up to a specific date after which the capacity is turned back to TransCanada. The amendments would apply in situations where consideration is being given to major expenditures such as new capacity additions and significant maintenance requirements, or for assessing opportunities to re-deploy or retire substantial existing assets. If a contract extension is elected it would become effective on the effective in service date of the opportunity being contemplated. If a contract is not renewed, renewals would be allowed up to the effective in service date of the opportunity being contemplated but not beyond.
53. The extent to which the Company is required to continually elect contract renewals for potentially terms longer than one year will limit the opportunity to diversify its supply portfolio as opportunities arise. Depending on the availability of

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discretionary services, any increased reliance on long haul FT over the next few years could be extended over a much longer term limiting access to supplies from emerging basins and/or competitive supplies from existing basins other than the WCSB.

54. These events indicate the very real possibility that capacity on the Mainline will be reduced in the near future. TransCanada remains committed to ensuring that existing firm transportation contracts are met and it is now taking steps which would ultimately lead to the Mainline being sized to meet firm commitments only. Indeed the NEB Decision expects shippers to contemplate firming up existing requirements or risk not being able to access the Mainline when needed.
55. The Company believes it cannot continue to rely on discretionary services and continues to be concerned with the reliability of delivered supplies given the new environment created by the NEB Decision and potentially the Energy East Pipeline and Review Application. Planning for discretionary services and relying on delivered supplies for which the underlying transportation arrangements are not known would not be a prudent course of action.
56. The extent to which STFT availability is reduced could limit the availability of this service as a substitute for peaking supplies and firm transportation during the winter. The amount of IT available will likely decrease as well which could impact the reliability of unsecured supplies, particularly during periods of high demand. Increased discretion in pricing of these services in conjunction with a reduction in Mainline capacity will create increased uncertainty with respect to Enbridge's gas supply portfolio costs as Enbridge would be required to outbid other shippers to access necessary capacity. Even if Enbridge is able to outbid parties for

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discretionary services there is no guarantee that capacity for this services will be made available to the Company in a timely fashion and when required.

57. Absent the GTA Project facilities the Company does not expect to contract for large amounts of discretionary service. Rather, it now believes and expects that increased long haul FT contracts would be the prudent contracting decision, given all of the risks outlined in the preceding paragraphs, in order to ensure the safe and reliable delivery of natural gas to its customers.
58. The Company also believes that Direct Purchase customers should and will take measures to firm up a portion of their supplies in light of the availability of discretionary services. Consequently, for this update it is assumed that a portion of Direct Purchase deliveries are underpinned by long haul FT absent the GTA Project facilities.
59. Table 1 below provides the three contracting scenarios for 2016, the first full year in which the GTA Project facilities are expected to be in service. The scenarios in Table 1 are described below:
  - i) Status Quo Scenario – This scenario assumes the Company continues to contract for STFT. In this scenario unsecured and discretionary supplies make up approximately 30% of peak day demand;
  - ii) Long Haul Scenario – This scenario assumes the Company contracts for long haul FT in place of STFT for both the Enbridge CDA and Enbridge EDA. In this scenario unsecured and discretionary supplies make up approximately 14% of peak day demand; and

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iii) GTA Project Scenario – This scenario assumes the GTA Project facilities are in service. In this scenario unsecured and discretionary supplies make up 11% of peak day demand.

**Table 1: Peak Day Supply/Demand Balance for 2016 (TJ/d)**

	<u>Status Quo Scenario</u>	<u>Long Haul Scenario</u>	<u>GTA Project Scenario</u>
2016 Peak Day Demand Forecast	4,012	4,012	4,012
Curtailment	163	163	163
Peaking Supplies	158	158	53
TCPL			
STFT	584	100	100
Long Haul	244	728	391
Short Haul	347	347	1,189
STS	365	365	365
Union	1,775	1,775	1,375
Other Supply	33	33	33
Direct Purchase			
Delivered Supply	285	134	134
Delivered Via Assignment From EGD	60	211	211

#### Gas Supply Benefits Calculations

60. In this update the Company has assumed that it would utilize more long haul FT rather than STFT to meet demand. The Long Haul Scenario rather than the Status Quo Scenario now forms the base line for generating expected gas supply benefits. The GTA Project benefits calculations are derived based on certain assets in the Long Haul Scenario being displaced with the assets that result from the GTA Project facilities being placed into service as described below. The benefits calculations do not include the costs and benefits associated with the utilization of long haul FT to the Enbridge EDA. The Company will look for opportunities to work with TransCanada to facilitate an optimal mix of long haul and short haul supply options for the Enbridge EDA and believes the facilities put in place by the GTA Project can be leveraged for that purpose.

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61. The benefits calculations now assume that the Company would be displacing approximately 100,000 GJ/d of peaking supplies and approximately 300,000 GJ/d of long haul FT from Empress to the EGD CDA with 400,000 GJ/d of short haul FT from Dawn to Bram West CDA via Union and TransCanada and Niagara Falls to Parkway Enbridge CDA via TransCanada once the GTA Project facilities are approved. For DP customers the Company has assumed that absent the GTA Project facilities DP customers would contract for approximately 158,000 GJ/d of long haul FT capacity from Empress to the EGD CDA and continue to receive an assignment, from the Company, of approximately 42,000 GJ/d of short haul FT capacity from Dawn to the EGD CDA. These DP transportation arrangements are assumed to be displaced with 200,000 GJ/d of short haul capacity from Dawn to Bram West CDA via Union and TransCanada once the GTA Project facilities are approved.
62. The Company believes these assumptions are appropriate given the NEB Decision and TransCanada's response to it as explained above. The Company does however recognize that it has, for some time, utilized STFT to displace peaking supplies and meet seasonal demand. Given the environment created by the NEB Decision and the changes contemplated by TransCanada in its Review Application the Company believes that, absent the GTA Project facilities, additional amounts of long haul FT will provide a measure of control over its supply portfolio that would not be available if significant reliance on STFT were to continue.
63. By replacing approximately 100,000 GJ/d of peaking supplies and 300,000 GJ/d of long haul FT to the Enbridge CDA the Company expects to generate gas supply savings of approximately \$955 million over the 2015 to 2025 timeframe for system gas customers. The shift in DP delivery point obligations from Empress and the



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shift in DP delivery point obligations from Dawn is expected to generate savings of approximately \$637 million over the 2015 to 2025 timeframe. Overall the Company expects a total savings of approximately \$1,632 million over the 2015 to 2025 timeframe. The primary reason for the change in the expected gas supply benefits relative to the expected benefits as originally filed and subsequently updated is due to the assumption that long haul FT capacity will be displaced with short haul capacity once GTA Project Facilities are approved.

64. The Attachment provides updated details and assumptions related to the calculation of the expected gas supply benefits should the GTA Project be approved. Tables A1 to A3 provided in the Attachment list toll, fuel, and commodity pricing assumptions respectively. In the Table A4 in the Attachment provides the updated benefits calculations.
65. With the market changing rapidly Enbridge will continue to work with TransCanada and other stakeholders to ensure that the needs of the markets served by Enbridge are met through current and future natural gas infrastructure.

TAB 17

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### ARRANGEMENT WITH TRANSCANADA

1. As described in Exhibit A, Tab 3, Schedule 1, Enbridge has undertaken to work with other gas utilities in Ontario to develop infrastructure in an efficient manner. To achieve this end, Enbridge and TransCanada are negotiating the commercial terms to permit TransCanada to use a portion of the capacity on the pipeline portion of Segment A from the Bram West Interconnect point to the Albion Road Station as filed at Exhibit A, Tab 3, Schedule 6. The assets to be shared with TransCanada will be referred to as the "Shared Pipeline" for the purpose of this evidence in order to distinguish them from the assets that will be used only for Enbridge's distribution system, as explained in more detail below.
2. The Shared Pipeline will have an estimated design capacity of 2,000,000 gigajoules ("GJ") of natural gas per day and includes 20.9 kilometres ("km") of NPS 42 pipeline and associated facilities, such as valves, required to operate and maintain the pipeline and share its use. For cost allocation purposes Enbridge will retain 800,000 GJ (40%) of the design capacity and will assign the remainder of the design capacity (1,200,000 GJ or 60%) to TransCanada. The Shared Pipeline assets do not include the odourization and regulation facility at the Albion Road Station, Parkway West Gate Station, 315 metre ("m") tie-in, or the Parkway Bypass Station required for Enbridge's distribution system. The Shared Pipeline assets do not include the TransCanada built connection at Bram West or a new meter station at Albion.
3. The purpose of this evidence is to describe the key terms of the proposed Transportation Services Agreement ("TSA") with TransCanada on the Shared Pipeline and the method by which Enbridge proposes to charge TransCanada and recover costs.

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### Transportation Service Agreement

#### *Basic Agreement*

4. TransCanada and Enbridge will enter into a TSA to allow TransCanada to transport gas on the Shared Pipeline owned and operated by Enbridge.

#### *Term and Termination*

5. TransCanada will contract for transportation services from Enbridge for an initial term of 15 years. Automatic one year renewals beyond the initial term are at TransCanada's option.
6. TransCanada will have the right to terminate the TSA after the initial term or any subsequent term upon no less than six months written notice to Enbridge. The cost to terminate the TSA will be TransCanada's proportionate share of the Shared Pipeline's net book value as of the termination date.
7. The TSA will be contingent upon receipt of required regulatory approvals, including approvals of the Ontario Energy Board (the "Board") and National Energy Board ("NEB"). TransCanada will provide financial backstopping to Enbridge for any incremental costs over the cost of an NPS 36 pipeline that Enbridge incurs for constructing the NPS 42 pipeline if TransCanada does not receive the required approvals, or is otherwise unable to construct the facilities required in order to take the transportation service. The estimated cost differential between a NPS 42 and NPS 36 for the Shared Pipeline is \$42.8 million.
8. Based on market demand, TransCanada may determine it requires less capacity than provided by a NPS 42 pipeline. In this case Enbridge may build a NPS 36 pipeline with Enbridge retaining a capacity of 800,000 GJ/day and a 50% allocation of costs, with TransCanada being allocated the remaining capacity and costs.

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### *Capacity*

9. As noted, Enbridge will retain for its distribution customers the use of 800,000 GJ per day of capacity on the Shared Pipeline. TransCanada will have the right to use the remaining capacity on the Shared Pipeline for the purpose of providing service to TransCanada's customers under its NEB authorized tariff.

### *Rate*

10. Enbridge proposes to charge a rate that will be based upon a Board approved cost-of-service methodology and include costs for: administration, depreciation, debt cost, maintenance, operations, a return on equity, and taxes.

### Rate Proposal and Revenue Requirement

11. The Company proposes to treat the Shared Pipeline as a stand-alone cost item. Under this approach, a transportation services charge would be calculated by the Company on a cost-of-service basis, as detailed in paragraph 10. The charge would recover the revenue requirement associated with TransCanada's share of the Shared Pipeline. As mentioned, the TSA would contain sufficient termination provisions to ensure any unrecovered capital amounts are recovered from TransCanada.
12. The revenue requirement for the Shared Pipeline is set out in Attachment 1. It includes the associated cost of capital, depreciation, and related taxes that occur as the direct result of capital closed into rate base in a given year. Total O&M for the Shared Pipeline is determined from first principles. In order to reflect the fully allocated O&M cost associated with the Shared Pipeline, corporate-related overhead costs are assigned including items such as administrative and general

Filed: 2013-04-15  
EB-2012-0451  
Exhibit E  
Tab 1  
Schedule 2  
Page 4 of 4  
Plus Attachments

expenses. The result is the fully allocated revenue requirement for the Shared Pipeline.

13. In proportion to the amount of capacity reserved for TransCanada's use, Enbridge proposes to charge 60% of this fully allocated revenue requirement for the Shared Pipeline to TransCanada through a new Rate 332 transportation services charge. As shown in Attachment 2, a monthly charge recovers this amount through 12 installments.
14. The Company proposes that the recovery of costs on a stand-alone cost-of-service basis, as set out above, be carried out in this manner for the entire duration of the contractual term with TransCanada irrespective of the rate regulation regime (such as incentive regulation) under which the Company may be operating. In the Company's view, such an approach to cost recovery for the Shared Pipeline is appropriate for the following reasons: integrated regional planning reflected in this arrangement results in gas supply benefits to ratepayers, lower infrastructure costs, and lower environmental and community impacts by potentially eliminating duplicative infrastructure. This methodology is also preferred because it most closely matches the cost to provide service over the contract term.
15. The proposed methodology provides for 40% of the fully allocated revenue requirement for the Shared Pipeline to be assigned to the Company and recovered from Enbridge ratepayers other than TransCanada.

TAB 18



# ONTARIO ENERGY BOARD

**FILE NO.:** EB-2012-0433  
EB 2012-0451  
EB-2013-0074

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**VOLUME:** Technical Conference

**DATE:** June 12, 2013



EB-2012-0433  
EB-2012-0451  
EB-2013-0074

THE ONTARIO ENERGY BOARD

**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 preapproval 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.

Technical Conference held at 2300 Yonge Street,  
25th Floor, Toronto, Ontario,  
on Wednesday, June 12th, 2013,  
commencing at 1:00 p.m.

-----  
TECHNICAL CONFERENCE  
-----

A P P E A R A N C E S

MICHAEL MILLAR	Board Counsel
COLIN SCHUCH	Board Staff
PASCALE DUGAY	
KHALIL VIRANEY	
JOSH WASYLYK	
FRED CASS	Enbridge Gas Distribution Ltd.
SCOTT STOLL	
EDITH CHIN	
CRAWFORD SMITH	Union Gas
MARK KITCHEN	
KAREN HOCKIN	
JOHN WOLNIK	Association of Power Producers of Ontario (APPrO)
TOM BRETT	Building Owners and Managers Association (BOMA)
JULIE GIRVAN	Consumers Council of Canada (CCC)
MARK GARNER	
VINCE DeROSE	Canadian Manufacturers & Exporters (CME)
ROGER HIGGIN	Energy Probe Research Foundation
KENT ELSON	Environmental Defence
JACK GIBBONS	
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
DAVE RHEAUME	Gaz Métropolitain
AUDRY BAZINET	

A P P E A R A N C E S

DAVID POCH	Green Energy Coalition (GEC)
RANDY AIKEN	London Property Management Association (LPMA)
MARK RUBENSTEIN	School Energy Coalition (SEC)
MURRAY ROSS	TransCanada Pipeline Ltd.
LISA DeABREU	
JAMES WIGHTMAN	Vulnerable Energy Consumers' Coalition (VECC)

# I N D E X   O F   P R O C E E D I N G S

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1 supply.

2 MR. FERNANDES: Craig Fernandes, senior manager  
3 regulatory for the GTA project.

4 MS. SUAREZ: Margarita Suarez, manager for economic  
5 and market analysis.

6 ENBRIDGE GAS DISTRIBUTION - PANEL 1

7 Margarita Suarez

8 Craig Fernandes

9 Malini Giridhar

10 Nick Thalassinis

11 Joel Denomy

12 MR. CASS: So that's it, Mike. The questions can  
13 proceed.

14 MR. MILLAR: Thank you very much. We had some general  
15 discussions on an order. I think Staff had agreed to go  
16 first with this panel. Then I understand Mr. Smith  
17 actually had some questions on behalf of Union, and then  
18 we'll fill in as we can. So I'll begin.

19 QUESTIONS BY MR. MILLAR:

20 Good afternoon, panel. My questions are chiefly in  
21 regard to Interrogatory No. 7. That is Enbridge response  
22 to Board Staff Interrogatory No. 7, which I guess is I.A1  
23 EGD Staff 7.

24 You'll see that it's not a lengthy question or  
25 response. You'll see there we asked the company some  
26 questions about the extent to which your GTA project, A and  
27 B, are dependent on the Parkway-Maple line being built.

28 If you flip to page 2 of the response, in fact the

1 only response, the response to (a) is: The GTA project is  
2 not dependent on TransCanada expanding facilities from  
3 Parkway-to-Maple.

4 So I just wanted to follow up on that a little bit.  
5 The answer certainly answers the specific question, but if  
6 I could broaden it a little bit, can I ask you to what  
7 extent the GTA project, either segment A or segment B, is  
8 dependent on Union's Brantford-to-Kirkwall pipeline being  
9 built?

10 MS. GIRIDHAR: My understanding is that the Brantford-  
11 to-Kirkwall loop is a function of composite demand on the  
12 Union pipeline, and it consists of demand from the GTA  
13 project in addition to demand from other shippers.

14 So Enbridge is not able to definitely answer the  
15 Brantford-to-Kirkwall loop is required to meet the GTA  
16 project demand. My understanding was that it was a  
17 function of total demand, total incremental demand.

18 MR. MILLAR: So who would know the answer to that?  
19 Union?

20 MS. GIRIDHAR: Union.

21 MR. MILLAR: So I can ask Union?

22 MS. GIRIDHAR: Yes.

23 MR. MILLAR: Maybe this is the same question; maybe  
24 it's not. Part of the Brantford-to-Kirkwall project, it  
25 includes a compressor. You're aware of that?

26 MS. GIRIDHAR: Yes. I should have spoken more  
27 clearly. I understood Union's growth projects to include  
28 two things. One was a pipeline loop from Brantford-to-

1 Kirkwall, and the other one was growth compression at the  
2 Parkway West facility. And the latter is required for the  
3 GTA project.

4 MR. MILLAR: I'm sorry, the Parkway West compressor?

5 MS. GIRIDHAR: Yes, the growth compressor, Parkway D.

6 MR. MILLAR: Yes, I think we're on the same page.

7 That is required for the GTA project?

8 MS. GIRIDHAR: For the incremental volumes that will  
9 flow on the GTA project.

10 MR. MILLAR: If that is not built, you couldn't go  
11 ahead with GTA A or B; is that correct?

12 MR. FERNANDES: Actually, the growth compressor is  
13 required for the volumes that flow on segment A. All  
14 remaining items of the project could still be put into  
15 place --

16 MR. MILLAR: Is it fair to say --

17 MR. FERNANDES: -- under the assumption the Parkway  
18 West site was still built. So we have three segregated  
19 sets of facilities. Grouped together are Parkway West Gate  
20 Station, along with a tie-in section and the Parkway  
21 regulation bypass. That group of facilities acts as a  
22 back-up to Parkway, and it is dependent on the Parkway West  
23 facility, but not on the growth compressor.

24 The segment A pipeline is dependent on the growth  
25 compressor, which does somewhat assume that you need the  
26 Parkway West facility. But the segment B and associated  
27 facilities with it does not have any dependency at all with  
28 either of Union's applications.

1 MR. MILLAR: Just to break that down a little, do I  
2 understand that segment B is pretty much independent of  
3 anything, and you would build that irrespective of anything  
4 else happening?

5 MR. FERNANDES: It's completely contained within our  
6 distribution system. It has no dependency on any other  
7 project.

8 MR. MILLAR: So you could build that without anything  
9 else being changed on the system?

10 MR. FERNANDES: Correct.

11 MR. MILLAR: And for A, you do need the growth  
12 compressor to go forward with segment A?

13 MR. FERNANDES: Segment A is taking compressed  
14 volumes; therefore it needs compressor -- our understanding  
15 is the compression at Parkway is full and, therefore, it  
16 requires incremental compression.

17 MR. MILLAR: In terms of -- you spoke of a third  
18 segment, and that's the work you are doing at the Parkway  
19 West Gate Station?

20 MR. FERNANDES: Correct.

21 THE COURT: That's not actually physically connected  
22 to segment A; is that correct?

23 MR. FERNANDES: In our initial application it was, but  
24 since we've moved the initiation point of segment A to the  
25 Bram West interconnect with TransCanada, those facilities  
26 are now still contained at the Parkway West site or the  
27 immediate vicinity.

28 MR. MILLAR: Is there additional work being done



1 between the Parkway West Gate Station and the Bram West  
2 interconnect? Aside from these facilities you are building  
3 right at Parkway West, has there been any upgrade to that  
4 line, for example?

5 MR. FERNANDES: No. The shortening of segment A is  
6 dependent on us using TransCanada's existing facilities  
7 from Parkway to Bram West.

8 MR. MILLAR: So they don't have to expand those  
9 facilities and -- they don't have to do anything?

10 MR. FERNANDES: Correct.

11 MR. MILLAR: And you can get enough gas through that  
12 line to serve your needs?

13 MR. FERNANDES: We need the actual interconnect, but  
14 there is no in-between point, no upgrade required, is our  
15 understanding.

16 MR. MILLAR: And you are building the interconnect,  
17 not TCPL?

18 MR. FERNANDES: TCPL has to tie in to their line, but  
19 it's a tie-in and we're building segment A.

20 MR. MILLAR: We'll get to some more questions about  
21 TCPL, but there's been some discussion that the Parkway-  
22 Maple project may be on hold. Is anything that -- had  
23 there been any changes of plans from TCPL, for example,  
24 that would affect that Parkway West gate station, your  
25 interconnect there?

26 MR. FERNANDES: The Parkway West gate station has no  
27 connection to any negotiations or anything with TCPL.

28 MR. MILLAR: So you don't need them?

1 MR. FERNANDES: No.

2 MR. MILLAR: You may have already answered this, but  
3 just to make sure the record is clear, other than the  
4 facilities we've just discussed -- for example, the Parkway  
5 West gate station and the growth compressor -- are there  
6 any other infrastructure requirements that have to be built  
7 that will provide the required gas for either segment A or  
8 segment B? So you have to build anything else?

9 MR. FERNANDES: No.

10 MR. MILLAR: Does anything else have to build anything  
11 else?

12 MR. FERNANDES: No.

13 MS. GIRIDHAR: The supply source for the GTA project  
14 comes from two sources.

15 One is Dawn, and that is linked to Union's  
16 application.

17 The other is sourcing supply at Niagara up  
18 TransCanada's Hamilton line, and we're not completely aware  
19 as to what the nature of the upgrades might be, but it is  
20 our understanding, based on a presentation from  
21 TransCanada, that they might have to do some minor upgrades  
22 to allow us to receive gas from Marcellus up their Hamilton  
23 line into our Parkway facility.

24 MR. MILLAR: Do you have an idea what those  
25 improvements might be? Are we talking expanded pipeline  
26 facilities, or increased pressures, or we're dealing --

27 MS. GIRIDHAR: My understanding is that it consists of  
28 yard piping.

1 MR. FERNANDES: Yard piping and maybe some valves.

2 MR. MILLAR: Do you have any indication that that  
3 might be delayed or that TCPL may be having second thoughts  
4 about building that infrastructure?

5 MS. GIRIDHAR: The MOU contemplates TransCanada having  
6 an open season and Enbridge bidding for capacity on that  
7 line as a result. And we are not aware that TransCanada  
8 has changed its plans in that regard, so we assume that it  
9 will go ahead.

10 MR. MILLAR: TransCanada -- forgive me if this is  
11 already part of the application, but there have been some  
12 changes to the evidence and I may have missed a few things.

13 I understand that segment A is being done with TCPL;  
14 is that right? Or TCPL is involved with your segment A?  
15 It's a joint venture of some type?

16 MS. GIRIDHAR: The memorandum of understanding, which  
17 is filed at CME 7, I believe, does talk about joint  
18 ownership of segment A. However, the two parties were  
19 unable to agree on a term sheet for ownership, and TCPL  
20 conveyed to us their intent that we should proceed with a  
21 transportation service arrangement such that Enbridge owns  
22 segment A and TransCanada takes a service on that line.

23 So segment A will be wholly owned by Enbridge and  
24 operated by Enbridge.

25 MR. MILLAR: And TCPL would just be a customer?

26 MS. GIRIDHAR: Correct.

27 MR. MILLAR: That's the current plan?

28 MS. GIRIDHAR: Correct.

1 MR. MILLAR: I think there will probably be some  
2 questions on the MOU from, probably, on Mr. DeRose and Mr.  
3 Smith, as well, so I'll leave that for them.

4 Thank you panel. Those are my questions.

5 Mr. Smith, are you prepared to go?

6 **QUESTIONS BY MR. SMITH:**

7 MR. SMITH: Yes. Thank you. These questions will be  
8 in relation to the memorandum of understanding. My  
9 understanding is that that's filed at CME 6 as attachments  
10 3 and following.

11 Just so I'm clear, am I right that there -- the  
12 memorandum of understanding itself is made as of the 28th  
13 of January, 2013, and there have been two amendments to  
14 that agreement?

15 MS. GIRIDHAR: Correct.

16 MR. SMITH: And the most agreement amendment was dated  
17 May 21st.

18 And this picks up on what you just indicated, but my  
19 understanding is that TCPL has given notice pursuant to the  
20 MOU as amended, electing election number 2; is that  
21 correct?

22 And the parties have failed to agree on a term sheet  
23 and failed to agree by the term sheet date; is that  
24 correct?

25 MS. GIRIDHAR: Correct.

26 MR. SMITH: And that it is the intention that Enbridge  
27 will own and operate the Enbridge pipeline?

28 MS. GIRIDHAR: Correct.

1 MR. SMITH: And by Enbridge pipeline, that's segment  
2 A?

3 MS. GIRIDHAR: Correct.

4 MR. SMITH: Am I further correct that under the MOU as  
5 amended, Enbridge will have for its use 800,000 gJs of  
6 capacity per day?

7 MS. GIRIDHAR: Correct.

8 MR. SMITH: And that capacity above that will be for  
9 TransCanada's use?

10 MS. GIRIDHAR: Correct.

11 MR. SMITH: And am I correct that schedule D sets out  
12 the primary commercial terms of the TBO agreement?

13 MS. GIRIDHAR: Correct.

14 MR. SMITH: And that's transportation by others?

15 MS. GIRIDHAR: Correct.

16 MR. SMITH: And that, I think we've just confirmed  
17 that, but that provides that TCPL shall be entitled to the  
18 balance of the capacity on the Enbridge pipeline?

19 MS. GIRIDHAR: Correct.

20 MR. SMITH: And can you tell me whether the Enbridge  
21 board has given the approvals contemplated in the MOU at  
22 section 2.6A, Roman numeral V?

23 MS. GIRIDHAR: Yes, it has.

24 MR. SMITH: Okay. And am I correct, then, that even  
25 if the MOU is terminated, then sections 15 and 16 of  
26 schedule B survive?

27 MS. GIRIDHAR: Let me just go back. I think that --

28 MR. SMITH: I think you'll find that at section 2.7.

1 MS. GIRIDHAR: Yes. Under election 2, sections 15 and  
2 16 survive.

3 MR. SMITH: Am I right that even if TransCanada does  
4 not build from Albion to Maple, TransCanada has, for its  
5 own use, capacity on the Enbridge line for at least 10  
6 years?

7 MS. GIRIDHAR: Could you repeat that, please?

8 MR. SMITH: Am I right that even if TransCanada does  
9 not build from Albion to Maple, that TransCanada has, for  
10 its own use, capacity on the Enbridge pipeline?

11 MS. GIRIDHAR: Under election 2, TransCanada has the  
12 option to exercise by November 1 of 2014 the option to take  
13 capacity on the Enbridge pipeline, and the option expires  
14 at that point.

15 In the event -- I'm presuming you are asking the  
16 question if TransCanada exercised the option?

17 MR. SMITH: Yes.

18 MS. GIRIDHAR: Yes. They would have had the capacity  
19 for 10 years. I would presume if they exercise the option  
20 that they would also build from Albion to Maple. That is  
21 certainly the understanding.

22 MR. SMITH: But there is no requirement that they do  
23 so?

24 MS. GIRIDHAR: I would have to get back to you on  
25 that.

26 MR. SMITH: If you would.

27 MS. GIRIDHAR: I would not view that as being in the  
28 spirit of the MOU.

1 MR. MILLAR: You would like an understanding, Mr.  
2 Smith?

3 MR. SMITH: Yes, I would.

4 MR. MILLAR: Why don't you repeat the...

5 MR. SMITH: That there is no obligation on TransCanada  
6 to build, under the MOU, no obligation to build from Albion  
7 to Maple in order to retain capacity to Enbridge pipeline.

8 MR. MILLAR: That will be Undertaking JT1.1.

9 **UNDERTAKING NO. JT1.1: TO CONFIRM WHETHER TRANSCANADA**  
10 **IS OBLIGATED UNDER THE MOU TO BUILD FROM ALBION TO**  
11 **MAPLE IN ORDER TO RETAIN CAPACITY TO ENBRIDGE**  
12 **PIPELINE.**

13 MR. SMITH: Does Enbridge agree that the Board storage  
14 and transportation access rule applies to the Enbridge  
15 pipeline?

16 MS. GIRIDHAR: Enbridge has taken a different approach  
17 to this pipeline. And it has stemmed from the Ontario  
18 Energy Board's directive in Union's 2013 case for the three  
19 parties to work together.

20 And therefore the approach that Enbridge has taken is  
21 actually outlined in the MOU. The intent of the MOU is for  
22 both Enbridge and TransCanada to provide -- well, they are  
23 outlined in 2.1. And so the extent of the MOU really is  
24 for both parties to work on an efficient plan to use  
25 existing infrastructure, but also coordinate the future  
26 growth of infrastructure through the corridor.

27 And the discussions have been around -- as you can see  
28 in the MOU, around joint ownership of the pipeline, but

1 also allowing for transportation by other service by  
2 TransCanada.

3 Given that a party taking capacity on the Enbridge  
4 pipeline necessarily would require downstream  
5 infrastructure from the Enbridge pipeline, the view was  
6 that this could be exempt under STAR.

7 MR. SMITH: Which provisions of STAR? do you rely on  
8 in respect of the assertion that STAR does not apply?

9 MS. GIRIDHAR: I don't have a specific provision that  
10 I can attest to at this point in time.

11 MR. SMITH: Well, will you give me an undertaking to  
12 tell me which section of STAR provides for the exemption  
13 that you've outlined?

14 MR. MILLAR: JT1.2.

15 **UNDERTAKING NO. JT1.2: TO PROVIDE THE SECTION OF STAR**  
16 **WHICH PROVIDES EXEMPTION.**

17 MR. SMITH: Obviously Union is not a party to the  
18 memorandum of understanding; that's correct?

19 MS. GIRIDHAR: Correct.

20 MR. SMITH: Did Enbridge hold an open season in  
21 respect of the capacity on the Enbridge pipeline?

22 MS. GIRIDHAR: It did not.

23 MR. SMITH: Does Enbridge intend to hold such an open  
24 season?

25 MS. GIRIDHAR: Well, under the election that  
26 TransCanada has made - I believe it's section 15 and 16,  
27 ought to be viewed in context - Enbridge is -- one of the  
28 obligations that survives the termination of the -- or the



1 termination of the MOU is that Enbridge will use the  
2 Enbridge pipeline to meet the distribution needs of its  
3 customers.

4 MR. SMITH: Not quite my question. My question is:  
5 Does Enbridge intend to hold an open season in respect of  
6 at least the 800,000 gJs of capacity beyond the 800,000  
7 which Enbridge has reserved for itself?

8 MS. GIRIDHAR: My understanding is it would require an  
9 amendment of the MOU for Enbridge to be able to hold that  
10 open season.

11 MR. SMITH: So I take from that that under the  
12 memorandum of understanding not only is Enbridge not  
13 intending to hold an open season, but it is precluded by  
14 the memorandum of understanding from doing so?

15 MS. GIRIDHAR: Yes. I should also point out that the  
16 spirit of the memorandum of understanding is outlined in  
17 Board Staff 48, and certainly it contemplates the  
18 coordinated build of infrastructure for both Enbridge's  
19 customers, as well as TransCanada's shippers. So the  
20 intent of the MOU certainly is -- there's at least two  
21 surviving obligations for TransCanada.

22 One is that TransCanada will respond to any service  
23 requests from Enbridge for future service from the Parkway  
24 -- on the Parkway-to-Maple path for its customers. There's  
25 also surviving obligation that TransCanada will work with  
26 the eastern LDCs to expand the short haul path under  
27 commercially reasonable terms.

28 MR. SMITH: Of course when the memorandum of

1 understanding was first entered into in January, my  
2 understanding is that the intention of TransCanada was to  
3 build from Parkway-to-Maple for an in-service date of  
4 November 15; correct?

5 MS. GIRIDHAR: Correct.

6 MR. SMITH: And that date has changed to now November  
7 '17, correct, November 2017, not 2015?

8 MS. GIRIDHAR: The election that was made by  
9 TransCanada and the accompanying letter outlines their  
10 intentions. If you could just give me a second, I'll find  
11 it. It's an attachment 5, CME 6, and the second paragraph  
12 states that:

13 "TransCanada will however continue to pursue the  
14 project keeping to go a November 1, 2015 in-  
15 service date."

16 MR. SMITH: Well, but by "project", we're talking  
17 about the Enbridge pipeline?

18 MS. GIRIDHAR: I believe TransCanada is referring to  
19 their project to connect from Albion to Maple?

20 MR. SMITH: Your understanding is TransCanada intends  
21 to build from Parkway-to-Maple by November 15, 2015?

22 MS. GIRIDHAR: Correct.

23 MR. SMITH: On what is that based?

24 MS. GIRIDHAR: Sorry?

25 MR. SMITH: On what is that based?

26 MS. GIRIDHAR: That is based on -- as explained in  
27 Board Staff 48, again, that is based on their current  
28 intent to replace backhaul capacity on the Great Lakes

1 system with forward haul capacity in order to meet their  
2 system requirements.

3 MR. SMITH: It is your understanding that that  
4 capacity is in respect of existing demand on the  
5 TransCanada system or new incremental demand?

6 MS. GIRIDHAR: That is existing demand on the  
7 TransCanada system.

8 MR. SMITH: So not incremental demand?

9 MS. GIRIDHAR: Correct.

10 MR. SMITH: I see. Just while we're talking about  
11 existing demand, are you aware of the volume shipped by  
12 TransCanada backhaul on the Great Lakes gas transmission  
13 system from Manitoba back to Toronto?

14 MS. GIRIDHAR: Is it my understanding it is  
15 approximately half a BCF of capacity. It could be 500 tJs.  
16 I get confused between the measurement.

17 MR. SMITH: Can I ask you, is Enbridge prepared to  
18 provide capacity to Union for its needs and those of its  
19 customers on the Enbridge pipeline?

20 MS. GIRIDHAR: As I explained a few minutes ago, the  
21 provisions of the MOU do not allow us to do so as a result  
22 of clause 15, I believe.

23 MR. SMITH: Are you aware the memorandum of  
24 understanding refers to a new capacity open season held by  
25 TransCanada? You're aware of that?

26 MS. GIRIDHAR: Correct.

27 MR. SMITH: Are you aware Union bid into that new  
28 capacity open season?

1 MS. GIRIDHAR: Correct.

2 MR. SMITH: Can I ask you to turn to attachment 4,  
3 please, of CME 6?

4 Maybe before we go to that, can I ask you to turn to  
5 attachment 5. Do you have that?

6 MS. GIRIDHAR: Yes.

7 MR. SMITH: Can I ask you to look at recital C?

8 MS. GIRIDHAR: Yes.

9 MR. SMITH: Recital C says:

10 "Due to the impacts of the NEB decision in the  
11 RH-003-2011 decision, the current intent of  
12 TransCanada's utilization of the Enbridge  
13 pipeline has changed."

14 Do you agree with me that what is being referred to  
15 there is what we just discussed, that the Enbridge pipeline  
16 will be used for existing TransCanada demands, but not  
17 incremental demand?

18 MS. GIRIDHAR: At this point in time, that is correct.

19 MR. SMITH: Am I correct that TransCanada's  
20 application to review and vary that decision was dismissed  
21 by decision of the NEB yesterday?

22 MS. GIRIDHAR: Correct.

23 MR. SMITH: Can I ask you to turn to attachment 4,  
24 please?

25 MS. GIRIDHAR: Could I maybe just add something to  
26 what I just said? I would like to point you to a clause in  
27 the same amendment. I'm just trying to find it. Sorry,  
28 please give me another minute.

1 If you could turn to page 7 of 9 and clause L?

2 MR. SMITH: I'm sorry, 7 of 9 of which?

3 MS. GIRIDHAR: Of attachment 5.

4 MR. SMITH: Yes.

5 MS. GIRIDHAR: There is explicit recognition in this  
6 amendment, and it is a surviving obligation for  
7 TransCanada. And it states that:

8 "TransCanada agrees to work with the eastern  
9 local distribution companies and the market in a  
10 cooperative and timely manner to establish terms  
11 and conditions to be brought to the NEB for  
12 approval, under which TransCanada could expand  
13 the TransCanada system for short-haul service  
14 requests on a commercially reasonable basis."

15 This is in recognition of the fact that the origin of  
16 the discussions between TransCanada and Enbridge were  
17 focused on meeting the incremental demands of Enbridge's  
18 customers, as well as TransCanada shippers.

19 MR. SMITH: But of course you agree with me this  
20 doesn't provide a firm obligation on them to build by any  
21 particular point?

22 MS. GIRIDHAR: Correct.

23 MR. SMITH: Can I ask you to return back to attachment  
24 4? And I just have a couple of questions about the  
25 preamble, the recitals, and in particular -- some of what  
26 is set out there we've already covered off, so I won't  
27 belabour it.

28 Recital D refers to the fact the parties weren't able

1 to agree on a term sheet and thus have reverted to the TBO  
2 agreement.

3 Recital C indicates that Enbridge had amended the GTA  
4 project to modify the size of the pipeline from NPS 36 to  
5 NPS 42; do you see that?

6 MS. GIRIDHAR: Yes.

7 MR. SMITH: Then in recital E, it indicates that the  
8 parties have now agreed, or have agreed that the Enbridge  
9 pipeline should remain sized at NPS 36; do you see that?

10 MS. GIRIDHAR: Correct.

11 MR. SMITH: Can you tell me on what basis the parties  
12 agreed that the pipeline should remain at NPS 36, as to put  
13 42-inch or larger?

14 MS. GIRIDHAR: Sure. The intent of upsizing the  
15 Enbridge pipeline or -- segment A or the Bram West-to-  
16 Albion pipeline from NPS 36 to NPS 42 was directly an  
17 outcome of the discussions with TransCanada. And it was a  
18 requirement that the cost of the upsizing be paid for by  
19 TransCanada.

20 So both the amendment to the application as a result  
21 of the proposed upsizing, as well as sharing of the pipe as  
22 a result of the upsizing.

23 It is our understanding that the cost of the upsizing  
24 was ultimately to be borne by -- or to be recovered in  
25 TransCanada's tolls and borne through the process of  
26 construction in the precedent agreements that TransCanada  
27 would have had with its shippers.

28 As a result of TransCanada's decision to not meet the

1 requirements of -- I believe it's Union and Gaz Métro from  
2 the May 2012 open season, there was no longer an ability to  
3 pay for the upsizing, and Enbridge did not believe it  
4 required a 42-inch pipeline to meet the needs of its  
5 customers, and therefore we were unable to maintain the NPS  
6 42 scope.

7 MR. SMITH: I take it there is nothing physically --  
8 or you wouldn't have amended your application -- there's  
9 nothing physically preventing Enbridge from constructing an  
10 NPS 42 pipeline?

11 MR. FERNANDES: Nothing that we're aware of.

12 MR. SMITH: And if you were -- this is perhaps beyond  
13 the obvious, but if you were to construct such a pipeline,  
14 the capacity on that pipeline would be greater?

15 MS. GIRIDHAR: Correct.

16 MR. SMITH: I take it you would agree with me that one  
17 of the benefits of holding an open season is that it gives  
18 you an indication of the market demand for transportation  
19 along a particular route?

20 MS. GIRIDHAR: I can agree to that.

21 MR. SMITH: And if Enbridge had conducted such an open  
22 season, it would have the benefit of the market  
23 intelligence obtained from that open season to guide it in  
24 the size of the pipe?

25 MS. GIRIDHAR: I should reiterate that the intent of  
26 the discussions with TransCanada were one of optimizing the  
27 scope of the Enbridge project, which is primarily for  
28 distribution purposes, and directly as a result of the

1 Board's directive to work together. And it certainly was  
2 presumed that the needs of the marketplace would be met by  
3 TransCanada.

4 MR. SMITH: I understand that, but of course you  
5 appreciate that Union wasn't part of those discussions?

6 MS. GIRIDHAR: Correct.

7 MR. SMITH: You refer to the pipeline --

8 MS. GIRIDHAR: Well, I should correct. I should add  
9 that Union was part of the discussions around optimizing  
10 the entire infrastructure, and the discussions included the  
11 design and the scope of the Parkway West projects and the  
12 Parkway D projects, which feed into the Enbridge pipeline,  
13 as well as TransCanada's intentions to expand the path.

14 MR. SMITH: But not this?

15 MS. GIRIDHAR: Correct.

16 MR. SMITH: Is it fair to say the first time Union saw  
17 the memorandum of understanding was when it was provided in  
18 answer to interrogatory?

19 MS. GIRIDHAR: Correct.

20 MR. SMITH: Now, you mentioned the pipeline being used  
21 by Enbridge to meet distribution need, but you describe the  
22 pipeline in evidence as a distribution and a transmission  
23 line; correct?

24 MS. GIRIDHAR: Correct.

25 MR. SMITH: There is no doubt that is it a  
26 transmission line?

27 MS. GIRIDHAR: The use of a portion of the line for  
28 transmission purposes for third-party shippers puts it into



1 that category.

2 MR. SMITH: Thank you. Those are my questions.

3 MR. MILLAR: Thank you, Mr. Smith.

4 Do we have a volunteer to go next? Dr. Higgin?

5 QUESTIONS BY DR. HIGGIN:

6 DR. HIGGIN: I just have one follow-up question, and  
7 this is about the 42 NPS pipeline.

8 Just confirm what the capacity that was talked about  
9 for that pipeline, if it was built, what would be the  
10 capacity?

11 MR. FERNANDES: In our discussions, the ultimate  
12 capacity would be 2,000 tJs a day. That was originally  
13 expected to be 60 percent shared with TransCanada and 40  
14 percent with Enbridge, giving our 800 tJ for the  
15 distribution purposes.

16 DR. HIGGIN: Thank you very much. That's my question.

17 MR. MILLAR: You have no further questions for this  
18 panel?

19 DR. HIGGIN: No.

20 MR. MILLAR: Thank you. Volunteers? Mr. Poch?

21 QUESTIONS BY MR. POCH:

22 MR. POCH: First of all, just a couple of quick  
23 follow-ups on that.

24 Panel, Mr. Millar asked you at the outset about  
25 segment A and segment B and whether they require any of the  
26 approvals Union is seeking to proceed, and you indicated  
27 that segment B was independent of -- didn't need these  
28 other facilities. I just want to clarify.

1 Does that -- I take it that it doesn't physically need  
2 any of those facilities, but would it be a project that  
3 Enbridge would pursue but for the added gas that is  
4 intended to be drawn through the Union facilities?

5 MR. FERNANDES: So segment B is independent in terms  
6 of actually having a requirement or dependency on other  
7 facilities in Union's applications or any other project.

8 However, in order for us to achieve the benefits that  
9 we're expecting from the project, it does require an  
10 additional supply source into the Enbridge system.

11 MR. POCH: So it...

12 MR. FERNANDES: It would substantially change the  
13 nature of the economics and also the -- particularly around  
14 the gas supply savings and the reliability benefits  
15 upstream.

16 MR. POCH: Can I take it from that, that would mean  
17 that there would be some likelihood that Enbridge would not  
18 wish to proceed with that at this time, in that scenario?

19 MR. FERNANDES: That's not what we're proposing at  
20 this time, is the complete project.

21 MR. POCH: No, I understand, but if you were advised  
22 that Union's facilities weren't being approved such that  
23 you would not build segment A, do I take it from what  
24 you've just said that you would then at least have to  
25 reconsider segment B, and that from what you've just told  
26 me it sounds like it would be unlikely you would want to  
27 proceed with segment B at this time?

28 MS. GIRIDHAR: That is incorrect. We would -- the

1 point that was being made is that segment B is required for  
2 multiple reasons. The connection with the Union project is  
3 that segment B does need a supply source. In the event  
4 that the Union projects did not proceed, then Enbridge  
5 would still need a supply source. And under the current  
6 circumstances, with discretionary supply and so on, it is  
7 Enbridge's view we would have to contract for long haul FT  
8 in order to feed the pipeline, and that is the scenario in  
9 which the savings have been based from a gas supply  
10 perspective.

11 MR. POCH: But it's possible in that scenario you  
12 might take it, for example, through Victoria Square. You  
13 might run a reconfigured segment B, for example?

14 MR. FERNANDES: What we're really saying is, under  
15 that scenario, I think we would be looking for something  
16 like segment B, but there would probably be additional  
17 facilities over and above that. We haven't really defined  
18 what those are.

19 MR. POCH: Fair enough. As I listened to my friend, I  
20 promised I wouldn't get into cross, too, but we'll leave  
21 it. I'll move on.

22 Forgive me if this is already in the evidence, but you  
23 did refer to it earlier. You're assuming that TCPL will be  
24 building facilities between Albion and Maple; correct?

25 MR. FERNANDES: That's correct.

26 MR. POCH: Okay. I provided you, through your  
27 counsel, yesterday with a copy of my questions in the hope  
28 that would speed things along, and I think I interpreted

1 the signal from you folks is I should simply pose them to  
2 you now, and hopefully some of them can be dealt with  
3 quickly, because you've had notice. If not, some of them  
4 you may want to just -- you may know now you need to give  
5 me a written undertaking. Please volunteer.

6 So starting at the top, then, these are all in the A1  
7 category. GEC 3(d), and also there's reference to BOMA's  
8 25(d) and the attachments. And the purpose of our question  
9 was to understand how the various GTA project facilities  
10 would contribute to meeting peak-day requirements in the  
11 downtown core.

12 When we looked at those attachments, apparently the  
13 segment A facilities appear to have no effect on peak-day  
14 flows through Martingrove or West Mall or Downsview  
15 stations, and that troubled my experts. Can you explain  
16 that for us?

17 MR. FERNANDES: I believe I can. It probably would be  
18 more -- depending on how deep you want to go into the  
19 explanation, more relevant for our system analysis panel,  
20 which is up as part of panel 2.

21 But for all intents and purposes, those stations that  
22 you are referring to are fed by lines that gas flow coming  
23 in from segment A doesn't impact, so they have appropriate  
24 pressure today. They will have appropriate pressure after  
25 the GTA project, and, therefore, the flow through them does  
26 not change.

27 The primary intent of most of the facilities are to be  
28 able to bring gas into the system and feed it around from

1 breaking the east-west bottleneck, and then down the Don  
2 Valley line, so most of the volume is actually flowing  
3 across that path. It doesn't change other paths within the  
4 system.

5 MR. POCH: So that I take it what you are telling me  
6 is the stations I listed don't in fact -- at the lower  
7 pressure distributions after the stations don't serve what  
8 you are calling the downtown core?

9 MR. FERNANDES: No, that's not what I'm saying. What  
10 I'm saying is that the GTA project flows gas across the  
11 extra high pressure system. Those existing stations would  
12 still flow the same amount of gas from the extra high  
13 pressure to the high pressure system both before and after.

14 MR. POCH: Let's move on to GEC 5(d) and (e). We  
15 asked you some scenarios there, and your responses  
16 basically stopped by saying the scenario is not feasible,  
17 so results are not presented.

18 We weren't asking about feasibility. So I'm asking if  
19 you can answer these questions. How much would load need  
20 to decrease to attain minimum pressures without segment B  
21 or the north-south portion of segment B? Can we get an  
22 answer to those?

23 I appreciate you are saying there's other problems;  
24 there's other reasons why you would want to do this. You  
25 don't think you can get the load reduction, for example.

26 We're trying to pose some hypotheticals and get some  
27 answers.

28 MR. FERNANDES: So our system analysis folks are going

1 to work on that. We don't have it.

2 MR. POCH: We will get an undertaking. And you can  
3 see there's -- in my written question, there was a sort of  
4 follow-up to that, clarifying it. Can I treat that written  
5 question as an undertaking, and I will provide the court  
6 reporter with a list of these questions? In fact, I might  
7 want to do that right now to make their life easier.

8 MR. MILLAR: This will be JT1.3. And which question  
9 is it, Mr. Poch?

10 MR. POCH: That was GEC 5 -- with respect to GEC 5(d)  
11 and (e).

12 MR. MILLAR: Thank you.

13 **UNDERTAKING NO. JT3.1: TO PROVIDE A RESPONSE TO GEC**  
14 **5(D), TO INDICATE HOW MUCH LOAD WOULD NEED TO DECREASE**  
15 **TO ATTAIN MINIMUM PRESSURE WITHOUT SEGMENT B OR THE**  
16 **NORTH-SOUTH PORTION OF SEGMENT B; AND GEC 5(E): TO**  
17 **RESPOND TO THE QUESTION UNDER A SCENARIO IN WHICH THE**  
18 **DON VALLEY LINE OPERATING PRESSURE IS NOT REDUCED FROM**  
19 **450PSI TO 375PSI, SPECIFICALLY, IF SEGMENT A AND THE**  
20 **EAST-WEST PORTION OF SEGMENT B ARE CONSTRUCTED BUT THE**  
21 **NORTH-SOUTH PORTION OF SEGMENT B IS NOT CONSTRUCTED,**  
22 **WILL THE PEAK DAY PRESSURE AT STATION B FALL BELOW THE**  
23 **MINIMUM NUMBER UNDER 2015-16 DESIGN CONDITIONS**

24 MR. POCH: Moving to GEC 7(d), in particular, this is  
25 all with respect to the Portlands Energy Centre. Are you  
26 aware that PEC operates its own on-site gas compressors?

27 MR. FERNANDES: Yes, we are.

28 MR. POCH: Is it correct that EGD system and design

1 planning is based on the PEC contract parameters described  
2 in EB-2006-0305, not the actual operating experience?

3 MR. FERNANDES: My understanding, our system analysis  
4 is done to meet the contract demand.

5 MR. POCH: That's a yes, I take it?

6 So given that these peak hourly quantities and minimum  
7 pressures, and so on, were based on these engineering  
8 estimates developed before the plant was constructed, now  
9 that it's had a few years of operating history, have you  
10 discussed with PEC the possibility of modifying its  
11 contract to reduce the maximum hourly quantity and/or lower  
12 the minimum delivery pressure during peak winter period,  
13 either on a firm basis or an interruptible basis.

14 MR. FERNANDES: No, we have not.

15 MR. POCH: Okay. Turning to question 8, in  
16 particular, question 8(f), we asked you about whether you  
17 had evaluated -- whether additional load reductions from  
18 DSM would allow reductions in operating pressure on the NPS  
19 26 and NPS 30 Don Valley pipelines, and your answer was  
20 simply that you don't think it's feasible.

21 Can you provide us the analysis or the rationale for  
22 that conclusion?

23 MR. FERNANDES: We can provide the rationale. When we  
24 looked at the capacity reduction within the system due  
25 solely to lowering the Don Valley line, as we're proposing,  
26 that was approximately 165 tJs a day. Now, our growth  
27 forecast annually is on the order of 18 or 19. I would  
28 have to double check the number. It's a much smaller

1 increment. As a matter of fact, it is an order of  
2 magnitude lower. Our estimation of efficiency gains in  
3 those types of activities would be smaller than that.

4 So once that there is that large of a decrement in  
5 terms of looking at it, we chose to go no further.

6 MR. POCH: So you didn't actually conduct an analysis  
7 of possible load reductions beyond even offsetting load  
8 growth? You concluded that it was simply -- the scale of  
9 it suggested to you it was not feasible?

10 MR. FERNANDES: The question referred to the pressure  
11 reduction, and given that it's well beyond an order of  
12 magnitude away from what we thought was reasonable, we  
13 conducted no further study on that.

14 MR. POCH: I took it from your answer a minute ago  
15 that what you thought was reasonable was, at most,  
16 offsetting load growth; correct?

17 MR. FERNANDES: No, what I stated was that our load  
18 growth was almost an order of magnitude lower and we felt  
19 efficiency gains would account for some fraction of that.

20 MR. POCH: Did you study that specifically? Is there  
21 a study specifically looking at intensive load reduction  
22 DSM and related efforts in the particular target area?

23 MR. FERNANDES: I think I'll have to defer that to my  
24 counterpart on the DSM panel.

25 MR. POCH: Okay. Just on that, I am correct that  
26 these pipes have been running at the higher pressure -- I  
27 think it's 37 percent as opposed to 30 percent -- that you  
28 are now proposing?



1 MR. FERNANDES: Correct. The pipes were constructed  
2 in 1967 and 1971, and they have operated over 30 percent  
3 since that time.

4 MR. POCH: Right. That, I believe, is in the record.  
5 Do we know at what -- in fact, what percent pressure they  
6 have been running? Has it been consistent throughout at  
7 the 37, or has it fluctuated?

8 MR. THALASSINOS: So I'll refer to Interrogatory  
9 Response -- and just give me a sec here to find that.

10 So BOMA Interrogatory No. 8. Okay. So, sorry, which  
11 line were you specifically referring to?

12 MR. POCH: Well, in this case, we were talking about  
13 the Don Valley pipelines, NPS 26 and 30.

14 I was referring to the fact that you've indicated  
15 that, while you're targeting the 30 percent SMYS, they're  
16 currently at 37 percent and they have been over 30 percent  
17 throughout their life. I was just asking if they have been  
18 at 37 percent throughout their life, or has it changed over  
19 time.

20 MR. THALASSINOS: The percent of SMYS on that line has  
21 changed over time. I actually have to refer to a different  
22 interrogatory; I think I've referenced the wrong one. Just  
23 give me a moment, please.

24 Yes, so the Don Valley pipeline has been operating at  
25 different pressures over the years. The operating  
26 pressures can change over time, which is different than the  
27 maximum operating pressure. Those operating pressures can  
28 change due to things such as movement of gas, moving of gas

1 supplies from one part of the network to another. And we  
2 also periodically change our operating pressures when we're  
3 running internal inspection pigs, when we're doing major  
4 work, and also sometimes when we have temporary  
5 restrictions when we find integrity issues on our  
6 pipelines.

7 MR. POCH: Obviously at times, you lower the pressure  
8 because you are doing work or you have concerns. Have they  
9 ever run at higher than 37 percent?

10 MR. THALASSINOS: For this particular line, my  
11 understanding, it's been operating only up to 37 percent.

12 MR. POCH: And the other lines that you're trying to  
13 lower the pressure on in this application?

14 MR. THALASSINOS: Just in --

15 MR. POCH: Perhaps there's an interrogatory that  
16 spells this out I've missed. Please direct me it to if  
17 there is.

18 MR. THALASSINOS: Hold on. So I'll refer to GEC  
19 Interrogatory 8(e).

20 MR. POCH: Yes, I have that in front of me.

21 MR. THALASSINOS: So the pressures on the -- as you  
22 see here, the pressure on the NPS 26 was lowered in 2005  
23 due to the class location, and -- from a class 3 to a class  
24 4. That, of course -- and you can see the percent of SMYS  
25 reduction that was caused by that.

26 MR. POCH: That's the 49.6 going to 39.8?

27 MR. THALASSINOS: That's correct, yes.

28 So when we did a class location study in 2005, we

1 identified we were in a class 4, and we reduced that  
2 pressure in that particular line.

3 MR. POCH: And the rest are in the exhibit, as  
4 referenced in that paragraph?

5 MR. THALASSINOS: Yes.

6 MR. POCH: Thank you.

7 MR. THALASSINOS: I do want to point out that,  
8 directionally, we are looking to be operating our -- the  
9 lines to below 30 percent of SMYS, because from a safety  
10 perspective we feel that the consequences of a failure on  
11 these lines, if they were operating below 30 percent of  
12 SMYS -- which would be enabled by the GTA project, the 26-  
13 and 30-inch line -- would be less because they would be  
14 below a threshold value, which is a threshold value being  
15 30 percent of SMYS, and that's the generally understood  
16 threshold value at which failures are considered both by  
17 code and by, more recently, the TSSA code adoption document  
18 as where the failure is more likely to result in a leak  
19 versus a rupture.

20 MR. POCH: So it's a gentler mishap?

21 MR. THALASSINOS: I wouldn't call it a "gentler  
22 mishap." There can be quite a big difference between a  
23 leak and a rupture.

24 MR. POCH: That's fine. Let's move on.

25 GEC 11, here we asked you about constraints that you  
26 had mentioned, and in response you referred us to an  
27 Environmental Defence interrogatory there, 36 -- and I  
28 think it's probably what you want to have in front of you -

1 - which unfortunately wasn't quite what we needed.

2 So first of all, starting with the Environmental  
3 Defence response, 36(a)(ii), can you just give us a little  
4 more detail on what the current constraints are from  
5 Parkway-to-Maple, your understanding of them?

6 First of all, I should clarify. I think there's two  
7 pipelines from Parkway-to-Maple?

8 MR. FERNANDES: From Parkway-to-Maple is actually part  
9 of TransCanada's system. My understanding is that it's  
10 partially twinned. They have been doing work as recently  
11 as 2012.

12 MR. POCH: I was just looking at your schematic, your  
13 maps or your drawings at Exhibit A, tab 3, schedule 1,  
14 attachment -- figure 1.

15 The TCPL line there is shown and labelled in black;  
16 they're either TCPL or TCPL and Union. And then there's a  
17 red line that parallels that, I gather maybe just sort of  
18 getting to Maple; is that correct? Am I reading that  
19 right?

20 MR. FERNANDES: That is correct.

21 MR. POCH: The red line is Enbridge's, or not?

22 MR. FERNANDES: That is part of the Enbridge system.

23 MR. POCH: So there are two pipes going up, but not  
24 quite all the way up to Maple?

25 MR. FERNANDES: Correct.

26 MR. POCH: If you can, could you just elaborate on  
27 what the constraints are there? Is it simply they're at  
28 capacity?

1 MS. GIRIDHAR: There is no incremental capacity to be  
2 had between Parkway and Maple on the TransCanada system at  
3 this point in time.

4 MR. POCH: What about on the Enbridge pipe there?

5 MS. GIRIDHAR: The Enbridge pipeline is not a  
6 transmission pipeline; it's integrated into our  
7 distribution network.

8 MR. POCH: And that's the NPS -- is that a 24 or 26?

9 MR. FERNANDES: 24.

10 MR. POCH: 24?

11 MR. FERNANDES: Correct.

12 MR. POCH: And I'm no engineer, gas engineer, but I  
13 take it the distinction there, other than the fact that you  
14 are not shipping to others, is it's run at a lower  
15 pressure, is it, than if it was run as a transmission  
16 pipeline?

17 MR. FERNANDES: Correct. That's one thing that is  
18 true. That line was, to my understanding, built in the  
19 1950s and it's running at a much lower pressure.

20 MR. POCH: I'm sorry, I may have just asked this and  
21 missed the answer. Is there capacity on that line to push  
22 more gas towards its end?

23 MR. FERNANDES: It's utilized as part of our  
24 distribution network, and there would be -- to try and  
25 utilize that line to bring gas into the transmission system  
26 would require quite a bit of compression.

27 MR. POCH: No, I'm not suggesting you re-inject it  
28 into a compression, into a -- necessarily into a

1 transmission system at the end.

2 MR. FERNANDES: So that line is utilized and feeds  
3 most of Brampton.

4 MR. POCH: I understand, and I'm just wondering, as a  
5 distribution line, is it at capacity?

6 MR. FERNANDES: I would have to check with our system  
7 analysis. I apologize. I don't know that for a fact.

8 MR. POCH: I'm just wondering if there has been a  
9 scenario that was looked at to utilize that line more fully  
10 to move gas from the east to the west -- from the west to  
11 the east. Can I get an undertaking, then, that you'll --  
12 why don't we word it this way, for information on the NPS  
13 24 line from --

14 MR. FERNANDES: The terminus of that line on the  
15 eastern edge is not near any infrastructure that we could  
16 tie into reasonably.

17 MR. POCH: Right. I guess what I was asking is if  
18 there was any investigation into whether extending that  
19 pipeline -- well, for example, given TCPL is thinking of  
20 building from Albion to Maple, it may be possible, I'm  
21 wondering, to configure things differently and utilize that  
22 line.

23 Has there been any study of utilizing that line more  
24 fully as a means of moving -- as part of an approach, to  
25 moving gas from the west to east side of the city?

26 MR. THALASSINOS: So the 24-inch line is currently  
27 operating just below the 30 percent SMYS threshold. So  
28 that is a threshold we wouldn't raise, if that is the

1 nature of your question, in terms of capacity. So it's  
2 already at its highest pressure that we would operate at,  
3 and we would not go from a lower than 30 percent SMYS  
4 situation to above 30 percent of SMYS.

5 MR. POCH: That's a complete answer, as far as you're  
6 concerned, to my question, I take it?

7 MR. THALASSINOS: If that was -- correct, if that was  
8 what your question was intended --

9 MR. POCH: I think what you just said is that is your  
10 rationale for not considering utilizing that pipe at a  
11 higher capacity?

12 MR. THALASSINOS: That's correct. We would not  
13 consider raising that operating pressure and increasing  
14 risk.

15 MS. GIRIDHAR: Just to be clear, though, for that line  
16 to be utilized in any way to expand capacity on the  
17 Parkway-to-Maple path, it either has to operate at  
18 transmission pressures so it can tie into the TransCanada  
19 system, or it has to find its way into another part of the  
20 distribution system that could take it east, and I think  
21 Mr. Fernandes just mentioned that it's nowhere near any  
22 other infrastructure. So there is possibility of using  
23 that line differently than it's being used today.

24 MR. POCH: So if you go ahead and build the segment A  
25 and the facilities at Parkway West, and so on, and TCPL  
26 goes ahead and does as you expect, which is to connect  
27 Albion up to Maple, first, does that alleviate the Parkway-  
28 to-Maple constraint, the combination of those two things?

1 MS. GIRIDHAR: It has the potential to eliminate the  
2 Parkway-to-Maple constraint. It really is a function of  
3 how much demand there is for additional capacity.

4 MR. POCH: If there is no demand, there is no  
5 constraint, I take it?

6 MS. GIRIDHAR: Correct. And its ability to eliminate  
7 the constraint is a function of how much incremental demand  
8 there is.

9 MR. POCH: If you went that far and didn't build  
10 segment B, I want to know about the possibilities of then  
11 moving gas along segment A up to Maple with TCPL's proposed  
12 facilities, and then along to Victoria Square. Is that a  
13 possibility? I appreciate you still have concerns about  
14 the northern part of the NPS 30 Don Valley line, but I'm  
15 just going a step at a time here.

16 MR. FERNANDES: I certainly would be something that  
17 could be possible. However, it would not meet all of the  
18 objectives we're trying to achieve in the project.

19 MR. POCH: What objectives would it not meet?

20 MR. FERNANDES: So one of the objectives in the  
21 project was to eliminate the east-west bottleneck within  
22 our own distribution system.

23 MR. POCH: I see. This would alleviate east-west  
24 constraints, but would require reliance on TCPL  
25 transmission? That was the distinction you are drawing?

26 MR. FERNANDES: So it would alleviate access to short  
27 haul. However, it would not allow us all of the  
28 flexibility and capabilities for load balancing between our



1 major supply points.

2 MR. POCH: Okay.

3 MR. FERNANDES: Nor would it allow us to lower  
4 pressure in some of our older critical supply lines. It  
5 also would not deal with our point of minimum system  
6 pressure.

7 MR. POCH: That's because of concern that the Don  
8 Valley line is at its limit?

9 MR. FERNANDES: Correct.

10 MR. POCH: Did you cost this approach, and including  
11 whatever improvements to the Don Valley line would be  
12 needed?

13 Let me put it this way. Obviously, the costs would  
14 involve the costs of segment A and the Parkway West  
15 facilities. Did you investigate what the tolling situation  
16 would be to move gas from Albion to Victoria Square on the  
17 TPCL system?

18 MS. GIRIDHAR: We did not.

19 MR. POCH: Okay. If you move on to GEC 15, we asked  
20 for the documentation on the review of the distribution  
21 system, which you had referred to in the evidence. And you  
22 provide a cross-reference to the evidence, and then to an  
23 interrogatory from Environmental Defence, their number 24.

24 In both instances what we see there is simply a map  
25 with a box drawn on it. We assume there's something more  
26 that was done in terms of analysis and documentation to  
27 define the GTA project influence area, and, therefore, the  
28 loads being served by the particular facilities. Can you

1 help us with that?

2 MR. FERNANDES: That would probably be best, depending  
3 on the level of detail required, to speak with our system  
4 analysis on the next panel.

5 MR. POCH: That's the A2?

6 MR. FERNANDES: Two.

7 MR. POCH: A2.

8 MR. FERNANDES: Now, as part of our network modelling  
9 -- and it is shown in the evidence, as well. I believe  
10 it's figure 2 in A3.2. The model does have an influence  
11 area served by each of the gate stations, and effectively  
12 the map is another way to describe which portion of the  
13 system is fed by the gate stations that are actually  
14 influenced by infrastructure we're proposing.

15 So it's physical outcome of where the gas flows from  
16 the supply points and the extra high pressure network. For  
17 all intents and purposes, it excludes Markham Gate Station  
18 influence area.

19 MR. CASS: Just for clarity, Mr. Fernandes referred to  
20 panel A2. It's panel 2 dealing with issues A4 and A5, just  
21 so that is clear.

22 MR. POCH: My apologies. I guess my question was: To  
23 what extent is this influence area defined simply by  
24 physical -- the network ends, and so you can draw nice --  
25 you know, a fence around things, and to what extent is the  
26 network the integrated network. Does it extend across  
27 these boundaries and you've had to exercise some judgment  
28 as to when you call it the GTA influence area and when you

1 say it is predominantly fed from some other gate station?

2 I'm assuming in a certain situation -- in a number of  
3 places, it's the later situation; correct?

4 MR. FERNANDES: Correct. So in terms of looking at  
5 the maps that are predominantly shown throughout the  
6 evidence showing the extra high pressure grid, it does not  
7 show the lower pressure networks that are underneath, and  
8 we are primarily referring to cold winter conditions.

9 And when -- if we can pull up Exhibit A3.2, figure --

10 MR. POCH: Do I need to pull that up?

11 MR. FERNANDES: We do have that in the evidence, but  
12 you are correct. It refers to the influence area under  
13 winter conditions. There is connectivity below, and under  
14 much lower loads on the system, there is some capability to  
15 move gas to those areas.

16 MR. POCH: I understand. I guess I assumed there were  
17 some judgments made, and maybe I'm venturing off into the  
18 next panel - tell me if I am - some judgments made about  
19 how to model this for the purpose of this application, how  
20 to define things.

21 MR. FERNANDES: Correct, that's for the next panel.

22 MR. POCH: Okay, we'll come back to that.

23 Here's an easy one for you, and it may in fact be for  
24 the next one. No, it's this panel, GEC 16.

25 In (g), you provide a table, and just breaking out  
26 your customers, and we just wanted to get a definition of  
27 what the distinction there between replacement and -- what  
28 does "residential ensuite" mean?

1 MS. SUAREZ: Certainly. For replacement customers, we  
2 are referring to conversions of non-gas customers on main.  
3 And for ensuite, we mean multi-residential dwellings with  
4 ensuite metering.

5 MR. POCH: Or with individual metering, as we  
6 sometimes call it?

7 MS. SUAREZ: Yes.

8 MR. POCH: Just on that conversion to gas, so that's  
9 just new customers that are converting from another fuel  
10 but it's not new construction; is that the distinction  
11 you're making?

12 MS. SUAREZ: That's correct, yes.

13 MR. POCH: Thank you. In 18(e), we ask just  
14 specifically in your -- in your looking at the impact of  
15 customer additions, how you dealt, modelled the  
16 increasingly stringent building codes, and I would assume  
17 that's particularly in the new construction and renovation  
18 situations.

19 And you did refer us to responses that -- I've seen  
20 responses that refer to the fact that you sort of have a  
21 declining average use trend that you've seen.

22 MS. SUAREZ: That's correct, for residential  
23 customers.

24 MR. POCH: Did you look specifically at the  
25 acceleration of that due to expected building code  
26 stringencies?

27 MS. SUAREZ: When you mean -- building code for which  
28 particular type of sector?

1 MR. POCH: Well, for any sector, but certainly in the  
2 new construction and renovation marketplaces.

3 MS. SUAREZ: Yes, I believe we captured that as a W  
4 variable in our models when we looked at average use  
5 consumption over time.

6 MR. POCH: Could you provide us with some detail on  
7 how did you that and what was assumed? I'm sure that would  
8 be an undertaking, I imagine.

9 MS. SUAREZ: Yes, I would rather take an undertaking.

10 MR. MILLAR: JT1.4.

11 **UNDERTAKING NO. JT1.4: TO PROVIDE DETAIL ON HOW**  
12 **DECLINING AVERAGE USE TREND RELATES TO EXPECTED**  
13 **BUILDING CODE STRINGENCIES AND WHAT ASSUMPTIONS WERE**  
14 **USED IN THE MODELS.**

15 MR. POCH: Thank you. GEC 29, you referred to  
16 earlier studies when you identified part of the project in  
17 2002 and that was installed, and work done in 2006, as  
18 well, you've referred to. We asked -- we'd like to know  
19 how the peak day requirements forecasts done then compare  
20 with the peak day requirement forecasts in your more recent  
21 work for this application.

22 Is it possible to get a comparison of them?

23 MR. FERNANDES: I think that's for the second panel,  
24 as well.

25 MR. POCH: Okay. In 39, we asked you for some  
26 information about capital costs, and you did provide a  
27 table with escalated and non-escalated.

28 Can we just get the details of that calculation, how

1 it was calculated and what the assumed inflation rate was?

2 MR. FERNANDES: We can certainly provide that. It  
3 would be for another panel that has the details. I believe  
4 it's panel 3.

5 MR. POCH: Okay. We'll come back to that, then.

6 I think that's all my questions for this panel. Thank  
7 you very much.

8 MR. MILLAR: Thank you, Mr. Poch.

9 **QUESTIONS BY MR. DEROSE:**

10 MR. DeROSE: I'll hop in. I'll be relatively short,  
11 panel. My questions are almost entirely focused on the MOU  
12 that Mr. Smith has already taken you through, and there  
13 have been a number of questions on it. I have some follow-  
14 up questions.

15 If I can have you turn to CME 6, attachment 3, page 22  
16 of 27, this is the schedule B, which is election number 2  
17 of the MOU.

18 First of all, panel, as I understand it, this is the  
19 election which TPCL has currently identified it is  
20 exercising; correct?

21 MS. GIRIDHAR: Correct.

22 MR. MILLAR: Microphone, please.

23 MR. DeROSE: And so I just want to take you through a  
24 few of the provisions in this election, just to ensure that  
25 we understand it correctly.

26 First of all, number 1, where TPCL has an option which  
27 is exercisable until November 1st, 2014 to -- and depending  
28 on the size of the pipe, purchase a certain percentage of

1 the Enbridge pipeline, when you were referring earlier in  
2 the cross-examination of Mr. Smith to the inability to  
3 conclude a term sheet, is -- the term sheet referred to in  
4 number 1, is that what you were referring to, or is that a  
5 different term sheet?

6 MS. GIRIDHAR: Given that the words are capitalized  
7 and presuming it is the same term sheet, there's a  
8 definition, I believe.

9 MR. DeROSE: Perhaps I can cut to the chase this way.  
10 Does TPCL still have that option that can be exercised  
11 between now and November the 1st, 2014, or is that no  
12 longer available because you have not come -- because  
13 you've not agreed on a term sheet?

14 MS. GIRIDHAR: So if I could just explain, the option  
15 we are talking about is the option to take capacity on the  
16 Enbridge pipeline.

17 The term sheet is specifically referring to the terms  
18 and conditions under which that capacity would be taken,  
19 and that was contemplated as joint ownership.

20 Enbridge and TPCL were unable to come to terms on the  
21 term sheet. Therefore, the terms and conditions under  
22 which the capacity will be taken would be subject to  
23 schedule D, which is now a TBO arrangement.

24 MR. DeROSE: So I don't -- I'm sorry if my question  
25 has been confusing.

26 Does TransCanada still have an option which it can  
27 exercise between now and November the 1st, 2014?

28 MS. GIRIDHAR: Yes, and the option it can exercise is

1 one where it takes capacity on the Enbridge pipeline.

2 MR. DeROSE: But it no longer has the option to  
3 contribute 50 percent of the Enbridge pipeline costs,  
4 thereby -- well, does it still have that option?

5 MS. GIRIDHAR: Yes. So the -- given that we have  
6 already agreed that it will be NPS 36-inch pipeline, the  
7 percentages we are talking about are 50/50. So in  
8 conjunction with exercising the option by November 1, 2014  
9 to take 50 percent of the capacity of the pipeline, they  
10 will also be responsible for 50 percent of the revenue  
11 requirement associated with the pipeline.

12 MR. DeROSE: And what happens if they do not exercise  
13 that option?

14 MS. GIRIDHAR: If they do not exercise the option, the  
15 pipeline is available for Enbridge's sole use; the entire  
16 capacity on the pipeline is available to Enbridge.

17 MR. DeROSE: At which point you could offer it to any  
18 third parties?

19 MS. GIRIDHAR: Clause 15 of Schedule B states that:

20 "The Enbridge pipeline will only be used to serve  
21 Enbridge's distribution franchise, including  
22 direct-purchase customers, and will not be used  
23 for the transportation of gas for any other  
24 persons."

25 MR. DeROSE: So is there a scenario whereby --

26 MS. GIRIDHAR: Unless -- sorry, go ahead.

27 MR. DeROSE: Is there a scenario whereby TransCanada  
28 does not contribute 50 percent, they do not elect the



1 option, but you still cannot use the excess capacity for  
2 any non-TPCL parties?

3 MS. GIRIDHAR: I don't believe that the MOU allows for  
4 that under the election that's been made.

5 MR. DeROSE: Then if I can turn you to page 23 of 27,  
6 number 7 says that:

7 "TransCanada will construct, own, operate and  
8 maintain the TransCanada Maple line."

9 Throughout the evidence, there's a reference in the  
10 MOU to the TransCanada Maple pipeline. In some of the IR  
11 responses there's a Parkway-to-Maple expansion.

12 First of all, are we talking about the same thing?

13 MS. GIRIDHAR: This Maple pipeline is referring to a  
14 pipeline from Albion to Maple.

15 MR. DeROSE: So it's not -- when you talked to Board  
16 Staff this morning about no dependency between the Parkway-  
17 to-Maple expansion on the GTA project, that's referring to  
18 a broader expansion than the TransCanada Maple pipeline?

19 MS. GIRIDHAR: Correct. Excuse me. Sorry, could you  
20 just repeat that?

21 MR. DeROSE: When you referred to Board Staff No. 7  
22 this morning --

23 MS. GIRIDHAR: Yes.

24 MR. DeROSE: -- Board Staff 7 reads as follows:

25 "The GTA project is not dependent on TransCanada  
26 expanding facilities from Parkway-to-Maple."

27 MS. GIRIDHAR: Correct.

28 MR. DeROSE: My question was: In the MOU, you refer

1 to the TransCanada Maple pipeline. Is that something  
2 different? The TransCanada Maple pipeline, is that  
3 different than the Parkway-to-Maple expansion that you were  
4 referring to with Board Staff this morning in Board Staff  
5 No. 7?

6 MS. GIRIDHAR: So the GTA project is not dependent on  
7 either, whether it's an expansion on TransCanada's existing  
8 Parkway-to-Maple system or whether TransCanada does in fact  
9 build facilities downstream of Albion to Maple.

10 MR. DeROSE: If it wasn't in any way dependent on it,  
11 why is it in the MOU? Why would Enbridge care?

12 MS. GIRIDHAR: The MOU contemplates, as is explained  
13 in section 2.1, the coordinated use and planning of  
14 facilities. So the intent of the MOU certainly was to  
15 enable TransCanada to utilize capacity on segment A in  
16 order to serve the needs of its shippers, and to the extent  
17 that we were considering a 42-inch, NPS 42-inch pipeline,  
18 the scope of the GTA project was at that point dependent on  
19 TransCanada building the pipeline from Albion onto Maple.

20 In its current scope, the project is economic whether  
21 TransCanada participates or not.

22 MR. DeROSE: Okay. Then if I can take you to section  
23 13, again, this is page 23 of 27. Section 13 reads:

24 "Enbridge agrees that the Parkway Enbridge CDA  
25 service contract will not displace any existing  
26 TransCanada system firm transportation service  
27 contracts currently serving the Enbridge CDA."

28 I just want to understand how that operates. First of

1 all, how many TransCanada system firm transportation  
2 service contracts are currently serving Enbridge CDA; do  
3 you know?

4 MS. GIRIDHAR: I believe we have an interrogatory  
5 response that lays out all of our transportation contracts,  
6 but I couldn't tell you how many at this point. Could I  
7 maybe do that at the break or something?

8 MR. DeROSE: Sure, even a ballpark. I'm sorry if I  
9 missed that.

10 MS. GIRIDHAR: Are you asking me what is the amount,  
11 or the number of contracts?

12 MR. DeROSE: I was actually going to ask for both.

13 MS. GIRIDHAR: Why don't I take some time to --

14 MR. DeROSE: That's fair. Let me perhaps ask a few  
15 other additional questions. Well, could we have an  
16 undertaking for --

17 MR. MILLAR: JT1.5.

18 **UNDERTAKING NO. JT1.5: TO PROVIDE THE NUMBER OF**  
19 **TRANSCANADA SYSTEM FIRM TRANSPORTATION SERVICE**  
20 **CONTRACTS CURRENTLY SERVING ENBRIDGE CDA.**

21 MR. DeROSE: If it's already in an IR response, if you  
22 just give us the IR response number, that would be fine.

23 Are some of the TransCanada system firm transportation  
24 service contract that are serving the Enbridge CDA -- are  
25 they all owned by Enbridge or are there other parties which  
26 own or have signed up for such contracts?

27 MS. GIRIDHAR: You are asking me if there are other  
28 parties that have contracts to the Enbridge CDA other than

1 Enbridge?

2 MR. DeROSE: Correct.

3 MS. GIRIDHAR: Is it quite possible from time to time  
4 that marketers serving customers take FT contracts. I'm  
5 aware of only one party at this point, other than Enbridge,  
6 that holds capacity to the Enbridge CDA.

7 MR. DeROSE: Under the MOU, is it your understanding  
8 that Enbridge's -- you are not trying to bind any other  
9 parties in the CDA; correct?

10 MS. GIRIDHAR: Correct.

11 MR. DeROSE: You are only saying that the Parkway  
12 Enbridge CDA service contract will not displace any of the  
13 existing -- any of Enbridge's existing FT contracts?

14 MS. GIRIDHAR: Correct. If I could just explain the  
15 intent of that? So we've made it very clear that the gas  
16 supply aspect of the GTA project is about reducing our  
17 reliance discretionary supply. So discretionary supply is  
18 not underpinned by firm transportation contracts. The  
19 intent is to increase the reliability of our contracts --  
20 of our gas supply portfolio.

21 Therefore, what clause 13 says is that the Enbridge  
22 CDA service contract will not displace any existing firm  
23 transportation contracts; that is, it is intended to  
24 displace discretionary volumes.

25 MR. DeROSE: The term "displace", does that mean that  
26 you have an obligation to renew your existing FT contracts?

27 MS. GIRIDHAR: I don't believe -- I believe it says  
28 that --

1 MR. DeROSE: Because if you don't renew, then you are  
2 displacing; correct?

3 MS. GIRIDHAR: I have to just go back. I don't  
4 believe it binds us for all time. The intent is that it  
5 will not displace contracts currently serving the Enbridge  
6 CDA.

7 MR. DeROSE: Perhaps if you could give us some sort of  
8 an explanation on that, because when I read the term -- it  
9 doesn't say you won't terminate your existing contracts.  
10 It says you won't displace them.

11 To me, that could be interpreted to mean that in  
12 perpetuity you agree that you will maintain the same FT  
13 contract level that you currently have.

14 MS. GIRIDHAR: The FT contracts to the Enbridge CDA  
15 are almost all short haul contracts. We do not believe we  
16 can get rid of those short haul contracts in order to serve  
17 the franchise.

18 MR. DeROSE: Sorry, when you say you don't believe you  
19 can, that you are legally obligated to renew them or that  
20 for your gas supply --

21 MS. GIRIDHAR: Physically, our franchise is connected  
22 off the TransCanada system through several gate stations.

23 MR. DeROSE: What I'm interested in is the meaning of  
24 the MOU in that clause, and what I am -- and perhaps by way  
25 of an undertaking, what I would like to know is what  
26 Enbridge's position is on clause 13 and whether your  
27 inability or your agreement not to displace the current FT  
28 service contracts, whether that means that you have a

1 positive obligation to renew those FT service contracts and  
2 maintain that same level of FT service contracts from now  
3 until, I guess, in perpetuity or beyond the current term of  
4 the contracts.

5 MS. GIRIDHAR: No, we do not, because in is not a  
6 surviving obligation under the MOU. So the MOU is intended  
7 to terminate once we have definitive agreements with  
8 TransCanada. And, therefore, given that clause 13 is not a  
9 surviving obligation under the MOU, it does not bind us in  
10 the future.

11 MR. DeROSE: Then on 15, section 15 of the MOU, which  
12 talks about that the Enbridge pipeline will be used to  
13 serve EGD's distribution franchise unless TransCanada  
14 exercises election option number 2, then the Enbridge  
15 pipeline may also be used to serve TransCanada.

16 My last question relates to the possibility of  
17 transactional services, or TS services. If Enbridge has TS  
18 opportunities to third parties other than TransCanada  
19 pipeline, which may include transportation outside of  
20 Enbridge's -- using it to move outside of your distribution  
21 system, is it Enbridge's position that clause 15 precludes  
22 that, that you are not permitted to undertake TS services  
23 with any parties other than TransCanada?

24 MS. GIRIDHAR: It does not preclude that.

25 MR. DeROSE: Why would that be? Do you not consider  
26 that TS services are serving a third party?

27 MS. GIRIDHAR: The receipt point for Enbridge's  
28 capacity is the Bram West interconnect with TransCanada.



1 MR. FERNANDES: We could probably come back with the  
2 answer tomorrow, if that's okay.

3 MS. GIRIDHAR: With another panel.

4 MR. FERNANDES: With panel 2.

5 MR. MILLAR: We'll mark it as an undertaking. If it  
6 gets responded to by another panel, that would be fine.

7 Anything else for this panel? Going once, twice?

8 Okay, the panel is excused. Mr. Smith, are you prepared to  
9 call Union's panel?

10 MR. SMITH: When are we sitting until today?

11 MR. MILLAR: I would like to go till 5:00, if we can,  
12 see how much we can squeeze in.

13 **UNION GAS DISTRIBUTION - PANEL 2**

14 **Mark Isherwood**

15 **Jim Redford**

16 **Paul Reitdyk**

17 **Chris Shorts**

18 MR. MILLAR: Mr. Smith, would you like to introduce  
19 your panel?

20 MR. SMITH: I would. Maybe I'll just ask, starting at  
21 the far end with Mr. Paul Reitdyk, to introduce himself and  
22 for the members of the panel to provide their name and  
23 positions with Union.

24 MR. REITDYK: My name is Paul Reitdyk, and I'm the  
25 vice president of engineering, construction and storage and  
26 transmission operations.

27 MR. ISHERWOOD: Mark Isherwood. I'm the vice  
28 president of business development, storage and



1 transportation.

2 MR. REDFORD: Jim Redford, director of business  
3 development and upstream regulation.

4 MR. SHORTS: Chris Shorts, director of gas supply.

5 MR. SMITH: Mr. Millar, before we begin, there are  
6 just two small matters that I just would like to clarify on  
7 the record, a couple of slight evidence updates. I gather  
8 Mr. Reitdyk has one, and that's in respect of BOMA question  
9 61(c) under issue A1. Is that right?

10 MR. REITDYK: Yes, that's correct. The question  
11 stated -- asked it might be highly unlikely that Union  
12 could locate -- or stated that Union could locate a spare  
13 emission combustion engine, and please provide details.  
14 And does Union have a choice as to what type of engine it  
15 uses.

16 No, we don't for that particular unit, but do I have  
17 an update to that, that as of last week, we have entered an  
18 agreement with Rolls Royce to retain a leased engine in the  
19 event of a failure of that particular engine. So we now  
20 have that agreement in place, as of last week.

21 MR. SMITH: Thank you, Mr. Reitdyk.

22 And Mr. Shorts, I gather you had an update or  
23 correction to Energy Probe 55?

24 MR. SHORTS: Yes, Energy Probe 55(c)7, the number 2  
25 footnote was omitted from the table, and that footnote 2  
26 should read:

27 "Pre-approval guidelines issued April 23rd,  
28 2009."

1 MR. SMITH: Thank you.

2 And then an update to figure 11-1 in EB-2013-0074; is  
3 that correct?

4 MR. SHORTS: Yes. In the map we provided, we have  
5 shown a value for the Panhandle Field zone of 28,486 gJs  
6 per day, and that number should be 39,037 gJs a day.

7 MR. SMITH: Thank you.

8 I have no further preliminary matters.

9 **QUESTIONS BY MR. MILLAR:**

10 MR. MILLAR: Thank you, Mr. Smith.

11 I'm prepared to start us off again. I have some  
12 questions. Mr. Viraney may have a couple of questions,  
13 though we're not certain if they're for this panel or not.  
14 I'll get us started.

15 Good afternoon, panel. My name is Michael Millar,  
16 Counsel to Board Staff.

17 I'll start with some late-breaking news that I know is  
18 of some concern to Union, and that relates of course to the  
19 Parkway-to-Milton project of TPCL.

20 MR. SMITH: Maple?

21 MR. MILLAR: I'll ask about that one, Parkway-to  
22 Maple. Thank you very much.

23 [Laughter]

24 MR. MILLAR: I have "P-to-M" written down. I should  
25 have written it out in full.

26 Why don't we start again? Parkway-to-Maple. I'm  
27 referring to Board Staff Interrogatory No. 7, and just to  
28 make sure, for those who may not have read this

1 interrogatory response, this is where Board Staff heard  
2 about this, though doubtless it comes up in other areas, as  
3 well. I'm wondering if we can have that pulled up; it's  
4 Exhibit I, A1, Union, Staff No. 7.

5 If we could flip to page 2 of that response, please,  
6 you'll see at the top of page 2 on the third line it says:

7 "TransCanada did not receive its own board of  
8 directors' approval to construct a proposed  
9 expansion project downstream of Parkway as  
10 expected in 2015, and as a result TransCanada has  
11 suspended further work."

12 Now, I know this response was just prepared, or at  
13 least just filed, a few days ago. Do you have any further  
14 updates since the filing of this interrogatory? Has  
15 anything changed, as far as you're aware?

16 MR. ISHERWOOD: Nothing has changed in relation to  
17 TransCanada's election not to build.

18 MR. MILLAR: I know this isn't your project, but are  
19 you able to tell us if this is on hold, if it's suspended,  
20 if it's cancelled?

21 Do you have any information as to whether or not this  
22 will ever be built?

23 MR. ISHERWOOD: TransCanada in their notice to us used  
24 the word "suspend" so that's why we use the word "suspend"  
25 in the interrogatory.

26 In talking to TPCL, it is, I think, their election not  
27 to build for the Gaz Métropolitain and the Union Gas  
28 volumes.

1 I guess from the - it really stems from the NEB  
2 decision that was given to them back in the end of March.  
3 Their whole framework has changed, and their election is  
4 now not to build.

5 From a Union Gas point of view and a Gaz Métro point  
6 of view is that it's critical to open up that path between  
7 Dawn and Maple, to bring that Dawn-based gas into northern  
8 and eastern Ontario for customers, as well as into Quebec.

9 MR. MILLAR: So this is of great concern to you, no  
10 doubt?

11 MR. ISHERWOOD: We've been talking about it since  
12 about 2008 or 2009, about the constraint between Parkway  
13 and Maple.

14 And the evolution of the gas market in terms of  
15 western supply in decline and Marcellus and Utica growing  
16 is just for the betterment of Ontario -- and Quebec, I  
17 guess, both -- they need to get access to Dawn.

18 MR. MILLAR: So TPCL has used the word "suspended" but  
19 for your planning purposes, are you now acting on the  
20 assumption that this won't be built, at least in the near  
21 to medium term?

22 MR. ISHERWOOD: Union Gas and Gaz Métro have both  
23 initiated, jointly initiated, an environmental assessment  
24 to building from Albion to Maple, or near Maple.

25 MR. MILLAR: I'll get to that in just a moment.

26 To answer my question, at least for the time being  
27 you're assuming that Parkway-to-Maple isn't going to get  
28 build by TPCL?

1 MR. ISHERWOOD: I think to create certainty for our  
2 customers, we need to assume that we have to build, and in  
3 parallel will continue discussions with TransCanada, but we  
4 need to keep the option open and available for '15.

5 MR. MILLAR: You mentioned Albion-to-Maple, and I  
6 think you discussed that also in response to Staff 7 at  
7 (c), which is on page 4 of 4 of that response, if we could  
8 turn that up.

9 MR. ISHERWOOD: Yes.

10 MR. MILLAR: This is where you say:

11 "Union is continuing discussions with TPCL and  
12 other market participants to determine if a build  
13 in 2015 is possible."

14 Did I did take it from your previous response you  
15 don't think that's likely?

16 MR. ISHERWOOD: I would say it's not likely at this  
17 point.

18 MR. MILLAR: Then you continue:

19 "Given the significant risk that TPCL is not able  
20 or not prepared to build, Union and Gaz Métro  
21 have initiated an EA for a pipeline between  
22 Enbridge's Albion Road station..."

23 Which is at the end of segment A:

24 "...to a point near Maple. If required, this  
25 will support an application for regulatory  
26 approval and preserve an expansion of the  
27 Parkway-Maple corridor in 2015."

28 So I wanted to ask you a few questions about that.

1 First of all, who would build that pipeline?

2 MR. ISHERWOOD: Still undecided, but at this point I  
3 would expect it to be a joint venture between Gaz Métro and  
4 Union Gas.

5 MR. MILLAR: Are you able to say who the applicant  
6 would be? Would it be a joint application?

7 Again, I know it's still --

8 MR. ISHERWOOD: It's really quite preliminary. This  
9 is all happening very quickly, but it would probably be a  
10 joint application.

11 MR. MILLAR: Albion is connected to Enbridge's system;  
12 is that right?

13 MR. ISHERWOOD: Yes.

14 MR. MILLAR: Do you anticipate Enbridge being a part  
15 of this?

16 MR. ISHERWOOD: I'll, again, not discuss that. I  
17 guess based on the premise of the MOU, it might not be  
18 possible, but we will certainly consider that, as well.

19 MR. MILLAR: Maple connects -- the Maple area is TPCL,  
20 right?

21 MR. ISHERWOOD: TransCanada. That's right.

22 MR. MILLAR: So you would be potentially looking at  
23 sort of a stub line that is not connected anywhere to  
24 Union's system; is that right?

25 MR. ISHERWOOD: That's correct, yes.

26 MR. MILLAR: Or to Gaz Métro, for that matter?

27 MR. ISHERWOOD: Gaz Métro definitely need to go from  
28 Maple on the TransCanada system, as we would, as well, to

1 get eastern Ontario and northern Ontario.

2 And we would hopefully be depending upon the Enbridge  
3 line to go from, basically, Parkway to Albion.

4 MR. MILLAR: Would this project require approval of  
5 the OEB, or would this --

6 MR. ISHERWOOD: Of the OEB.

7 MR. MILLAR: Of the OEB?

8 And you say you've -- I forget the word you've used --  
9 you have initiated an EA. Can you tell me more about that?  
10 What's the status of the EA?

11 MR. REITDYK: The environmental assessment is ongoing  
12 as we speak right now, and we expect it will take about six  
13 months to complete.

14 MR. MILLAR: I haven't looked at one of these in a  
15 while. Is this a class EA or is this a full EA?

16 MR. REITDYK: The full environment assessment.

17 MR. MILLAR: You've retained a consult, presumably,  
18 who is doing that work for you?

19 MR. REITDYK: That's correct.

20 MR. MILLAR: Has this gone to the Ontario Pipeline  
21 Coordinating Committee yet? Or does that come later in the  
22 process?

23 MR. ISHERWOOD: That would be later in the process.

24 MR. MILLAR: So, I'm sorry, you said approximately six  
25 months to complete the EA?

26 MR. REITDYK: Yes.

27 MR. MILLAR: I know it's probably still a ways in the  
28 future; what is the potential timing for an application to

1 the Board?

2 MR. ISHERWOOD: I think with the EA complete or near  
3 complete, we would be applying in the fall.

4 MR. MILLAR: This fall? Fall of 2014?

5 MR. ISHERWOOD: Late fall. That would be our intent.

6 MR. MILLAR: And if everything went exactly according  
7 to plan, what type of schedule are you looking for to  
8 actually build it?

9 MR. ISHERWOOD: We would be in-service November 1 of  
10 '15.

11 MR. MILLAR: November 1 of 2015?

12 MR. ISHERWOOD: I should add -- and I guess the  
13 memorandum of understanding does create a bit of a concern,  
14 but this time last year Union Gas did have a project to  
15 actually build from Parkway to Maple. We actually did an  
16 open season last April, early May to build from Parkway to  
17 Maple.

18 So I wouldn't rule that out either, but our current  
19 expectation is we would have a source of getting onto the  
20 Enbridge line from Albion -- sorry, from Parkway to Albion,  
21 and the joint venture would build from Albion to Maple, or  
22 near Maple.

23 MR. MILLAR: I may follow up on that in a moment, but  
24 I just want to finish with the Albion first.

25 Are you able to provide -- the EA has commenced. Are  
26 you able to provide a map, or at least even an approximate  
27 map of the route that you are looking at for this pipeline?

28 MR. ISHERWOOD: Yes, we could do that.



1 MR. MILLAR: So that would be JT1.14.

2 UNDERTAKING NO. JT1.14: TO PROVIDE MAP OF ALBION TO  
3 MAPLE LINE

4 MR. MILLAR: Let's assume again that everything goes  
5 exactly according to plan. Would this Albion to Maple line  
6 completely replace the Parkway to Maple line, by which I  
7 mean would it serve all of the needs that currently you  
8 were previously anticipating receiving for Parkway to  
9 Maple?

10 MR. ISHERWOOD: It would for 2015. So in '15 the two  
11 folks that need capacity on that path are Gaz Métro and  
12 Union Gas. Our expectation we would be doing open season  
13 later in June or July, but that would more likely be for a  
14 '16 phase 2, if you want.

15 Based on the oil line conversion and the impacts it  
16 has in eastern Ontario and our customers there, it is  
17 likely we will need to flow additional volumes by '16.

18 MR. MILLAR: Which you wouldn't be able to accommodate  
19 on the Albion to Maple line? You would need something  
20 else?

21 MR. ISHERWOOD: We would hope to be able to use the  
22 same pipe.

23 MR. MILLAR: I'm sorry. So it would serve that  
24 function, as well?

25 MR. ISHERWOOD: We'll know more about that after we do  
26 the open season, obviously, in terms of the size and scope  
27 of that.

28 MR. MILLAR: Should I assume that -- obviously Albion

1 is now at the far end -- or, pardon me, at the eastern end  
2 of the segment A of the GTA project. Should I assume that  
3 your plans for Albion to Maple are contingent on segment A  
4 being completed?

5 MR. ISHERWOOD: That would be the plan A, but as I  
6 mentioned, we did have a project last year to go from  
7 Parkway all the way to Maple. That path has to open up.  
8 In order to get that gas into Quebec and into eastern  
9 Ontario to benefit our customers, the path has to open up  
10 between Parkway and Maple.

11 MR. MILLAR: But if you're going Albion to Maple, you  
12 would need segment A to be completed; is that right?

13 MR. ISHERWOOD: Right.

14 MR. MILLAR: Thank you. To get to the discussion we  
15 just had on a potential Union route Parkway to Maple, I  
16 guess you held an open season, did I hear, or this is  
17 something you've been looking into, in any event?

18 MR. ISHERWOOD: Held an open season last year to go  
19 from Parkway to Maple. That was before the concept of the  
20 Albion line was on the table. So we were looking at  
21 building a complete pipeline from Parkway to Albion --  
22 sorry, Parkway to Maple last year.

23 MR. MILLAR: Why did you reject that? Why didn't you  
24 go forward with that at that time?

25 MR. ISHERWOOD: As far as we did our open season to go  
26 from Parkway to Maple, TPCL launched their own open season  
27 in parallel with that. And as we've always said, our  
28 preference is to have TransCanada build. It's really their

1 path, their -- part of their system. But if they can't or  
2 won't, then we or somebody needs to build a path.

3 So TransCanada did an open season in parallel with  
4 ours, and both Gaz Métro and Union Gas elected to go into  
5 the TransCanada open season. They were committing to a  
6 2014 in-service date. In September of last year, the in-  
7 service date was changed to 2015, delayed a year, and then  
8 it was totally cancelled or suspended, depending on the  
9 term you want to use, in March of this year -- or April  
10 this year, I guess it was.

11 MR. MILLAR: It sounds to me like your current plan A  
12 to do Albion to Maple, and then the back-up plan to that  
13 appears to be your own Parkway to Maple; is that right?

14 MR. ISHERWOOD: Yeah. I think the most efficient  
15 thing is still use the Parkway to Albion line that Enbridge  
16 is building, and then build from there. That is the most  
17 efficient infrastructure for Ontario, and I think Ms.  
18 Giridhar talked to that probably.

19 MR. MILLAR: I would be curious as to why. You will  
20 still have to build Albion to Maple from there, so why is  
21 it preferable to go from Parkway to Albion to Maple,  
22 instead of just going Parkway to Maple?

23 MR. ISHERWOOD: They'd be on the same right of way. It  
24 would be two large pipes going side by side. It's just  
25 more efficient, more --

26 MR. MILLAR: The same right of way with TPCL, you  
27 mean?

28 MR. ISHERWOOD: It would be on the 407 corridor, which

1 is primarily where the Albion line is going. It's more  
2 efficient to have one pipe than two.

3 MR. MILLAR: With respect to your -- I'm calling it  
4 plan B, but if you don't like that terminology, you can  
5 tell me. Your possible idea of going from Parkway to Maple  
6 yourself, that's not even at an EA stage yet, I take it?

7 MR. ISHERWOOD: It's not at an EA stage, no. Our  
8 focus now is to build from Albion to Maple. To the extent  
9 that Ontario needs an open access pipeline that goes down  
10 that corridor and goes from Parkway to Albion to Maple, we  
11 would be happy to build that and perhaps has a potential  
12 for future, as well.

13 MR. MILLAR: But it is only to the extent you can't  
14 get Albion to Maple, for whatever reason, that you would  
15 fall back to Parkway to Maple?

16 MR. ISHERWOOD: If we can't get Parkway to Albion.

17 MR. MILLAR: I'm sorry, Parkway to Albion.

18 Again, any potential Parkway to Maple project by Union  
19 is entirely theoretical at this point. There hasn't been  
20 any serious work done; would that be fair to say?

21 MR. ISHERWOOD: I'd say at this time last year, there  
22 was a bit of work done on it in terms of scoping it out,  
23 costing it out, kind of getting a sense for how big, how  
24 small. But it was all very, call it, tabletop or desktop.

25 MR. MILLAR: In terms of timing, you would be  
26 significantly past November 1st, 2015 if you had to go  
27 Parkway-Maple?

28 MR. ISHERWOOD: I would say more likely be '16, at

1 this point in time.

2 MR. MILLAR: Again, assuming you get all the approvals  
3 and the EA goes fine?

4 MR. ISHERWOOD: I should ask my VP of engineering  
5 beside me here.

6 MR. REITDYK: 2016.

7 MR. ISHERWOOD: He confirmed '16.

8 MR. MILLAR: November 2016, or latter half of 2016?

9 MR. REITDYK: For us to complete a pipeline from  
10 Parkway to Maple, we would be into 2016 for an in-service  
11 date.

12 MR. MILLAR: And you can't be any more specific than  
13 that?

14 MR. REITDYK: Late 2016, so we haven't scoped out a  
15 construction schedule yet.

16 MR. ISHERWOOD: The gas year typically goes  
17 November 1, so you target for that. That's what the target  
18 would be.

19 MR. MILLAR: Again, that is assuming everything goes  
20 more or less according to plan?

21 MR. ISHERWOOD: Correct.

22 MR. MILLAR: Are there any other potential  
23 replacements you would be looking at? Those are the two  
24 that are on the table?

25 MR. ISHERWOOD: Yeah. Again, this is so critical for  
26 our customers to get that path opened up. So it is either  
27 tag on to the Albion line and make economic, efficient use  
28 of that pipeline, or build a parallel line to it.

1 MR. MILLAR: Nothing else is on the table at this  
2 point?

3 MR. ISHERWOOD: No.

4 MR. MILLAR: Let's assume for a moment that TPCL  
5 doesn't build Parkway to Maple, which looks likely now, and  
6 also assume with me that either your Albion to Maple  
7 project can't be done or is significantly delayed, and  
8 similarly your idea of going directly Parkway to Maple is  
9 unfeasible or significantly delayed.

10 I took it from your undertaking response that without  
11 some pathway being opened up there, the Brantford to  
12 Kirkwall project can't go forward; is that correct?

13 MR. ISHERWOOD: When we were looking at what the  
14 effect would be of not having access to that corridor for  
15 the Gaz Métro and Union Gas volumes, it would mean that the  
16 Brantford-Kirkwall line would be delayed -- that  
17 construction would be delayed until we do get that path opened  
18 up.

19 MR. MILLAR: Until you have that path, you can't do  
20 Brantford to Kirkwall. Is that the simplest way to put it?

21 MR. ISHERWOOD: Yes, correct.

22 MR. MILLAR: If you don't -- if Brantford to Kirkwall  
23 is delayed or cancelled or what have you, the Parkway D  
24 compressor is part of that project; is that right?

25 MR. ISHERWOOD: Parkway D is required even to feed the  
26 Enbridge volumes they have requested. So that corridor not  
27 being opened up to us, but being opened up through the  
28 Enbridge build of the Albion line would still require

1 Parkway D.

2 MR. MILLAR: Ms. Giridhar I think pointed me to you  
3 for that question, so why don't I ask it right now. If  
4 Brantford to Kirkwall is delayed, should I take it that the  
5 Parkway D compressor will be delayed, as well? You  
6 wouldn't build Parkway D unless you were building Brantford  
7 to Kirkwall?

8 MR. ISHERWOOD: We would still build Parkway D.

9 MR. MILLAR: You would, okay. So that will go  
10 forward --

11 MR. ISHERWOOD: Absolutely.

12 MR. MILLAR: -- no matter what?

13 MR. ISHERWOOD: Unless the GTA project gets delayed or  
14 whatever, but if the GTA project goes ahead in 2015 as  
15 planned, Parkway D would be built. That would be the  
16 intent.

17 MR. MILLAR: Thank you. You would therefore be able  
18 to serve whatever needs Enbridge had from the GTA A or B  
19 lines?

20 MR. ISHERWOOD: That's the plan.

21 MR. MILLAR: And that's what Parkway D would do?

22 MR. ISHERWOOD: Correct.

23 MR. MILLAR: You don't need anything else on the  
24 Brantford to Kirkwall project to serve Enbridge's needs for  
25 GTA A and B?

26 MR. ISHERWOOD: We do not.

27 MR. MILLAR: I think technically this may be a  
28 question for another panel, but I think it relates to

1 exactly what we were talking about.

2 We put a list of draft conditions to the company, and  
3 one of them is the typical one-year window within which  
4 they have to get a shovel in the ground.

5 And Union was fine with all the conditions except for  
6 that one. They said, No, actually we'd like to have until  
7 the end of 2016.

8 I assume that is to give you more time to sort out the  
9 pathway from Parkway to Maple?

10 MR. ISHERWOOD: That's correct.

11 MR. MILLAR: There's a discussion - again, I'm still  
12 with Interrogatory No. 7 - relating to gas savings, 7(b), I  
13 think. Yes, what impacts the delays would have.

14 And you'll see this is at page 3 of 4, the very first  
15 one, gas cost savings. You discuss that if there is a  
16 delay, it will result in 103 to 138 million in gas savings  
17 not being realized.

18 I was trying to formulate a question about how that  
19 would impact the rate impacts that your projects have  
20 anticipated that you show in your application. As I think  
21 about it more, I guess they don't. Until you get Parkway  
22 to Maple sorted out, you don't build the line, at all;  
23 right?

24 So these are not rate impacts that are related to the  
25 applications that are before the Board; these are just  
26 increased gas costs that will be visited upon customers if  
27 you doesn't have a Parkway-to-Maple route; is that --

28 MR. ISHERWOOD: It's probably a better question for



1 Mr. Tetreault on panel 2, but those gas cost savings are  
2 the commodity cost savings that result from Union Gas and  
3 Gaz Métro being able to get this cheaper gas from Dawn into  
4 their franchise areas for their system customers, and  
5 direct-purchase customers.

6 MR. MILLAR: That answers my question. Thank you.

7 MR. SMITH: They are -- so it's clear -- they are a  
8 part of the application, and they will not be realized, if  
9 the path isn't opened.

10 MR. MILLAR: I think those are my questions. Mr.  
11 Viraney, did you have a couple of questions for this panel?

12 **QUESTIONS BY MR. VIRANEY:**

13 MR. VIRANEY: Khalil Viraney, Board Staff. I have a  
14 question with respect to cost of compressors. I'm not sure  
15 if this is the appropriate panel.

16 MR. REITDYK: Yeah, I think that's panel 4 that can  
17 address the compressor costs.

18 MR. MILLAR: You have nothing else, Mr. Viraney?

19 Okay. That's it for Staff. Mr. DeRose, did you want  
20 to go?

21 **QUESTIONS BY MR. DEROSE:**

22 MR. DeROSE: I have just a couple of follow-up  
23 questions on Mr. Millar's questions, so perhaps it would be  
24 appropriate if I go.

25 Mr. Isherwood, when Michael was asking you questions  
26 about Board Staff No. 7, you made reference to concerns  
27 that you had about the MOU; that "we still have concerns  
28 about the MOU," was the phrase you used.

1 Which MOU? Was it the Enbridge TPCL MOU, or is there  
2 another MOU that you were referencing?

3 MR. ISHERWOOD: I can't recall my exact reference, but  
4 it's probably the Enbridge TCPL MOU, probably, subject to  
5 checking the transcript tonight.

6 MR. DeROSE: And perhaps I'll ask a couple questions  
7 that might lead to that. I just didn't know -- if you can  
8 check the transcript, I didn't know what MOU you were  
9 talking about.

10 In terms of if you were to go the route that you and  
11 GMI or GMI or some combination thereof were to build the  
12 Parkway-to-Maple yourself, would you require transportation  
13 on the GTA project or portions of the GTA project to get  
14 your gas into Quebec?

15 MR. ISHERWOOD: To the extent that we get access to  
16 the Enbridge Parkway-to-Albion line, then we would need to  
17 ship on that line, and then we would build from Albion to  
18 Maple to complete the path to the TPCL system.

19 MR. DeROSE: And is -- is my understanding, then,  
20 correct that Union's concern about the current MOU between  
21 Enbridge and TPCL is that if you were to build the line and  
22 TPCL didn't but the MOU remains binding, that TPCL has all  
23 of the access transportation on that line and that you  
24 would not have access to it?

25 MR. ISHERWOOD: It's our view that that pipeline  
26 should be an open-access pipeline, and the MOU keeps it  
27 very restricted to TCPL.

28 Enbridge, it's obvious that they're building the line,

1 they need access to it, but the excess above the Enbridge  
2 needs are solely kept to the benefit of TPCL, and  
3 restricting our eastern customers and the customers in  
4 Quebec access to Dawn.

5 MR. DeROSE: Is that the case regardless of whether  
6 you have to build the Parkway-to-Maple line yourself?

7 So you would have those similar concerns even if TCPL  
8 build that line?

9 MR. ISHERWOOD: I think option B, as I described it,  
10 would be if somebody were to build a pipeline from Parkway  
11 to Maple directly, therefore not dependent upon the Albion  
12 pipeline. I do call that plan B.

13 The preference is still to use the efficient use of  
14 one set of assets, which would be the Albion line. It  
15 would not make a lot of sense for the Province of Ontario  
16 to have two large-diameter, high-pressure pipelines built  
17 within 50 feet of each other.

18 MR. DeROSE: Right, but if the Albion line is the only  
19 line that is available, if there is not a tandem line built  
20 next to the Albion line, under the current MOU Union may be  
21 excluded from use of that pipeline?

22 MR. ISHERWOOD: I think in the first read of it, I  
23 would say the market in general is restricted from access  
24 to that pipeline, but I think there's definitely a need to  
25 see if there is a way to get access to the pipeline.

26 MR. DeROSE: These concerns -- there's been a lot of  
27 reference in both Union's application and then Enbridge's  
28 application about the various conversations and

1 communications and cooperation between TPCL, Union and  
2 Enbridge. Has this issue been an issue of debate between  
3 the three companies?

4 I've not seen it in any of the documents that were  
5 produced in the IRs.

6 MR. ISHERWOOD: I think, well, the MOU is -- we didn't  
7 see it until the interrogatories were answered, which was  
8 Friday night.

9 MR. DeROSE: Neither did I.

10 [Laughter]

11 MR. ISHERWOOD: So we're on the same page.

12 So I would say going back to a January, February time  
13 frame, I would say there was pretty strong alignment with  
14 Enbridge, Gaz Métro, TransCanada and Union in terms of  
15 building the path.

16 And where it kind of went sideways is when TransCanada  
17 elected not to build it because of the NEB decision, and  
18 that came out in sort of early April, I believe it was, and  
19 the next chapter of the story was the MOU.

20 We started working on the environmental assessment  
21 soon after the TPCL letter to us saying they were not  
22 planning on building.

23 MR. DeROSE: And can I take it -- I'm sorry, but just  
24 to clarify your last comment about not seeing the MOU until  
25 last Friday, I take it that you didn't know that you may be  
26 excluded from that particular piece of -- from access to  
27 that transportation piece until you saw the MOU?

28 MR. ISHERWOOD: What we knew was happening was

1 Enbridge and TransCanada were going to jointly develop that  
2 pipeline between Parkway and Albion, and the MOU was around  
3 that activity. So the consequences beyond that we weren't  
4 aware of.

5 MR. DeROSE: Thank you very much. Those are all my  
6 questions.

7 MR. MILLAR: Thank you, Mr. DeRose.

8 We have around 10 minutes. Is there anyone who can  
9 squeeze themselves into that time frame?

10 Randy doesn't want to come back tomorrow. He had his  
11 hand up first, so you're up.

12 [Laughter]

13 **QUESTIONS BY MR. AIKEN:**

14 MR. AIKEN: I'll be back tomorrow, but I've just got  
15 one follow-up question, and it's from some of Mr. Millar's  
16 questions.

17 You've indicated that you would build -- that you  
18 could build the Albion-to-Maple link if you had access to  
19 the Parkway-to-Albion transportation.

20 Which pipelines, Parkway-to-Albion, are you talking  
21 about? Are you talking about the current 36-inch proposed  
22 by Enbridge, or the originally proposed 42-inch? Which  
23 would you prefer?

24 MR. ISHERWOOD: I think as I understand the 36-inch  
25 pipeline, there's significant capacity there for Gaz Métro  
26 and for Union. There's enough capacity on that line.

27 My own two cents would be build as big as you can,  
28 because you have one chance to do it.

1 MR. AIKEN: That's my only question. Thanks.

2 **QUESTIONS BY DR. HIGGIN:**

3 DR. HIGGIN: I have a follow-up on the same topic,  
4 just a follow-up.

5 Going back to (a)1, Staff 7, you talked about the two  
6 options and your preferred option being the Albion-to-  
7 Maple. So the questions are as follows.

8 In terms of your partner in that venture, GMI, has GMI  
9 got Regis approval to enter into that JV, or has it only  
10 got at the moment Regis approval for services?

11 MR. ISHERWOOD: I would say neither Union nor Gaz  
12 Métro have gone that far. This is a two- or three-week-old  
13 project, so early days.

14 DR. HIGGIN: To be very precise, the Regis in  
15 principle approved the change of gas sourcing for GMI and  
16 the services that would go with that; am I -- I'm correct.

17 So the question is: They have not been back with the  
18 idea of this joint venture?

19 MR. ISHERWOOD: That's correct.

20 DR. HIGGIN: Thanks. And you don't have an MOU in  
21 motion for dealing with that pipeline at the moment?

22 MR. ISHERWOOD: Only in top of mind.

23 DR. HIGGIN: Top of mind? Okay. Now, just confirm  
24 the capacity requirement, would it be the same for the  
25 Albion-to-Maple for, in one case, GMI, and then in the  
26 other case, for Union? What would those capacities be?

27 MR. ISHERWOOD: The total capacities would be 110,000  
28 GJs a day for Union, and then 258,000 GJs a day for Gaz

1 Métro.

2 MR. HIGGIN: So those are corresponding to your  
3 original needs, basically?

4 MR. ISHERWOOD: That's correct.

5 MR. HIGGIN: I see. Thank you very much. Those are  
6 my questions.

7 **QUESTIONS BY MR. GARNER:**

8 MR. GARNER: Just, again, a follow-up. I understand  
9 that TransCanada presumably didn't get approval to build  
10 that section because you are trying to encourage people to  
11 contract long-haul on their system, and if you build short-  
12 haul, then presumably you would look to contract on  
13 TransCanada from Maple to wherever.

14 What is your understanding of TransCanada's  
15 contracting policies down the road in order for you to get  
16 capacity from Maple to your franchise area?

17 MR. ISHERWOOD: Our understanding is there is capacity  
18 existing once you get to Maple. The constraint is really  
19 between Parkway and Maple.

20 MR. GARNER: Would they contract? I guess that is the  
21 question.

22 MR. ISHERWOOD: That would be a request to be made to  
23 TransCanada and/or the NEB.

24 MR. GARNER: Have you had those discussions as yet?

25 MR. ISHERWOOD: Have not.

26 MR. GARNER: Thanks.

27 **QUESTIONS BY MS. GIRVAN:**

28 MS. GIRVAN: Yes, just quickly. Just in terms of you

1 saying that the Brantford to Kirkwall line cannot be done  
2 without the Albion to Maple, is Union amending its  
3 application, or does it plan to amend its application for  
4 that line?

5 MR. ISHERWOOD: No, our intent still to have the  
6 capacity flowing in 2015 either with TransCanada building  
7 or with ourselves building. And we have asked for an  
8 extension with the Board to have an in-service date as late  
9 at November 1 of 2016 in case we get delayed. Our intent  
10 is to still build to that path.

11 MS. GIRVAN: So the only thing you are changing, then,  
12 is the proposed in-service date?

13 MR. ISHERWOOD: Or potential date, that's right.

14 MS. GIRVAN: Then the other thing is I guess what  
15 we've heard today is that Union has concerns about the fact  
16 that Enbridge has changed its application and its  
17 arrangements with TPCL, and I think -- I guess the  
18 primarily objection to Union is the sort of exclusivity  
19 included in the MOU; is that correct?

20 MR. ISHERWOOD: Really the restriction to the path,  
21 not being able to get into the path.

22 MS. GIRVAN: Does Union have any other concerns,  
23 broadly or even specific details, with respect to changes  
24 to Enbridge's application?

25 MR. ISHERWOOD: When you say "changes" to the  
26 application, what are you referring to? The MOU itself?

27 MS. GIRVAN: Yes, the change to the 36 pipeline. I  
28 mean, basically they have said, We've changed our



1 application.

2 MR. SMITH: Changed in what respect?

3 MS. GIRVAN: They have changed it from 42 to 36, and  
4 they have -- the change is also the ownership change with  
5 respect to TPCL originally being part of the ownership.

6 MR. ISHERWOOD: Yes, I'm not as concerned about the  
7 ownership. It's more about the access to the pipeline.

8 MS. GIRVAN: So that's your primary concern?

9 MR. ISHERWOOD: Yes.

10 **QUESTIONS BY MR. GARNER:**

11 MR. GARNER: Can I follow up? I just want to -- and I  
12 know you don't know, because you're not TCPL, but in the  
13 absence of TPCL building from Albion to Maple, what in your  
14 mind would be the reason for TPCL to contract for capacity  
15 on segment A of Enbridge's pipe? That would go nowhere for  
16 them, wouldn't it?

17 MR. ISHERWOOD: TransCanada currently has capacity  
18 that goes backhaul out of Dawn. So if you kind of picture  
19 a map of the Great Lakes region, they send gas backhaul out  
20 of Dawn - this is during winter primarily - onto the Great  
21 Lakes system, which is an affiliate.

22 It takes it back to Manitoba. It then does a right-  
23 hand turn, goes across northern Ontario and back to  
24 Toronto. We call that "around the horn", just kind of a  
25 term that Union Gas has been using for a number of years.

26 That's been going on since about 2004. It's about  
27 half a BCF or 500,000 gJs, roughly, a day of capacity. I  
28 would say for the first few years they had that capability,

1 it wasn't used very frequently.

2 This last winter, it was used almost every day January  
3 through March. It's just really a function of the gas  
4 dynamics in North America changing. The supplies in from  
5 western Canada are in decline. TPCL pipe is flowing much  
6 lower volumes, 0.1 or 0.1 BCF a day last year, which is  
7 less than half of their total capacity.

8 And as that system has changed, to meet their  
9 contractual obligations at Parkway they have to actually go  
10 around the horn, so back to Manitoba and across the top.

11 So TPCL may have some interest in moving some or all  
12 of that volume, I'm going to say, on the path, but on Union  
13 Gas from Dawn to Parkway, on the Albion line to Albion, and  
14 then up to Maple and to the market, whether that be eastern  
15 Ontario or Quebec.

16 I need to be clear that those volumes have been  
17 flowing since 2004. There is nothing new flowing. What  
18 we're trying to do is get incremental volume to eastern  
19 Ontario and to Quebec that's economic and provides an  
20 economic benefit for the customers.

21 MR. GARNER: I think I understand that. Maybe I'm not  
22 being clear, or maybe you answered it. What I'm trying to  
23 grapple with is, if you were to build, for instance, the  
24 segment that goes from Albion to Maple, or you and your  
25 partners, in your mind would there still be a reason to  
26 take capacity to segment A Enbridge line?

27 MR. ISHERWOOD: So Gaz Métro and Union Gas were in  
28 their open season last year to flow the 371 -- 368,000 gJs.

1 So that is all incremental volume going back to Dawn to  
2 supply eastern Ontario and Quebec.

3 What I mentioned about around the horn is existing  
4 volumes that are getting to Parkway a different way, that  
5 they may change and put back on the Union system to  
6 Parkway, and then on the Albion line and the Maple, going  
7 up to Maple, to get into eastern Ontario and into Quebec.

8 But their existing volume is flowing a different path  
9 today around the horn.

10 So your question is -- yes, TPCL may still want access  
11 to the same path for using those existing volumes.

12 MR. GARNER: Even if you to own the other segment that  
13 goes from Albion to Maple?

14 MR. ISHERWOOD: Potentially.

15 MR. MILLAR: I think we will have to end it there for  
16 today. We have another full day tomorrow. We will remind  
17 people we are starting at 9:00 a.m., so I'll see you then.  
18 Thank you.

19 --- Whereupon the proceedings adjourned at 5:02 p.m.

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TAB 19



# ONTARIO ENERGY BOARD

FILE NO.: EB-2012-0433  
EB 2012-0451  
EB-2013-0074

---

VOLUME: Technical Conference

DATE: June 13, 2013

EB-2012-0433

EB-2012-0451

EB-2013-0074

## THE ONTARIO ENERGY BOARD

**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 preapproval 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.

Technical Conference held at 2300 Yonge Street,  
25th Floor, Toronto, Ontario,  
on Thursday, June 13th, 2013,  
commencing at 9:00 a.m.

-----  
TECHNICAL CONFERENCE  
-----

A P P E A R A N C E S

MICHAEL MILLAR	Board Counsel
COLIN SCHUCH	Board Staff
PASCALE DUGAY	
KHALIL VIRANEY	
JOSH WASYLYK	
FRED CASS	Enbridge Gas Distribution Ltd.
SCOTT STOLL	
EDITH CHIN	
CRAWFORD SMITH	Union Gas
MARK KITCHEN	
KAREN HOCKIN	
JOHN WOLNIK	Association of Power Producers of Ontario (APPrO)
TOM BRETT	Building Owners and Managers Association (BOMA)
JULIE GIRVAN	Consumers Council of Canada (CCC)
MARK GARNER	
VINCE DeROSE	Canadian Manufacturers & Exporters (CME)
ROGER HIGGIN	Energy Probe Research Foundation
KENT ELSON	Environmental Defence
JACK GIBBONS	
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
DAVE RHEAUME	Gaz Métropolitain
AUDRY BAZINET	

A P P E A R A N C E S

DAVID POCH	Green Energy Coalition (GEC)
RANDY AIKEN	London Property Management Association (LPMA)
ROGER BEAMAN	Markham Gateway
JAMES SIDLOFSKY	Metrolinx
MARK RUBENSTEIN	School Energy Coalition (SEC)
MURRAY ROSS LISA DeABREU	TransCanada Pipeline Ltd.
JAMES WIGHTMAN	Vulnerable Energy Consumers' Coalition (VECC)



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1 Thursday, June 13, 2013

2 --- On commencing 9:00 a.m.

3 MR. MILLAR: Good morning everyone. Is it 9 o'clock,  
4 so I would like to get started again. We're going to  
5 reconvene panel Union 1, Union's first panel.

6 I remind everyone we did start a bit early today. We  
7 only have today, we're going to have to do our very best to  
8 get through everyone. We have a number of panels to  
9 follow, so I'll ask for your cooperation in the hope that  
10 we can plow through all of this.

11 Mr. Smith, you had a clarification matter to start us  
12 off.

13 UNION GAS DISTRIBUTION - PANEL 2, RESUMED

14 Mark Isherwood

15 Jim Redford

16 Paul Rietdyk

17 Chris Shorts

18 MR. SMITH: Thank you, Mr. Millar. I thought  
19 yesterday there was a discussion about the concept of  
20 "around the horn" and the capacity that TransCanada is  
21 transporting and will be transporting going forward, and I  
22 thought it might make some sense for the benefit of the  
23 record to just ask Mr. Isherwood to clarify that. So why  
24 don't I do that?

25 Mr. Isherwood, you were asked about the concept of  
26 around the horn and capacity that TransCanada will be  
27 transporting or may be transporting Albion to Maple. The  
28 question is: What is your expectation as to the gas that

1 will or may be transported on that pipeline by TPCL; and  
2 then, secondly, how does that relate to the gas that Union  
3 and GazMét would like to transport?

4 MR. ISHERWOOD: The around the horn volumes are  
5 volumes that have been flowing since 2004 on the  
6 TransCanada system, essentially backhaul from Dawn through  
7 to Michigan into Manitoba, essentially, and then back  
8 around to Parkway.

9 Those volumes are existing volumes. They have been  
10 flowing, as I mentioned, since 2004. The capacity we're  
11 talking about in terms of Union Gas and Gaz Métro flowing  
12 on the Parkway to Albion, and then Albion to Maple build  
13 are new volumes bringing new access to Dawn for both Gaz  
14 Métro and for Union customers in eastern Ontario.

15 So to the extent that if TransCanada volumes were to  
16 flow on that same path, it would basically occupy the  
17 capacity that is being created and paid for by Ontario  
18 consumers, and it's existing volumes.

19 So the gas benefits we talked about for Union Gas and  
20 Gaz Métro would not be available for our customers in  
21 eastern Ontario and for the customers in Quebec.

22 MR. SMITH: Thank you. Those are the only questions I  
23 had.

24 MR. MILLAR: Thank you, Mr. Smith. Mr. Brett, are you  
25 prepared to proceed?

26 Your microphone is still off, but I am done. Maybe  
27 Mr. Rubenstein could go, if you need a moment.

28 QUESTIONS BY MR. RUBENSTEIN:

1 MR. RUBENSTEIN: Thank you very much. That clarified  
2 a number of things. I was wondering -- so, firstly,  
3 yesterday there was discussion - and I think Mr. Millar  
4 used the term "Union's plan B" - if it does not bring  
5 forward a leave to construct later on this year for a  
6 project between Albion and Maple, that it would consider  
7 what you had termed a Parkway to Maple project. Am I  
8 correct?

9 MR. ISHERWOOD: That's correct. And I think I  
10 referred to Union had a project that year that would go  
11 from Parkway to Maple, and we actually did open season on  
12 that project.

13 I should clarify that when we had proposal last year,  
14 we were actually at that point contemplating being able to  
15 use the Parkway to Albion pipeline that Enbridge is  
16 building, just to clarify that.

17 MR. RUBENSTEIN: That was going to be my question.  
18 The original plan was it would be Parkway to Albion to  
19 Maple. So the plan B would not be that path. It would be  
20 directly from Parkway to Maple?

21 MR. ISHERWOOD: To Maple. As I mentioned yesterday, I  
22 think everybody in the room would agree it makes most sense  
23 if you have one pipeline built down the 407 corridor, not  
24 two. But if it had to, we would look at plan B.

25 MR. RUBENSTEIN: Yesterday, Union seemed surprised by  
26 the MOU, the terms of the MOU between Enbridge and  
27 TransCanada for use of the segment A of its plan.

28 I was wondering if we could talk about what Union's

1 expectations were before they saw the MOU. What was their  
2 understanding of the arrangement between TransCanada and  
3 Enbridge and specifically what type of access Union could  
4 potentially have?

5 MR. ISHERWOOD: What surprised us is really the option  
6 2 in the MOU, primarily, the fact that there was  
7 contemplation of a delay, and in fact the provision in  
8 option 2 that talked about TPCL may terminate the volumes  
9 or reduce the volumes from their 2012 open season to allow  
10 for option 2 to happen.

11 Then as Ms. Giridhar mentioned yesterday, the  
12 amendment that was made -- a second amendment was made May  
13 22nd, I believe. TPCL actually contemplated no longer  
14 using that path for the 2012 open season volumes, which  
15 were the new capacities for GMI, Gaz Métro, and Union but,  
16 rather, to use it for their own volumes on the same path,  
17 and essentially force out or fill the pipe before we can  
18 actually get access to it for our customers in eastern  
19 Ontario.

20 MR. RUBENSTEIN: From the evidence of this proceeding  
21 that was filed by Enbridge before the interrogatory  
22 responses, from my understanding, the proposed plan for  
23 segment A was it would be a shared use between TransCanada  
24 and Enbridge. And so my question is: What was Union's  
25 belief about its access, because some of the basic  
26 parameters are still -- or at least seem to me to be the  
27 same, that Enbridge would have access to a certain point,  
28 certain capacity, and then TransCanada would have the rest.

1 I think the split was 40/60.

2 MR. ISHERWOOD: I think our expectation was we would  
3 have open access to the capacity through the TransCanada  
4 open season. When they've elected unilaterally not to  
5 build that piece of pipe and essentially lock out the  
6 volumes of Gaz Métro and Union Gas, and, instead, try to  
7 put their own volumes on the path, that is what we find  
8 objectionable.

9 MR. RUBENSTEIN: Thank you very much. I was wondering  
10 if interrogatory A1.CCC.8 could be put up on the screen.

11 In this question, we were asking about the probability  
12 of failure of a number of things. The first question was  
13 on the Dawn-Parkway system. In answer (a), the second  
14 sentence says:

15 "Based on the last three years of operating, the  
16 probability of failure for a major component is  
17 2.7 percent."

18 I just want to clarify. Is that 2.7 percent per year  
19 or in the life of any major component?

20 MR. RIETDYK: That's per year, so based on an average  
21 of 2,000 operating hours for a particular piece of  
22 equipment.

23 MR. RUBENSTEIN: But that wouldn't be a failure of the  
24 Dawn to Parkway system. That would just be one component?

25 MR. RIETDYK: That's correct. It would be a failure  
26 of a single compressor component within the Dawn to Parkway  
27 system.

28 MR. RUBENSTEIN: So what would be the probability of



1 failure of the Dawn to Parkway system, or I should say - be  
2 more specific what I mean by failure - a failure that would  
3 not allow you to meet your demands at Parkway?

4 MR. RIETDYK: Maybe I'll phrase it in terms of the  
5 reliability of the system. So the loss of critical unit  
6 protection that we have on the Dawn to Parkway system, that  
7 provides us with a 99.9 percent reliability for the system  
8 itself.

9 MR. RUBENSTEIN: So in number (c) we asked the Dawn to  
10 Parkway system with the addition of the proposed Parkway  
11 facilities, and that would include the LCU unit?

12 MR. RIETDYK: That's correct. So I can clarify that.  
13 The 99.9 percent reliability is from Dawn to Parkway. Past  
14 Parkway, we don't have that sort of reliability in place  
15 right now, because we're wholly reliant upon two  
16 compressors that will be fully utilized, both Parkway A and  
17 Parkway B. We don't have LCU downstream of Parkway.

18 MR. RUBENSTEIN: Do you know what the reliability at  
19 Parkway is, then?

20 MR. RIETDYK: We know the reliability of the  
21 individual units are from that end. So we've looked at it  
22 a number of different ways. We looked at the reliability  
23 or the failure rate of Parkway A, which was 3.9 percent.  
24 We looked at the reliability or the failure rate of Parkway  
25 B, which was 6.5 percent.

26 And so that would seem to be in line; a little bit  
27 higher, but in line with the failure rates we've seen on  
28 similar type of equipment across the rest of our system.

1 MR. RUBENSTEIN: Okay. My last question - and you  
2 don't need to pull you have interrogatory - you were asked  
3 to provide certain material that's were provided to the  
4 board of directors, and the answer was essentially that it  
5 actually was going to the board of directors, but it hasn't  
6 yet?

7 MR. ISHERWOOD: That's correct.

8 MR. RUBENSTEIN: And so I was wondering if you could  
9 undertake to provide -- sorry, to back up, it was going to  
10 go to the board of directors in June?

11 MR. ISHERWOOD: It actually went Monday and Tuesday of  
12 this week.

13 MR. RUBENSTEIN: Can I ask that Interrogatory A1-CCC-  
14 4, by way of undertaking be responded to?

15 MR. ISHERWOOD: That was a copy of the presentation?  
16 That's correct? I'm trying to remember.

17 MR. SMITH: Should we pull up the interrogatory?

18 MR. RUBENSTEIN: Sure. That's probably helpful. A1,  
19 CC 4.

20 MR. ISHERWOOD: We can provide that presentation.

21 MR. MILLAR: JT2.1.

22 UNDERTAKING NO. JT2.1: TO PROVIDE RESPONSE TO  
23 EX1.A1.UGC.CCC.4. INCLUDE UPDATE TO EXTENT UNION  
24 BOARD IS AWARE OF TCPL UPDATES.

25 MR. RUBENSTEIN: Those are my questions.

26 MR. MILLAR: Thank you, Mr. Rubenstein.

27 Mr. Brett, you're prepared?

28 QUESTIONS BY MR. BRETT:

1 MR. BRETT: Good morning, panel. My first question is  
2 -- is it Mr. Elie (sic) on the right-hand side? I just  
3 want to make sure I have your name right. I think it's E-  
4 L-I-E?

5 MR. RIETDYK: Sorry, are you referring to me?

6 MR. BRETT: Yes.

7 MR. RIETDYK: My name is Paul Rietdyk.

8 MR. BRETT: I didn't have that right. Sorry. I want  
9 to make sure we've got the right man here.

10 You mentioned yesterday -- and I haven't looked at the  
11 transcript again this morning -- you mentioned yesterday  
12 before we started or as we were starting that you had  
13 arranged for a lease of a compressor from TransCanada, I  
14 believe.

15 And is that compressor that you have leased, arranged  
16 to lease, going to be your LCU compressor? Is that what  
17 you were telling us?

18 MR. RIETDYK: No. I can clarify that for you. What  
19 we've done is arranged for a spare unit in the case of a  
20 failure of one of the Parkway B units, from Rolls Royce,  
21 not from TransCanada.

22 MR. BRETT: I see. Where is that compressor going to  
23 be put?

24 MR. RIETDYK: That compressor sits in reserve in Rolls  
25 Royce's fleet. It's not in our fleet. Rolls Royce has a  
26 program that they offer spare compressors to its customers  
27 in case of these types of failures. We would be able to  
28 access that compressor within five working days.

1 MR. BRETT: Where is it now?

2 MR. RIETDYK: Sorry, it's the engine on the -- it's a  
3 spare engine, so it's not the actual compressor. There's a  
4 number of different components. So it's the RB 211 engine.

5 MR. BRETT: Where is that engine located at the  
6 moment?

7 MR. RIETDYK: It would be located in Mount Vernon.

8 MR. BRETT: Mount Vernon, Ontario?

9 MR. RIETDYK: No, no. In the United States.

10 MR. BRETT: Mount Vernon in DC, in other words, or  
11 Virginia?

12 MR. RIETDYK: Yeah, that's correct.

13 MR. BRETT: George Washington's home. So that's a  
14 piece of it. Is that the -- that's the key piece, then?

15 MR. RIETDYK: That is not equivalent to a loss of  
16 critical unit compressor. That simply provides the ability  
17 to recover from an actual engine failure.

18 But I should emphasize that we can access the  
19 compressor in five days. It would take another four to  
20 five days to install a compressor, so should there be a  
21 failure of the engine itself at Parkway B, the recovery  
22 time would be approximately eight to 10 days to install a  
23 new engine.

24 MR. BRETT: Okay. So it's a mitigation measure rather  
25 than a replacement? It's a --

26 MR. RIETDYK: That's correct. There's nothing that  
27 can replace LCU, because you really need the ability to  
28 respond very quickly to a loss of critical unit at Parkway.

1 MR. BRETT: Just maybe while we're on the subject of  
2 compressors -- because I don't want to lose my way here --  
3 I would like -- you've answered if you turn up BOMA No. 3,  
4 most of my questions actually will be around this one IR.  
5 It's a lengthy one. It's nine pages. And part of it has  
6 to do with questions about the compressors, your Parkway  
7 compressors.

8 If you look first of all at page 3, what you have  
9 there, I just want to make sure I understand the  
10 terminology and what you're telling us or telling me there,  
11 telling BOMA there.

12 I want to look at each of these columns briefly.

13 The column, the first column on the left -- it's the  
14 table on page 3 I'm looking at -- the first column on the  
15 left is the year.

16 The second column, "Total volume required through  
17 Parkway compression," now, that is -- those are volumes are  
18 required to meet your commitments; is that the idea?  
19 Either yours or other people you are compressing gas for?  
20 When you say "total volume required," you mean that those  
21 are --

22 MR. ISHERWOOD: That would be the contracted volume or  
23 expected contracted volume.

24 MR. BRETT: Now, a couple of questions on that. You  
25 have -- there's a big jump there from '14/'15 to '15/'16 of  
26 about 600,000 tJs a day. That is -- what you're getting  
27 there is the additional contract, the contracted volumes  
28 that will come into play with -- that you were talking

1 about yesterday, right? Your own volumes for your eastern  
2 and northern area, the GazMét volumes and some additional  
3 Enbridge volumes?

4 MR. ISHERWOOD: That's correct.

5 MR. BRETT: That also assumes that compressor D comes  
6 in what, in November 1, 2015?

7 MR. ISHERWOOD: That's correct.

8 MR. MILLAR: Then if you go above that, just a small  
9 point, but look at '13/'14, versus '14/'15. Why is there a  
10 decrease there of about 100,000 tJs a day? That seems a  
11 little counterintuitive to me. Do you know what that is  
12 about?

13 You could give me an undertaking if you wish.

14 MR. ISHERWOOD: We probably should on that one.

15 MR. MILLAR: JT2.2.

16 **UNDERTAKING NO. JT2.2: TO PROVIDE RESPONSE AS TO WHY**  
17 **THE LOWER TOTAL VOLUME REQUIRED THROUGH PARKWAY IN**  
18 **2013/2014 (2537 VS 2465).**

19 MR. BRETT: If you look above in answer to (d), just  
20 above the table, on the second line you say:

21 "Please note forecast volumes assume any  
22 available surplus has been sold."

23 I just want to make sure I understand that. That's --  
24 what do you mean by that? Are you saying there that the --  
25 those volumes that you've listed for those days, I mean,  
26 they are very close to 100 percent, particularly for the --  
27 let's take the first three years, '12/'13, '13/'14,  
28 '14/'15. What are you saying when you say "any available

1 surplus has been sold"?

2 Like, what's the surplus and sold to whom,  
3 generically?

4 MR. REDFORD: So to the extent that we had surplus  
5 capacity on the Dawn-Parkway system and specifically  
6 through Parkway, we would assume that we were able to sell  
7 that. So this would be a fully utilized system.

8 MR. BRETT: Effectively you are saying -- that's what  
9 I wanted to get at. I mean, it's sort of -- not quite  
10 tautological, but you are saying it's always going to be  
11 full in those three years, or at least the last two years?

12 '12/'13, you have -- you show at a 93 percent  
13 utilization? That's why I'm...

14 MR. REDFORD: To the extent that there's surplus  
15 capacity, we'll look to sell that capacity.

16 MR. BRETT: Does that mean that the -- oh, I see. The  
17 '12/'13 is really an actual number, essentially, eh?  
18 Sorry, I didn't -- let me just repeat that.

19 I was looking at the 93 percent in '12/'13, and I  
20 guess the answer to that is that's an actual number?  
21 That's the experience you've had?

22 MR. ISHERWOOD: That's our current experience.

23 MR. BRETT: You didn't sell everything for '12/'13,  
24 but you would expect to sell everything for the next couple  
25 of years?

26 MR. ISHERWOOD: I believe when it says "utilization  
27 percent," that's really volumes going through Parkway, not  
28 necessarily the whole system.

1           So I think those numbers really refer to our capacity  
2 of gas going through the compression at Parkway.

3           MR. BRETT: The 93?

4           MR. ISHERWOOD: 93, the 185, 85, 86. It's not  
5 necessarily a number on the pipe size; it's really a number  
6 around how much gas is going through Parkway relative to  
7 the total design capability.

8           MR. BRETT: I want to make sure I get that. What I  
9 thought that was was you looked at how much gas -- you  
10 looked at the horsepower you had available to move gas  
11 through the Parkway compressors, and I'm assuming the  
12 horsepower and the volumes are related in some direct way?

13          MR. ISHERWOOD: Absolutely, yes.

14          MR. BRETT: You are saying in '12, '13 we used 93  
15 percent of our available horsepower. We didn't use it all.  
16 In '13/14 and '14/15, we expect we're going to use it all,  
17 but in 2012, 2013, we used 93 percent. So we had some in  
18 reserve, so to speak; some we weren't using. Is that  
19 right?

20          MR. ISHERWOOD: That's exactly right. I think at one  
21 point you were asking about the total Dawn to Parkway  
22 system. These numbers are only just Parkway.

23          MR. BRETT: I'm sorry, okay. Then now I want to  
24 compare that with -- and this is maybe just my lack of  
25 knowledge of all of the ins and outs of compressors. If  
26 you go over to the next page, page 5 of 9, and here we had  
27 asked about actual peak average winter day, average summer  
28 day for 2010.



1       And you say Union has calculated the utilization to  
2       respond to this question, does not typically track this  
3       information, and then you went on to say Union does not  
4       track individual throughput of the compressors and can only  
5       provide utilization percentage.

6       So just looking at the table for a moment on page 5, I  
7       just want to make sure I have this table correct, and then  
8       I want to compare it to what we just discussed.

9       On the left-hand side, monthly peak export day, now  
10      that is the peak export day for Parkway compressor station  
11      as a whole; is that right? In other words, that represents  
12      the day -- what that day is is the day when each of these  
13      months when you have maximum volumes going through Parkway,  
14      not any individual compressor of Parkway, but the whole  
15      station.

16      MR. RIETDYK: I'm not sure I understand your question.

17      MR. BRETT: Let me go to the next question and maybe  
18      it will become clearer. You have -- in the next column,  
19      you have Parkway A. That's the earlier smaller computer,  
20      percentage of maximum horsepower utilization by month, and  
21      you show a lot of months when the maximum horsepower  
22      utilization is zero.

23      MR. RIETDYK: That's correct.

24      MR. BRETT: So that's saying to me -- am I right in  
25      concluding from that that the Parkway utilization -- the  
26      Parkway A station wasn't running at all in many of the  
27      months?

28      MR. RIETDYK: That's correct.

1 MR. BRETT: Okay. But then if you go along to Parkway  
2 B maximum horsepower utilization, the numbers are quite --  
3 are quite substantial. They are not 100 percent, but they  
4 are in the 70s and 80s. So that's telling me Parkway B is  
5 the compressor that gets used first?

6 MR. RIETDYK: It gets used most often to meet the  
7 current demands at Parkway; correct.

8 MR. BRETT: And the -- what then is monthly peak  
9 export day?

10 MR. RIETDYK: So that would be the highest exports for  
11 any given month, and that would be the day of the month  
12 where you have the highest --

13 MR. BRETT: By exports, you mean through the  
14 compressors.

15 MR. RIETDYK: That's right, compressed volumes through  
16 the compressors.

17 MR. BRETT: Then if you go over to A, the next column,  
18 "Parkway A average utilization for the month", you get --  
19 let's look at the entry fourth from the bottom, 23 January  
20 2013. You have 6 percent average utilization. You have  
21 zero percentage of maximum horsepower utilization.

22 So how are those numbers reconciled?

23 MR. RIETDYK: Can you repeat the question again?

24 MR. BRETT: Yes. If you look at -- I'm looking at  
25 column 2 and column 4. Column 4 says "Parkway A", that's  
26 the smaller compressor, "average percentage utilization for  
27 the month." That's average for the month.

28 And if you look down -- and let's look along the line

1 that is January 23rd, 2013. You show 6 percent as the  
2 average utilization of that month. I assume that's sort of  
3 a portion of a month.

4 MR. RIETDYK: I understand where you're going now. On  
5 January 23rd, the Parkway A compressor was not utilized,  
6 but for the month it was utilized 6 percent of the time.

7 MR. BRETT: Okay. And January 23rd happened to be the  
8 peak export day for the month of January.

9 MR. RIETDYK: That's correct.

10 MR. BRETT: But notwithstanding that, all of the  
11 necessary horsepower was supplied by B?

12 MR. RIETDYK: For January 23rd, that's correct.

13 MR. BRETT: On that day, yes. Okay. And then the  
14 Parkway B utilization, average utilization, is the same as  
15 we discussed, the same principles we discussed, and it  
16 shows higher utilization rates for most months -- rather,  
17 on most -- yes, most months, it has substantially higher.  
18 And that ties in with what we said a moment ago.

19 What I wanted to do, then, is ask you to compare those  
20 percentage utilizations, say, of Parkway B and Parkway A,  
21 and you can do kind of the mental arithmetic to merge them,  
22 if you like, but compare that with the utilization number  
23 over on table -- on page 3, where you're looking at a  
24 number of like 93 percent in '13.

25 It seems that the number, the utilization figure in  
26 the table on page 3, is a lot higher than the  
27 utilization numbers on page 5. I just wondered why that  
28 is.

1 MR. RIETDYK: So the table on page 5 speaks to the  
2 actual utilization of the compressors for actual winter  
3 conditions for that period of time. On table -- on page 3  
4 in part (d) the percent utilization, the question was  
5 answered as a percentage of utilization on a peak day flow.

6 So in the case of peak day flow, we would be required  
7 to use both Parkway A and Parkway B, and that would be the  
8 projected utilization for that period of time.

9 MR. BRETT: Okay, that's helpful. Now, just going  
10 back to yesterday again, Mr. Isherwood, you talked about  
11 the requirements that you would have to move gas beyond  
12 Parkway, and I believe -- I know these numbers are in  
13 evidence and I know they are in the transcript -- I think  
14 they are in the transcript from yesterday.

15 I just wanted to confirm. You said that you would  
16 have -- first of all, you would have your own demands for  
17 your eastern and northern area for going forward, and you  
18 said that was about \$100,000 gJs a day?

19 MR. ISHERWOOD: 110.

20 MR. BRETT: 110. Then you said there was GazMét, a  
21 requirement that you had to -- or an interest expressed at  
22 least from GazMét, and perhaps a contract, an interest --  
23 GazMét was going to require 268,000, was that -- or 278?

24 MR. REDFORD: 258,000 gJs, and that is contracted.

25 MR. BRETT: That's contracted between you and GazMét  
26 at this stage?

27 MR. REDFORD: Correct.

28 MR. BRETT: Contracted in the sense of contracted from

1 Dawn to Parkway?

2 MR. REDFORD: That's correct.

3 MR. BRETT: Okay. And then you said that the other --  
4 Enbridge has asked, has requested, to move 400,000 of their  
5 current M12 -- move the delivery point from Parkway  
6 suction, which of course doesn't go through compression, to  
7 Parkway discharge, which means they are going to put it  
8 through compression.

9 Now my question is: What is your understanding of the  
10 reasons that Enbridge wished to make that switch?

11 MR. REDFORD: It is directly associated with the GTA  
12 project. Enbridge's GTA project one of the flexibilities  
13 that they were looking for was entry point flexibility into  
14 their system and the ability to diversify supply in the  
15 distribution system in the GTA.

16 So they were going to move the 400 a day that's  
17 contracted Dawn-Parkway, the incremental contracts on Dawn-  
18 Parkway, as well as shift 400 from suction to discharge, so  
19 to speak, so that they could move 800,000 gJs a day to the  
20 Albion point. It was part of their gas supply management.

21 MR. BRETT: Focusing for the moment on the existing  
22 400 that they are buying or they're taking delivery of now  
23 at Enbridge suction, your understanding is they simply want  
24 to have that come in at Albion rather than Enbridge  
25 suction, because it diversifies their entry points? And  
26 I'm...

27 MR. REDFORD: That's correct. The reason that they  
28 were looking at taking the 400 a day of incremental, as

1 well as the shift to Albion, was to --

2 MR. BRETT: No, I'm going to deal with the incremental  
3 just in a moment, but on the shift, now, in that case did  
4 you agree to change the delivery point?

5 MR. REDFORD: Yes.

6 MR. BRETT: And if you wish, could you have refused to  
7 change the delivery point?

8 MR. ISHERWOOD: I think the way our system operates,  
9 Mr. Brett, is the Dawn-to-Parkway toll or tariff is the  
10 same whether you go to the suction side or the discharge  
11 side. It's the same toll. The only customer that takes  
12 gas at the suction side is Enbridge, and they have a fairly  
13 large contract, actually, going into their system off the  
14 suction side, but to the extent the customer needs  
15 additional capacity on the discharge side to diversify, as  
16 Mr. Redford mentioned, we would accommodate that.

17 MR. BRETT: You are saying it's a good customer. They  
18 have a lot of -- the capacity is going to be on the Dawn-  
19 to-Parkway in any event, upstream, and so you would do what  
20 you could to accommodate them in that sense? You would  
21 have no reason to sort of not allow them, not permit the  
22 change?

23 MR. ISHERWOOD: We have no reason to do that, and in  
24 the context of them trying to reinforce the GTA, I think  
25 it's the thing that they have asked us to do.

26 MR. BRETT: Was it your understanding, as well, that  
27 they wished to move that gas to compression because they  
28 wished to either -- well, they wished to relieve the

1 pressure, relieve the pressure on the lines -- the line  
2 leading away from Enbridge Parkway, into the central part  
3 of the operation?

4 MR. ISHERWOOD: Our understanding -- and I think some  
5 of this came out yesterday, as well, with the Enbridge  
6 panel, but 400 of it is going from suction side to  
7 discharge side. The 400 on the suction side that's  
8 shifting, part of that will be replaced by the 200,000 a  
9 day that Enbridge is contracting with TPCL from Niagara to  
10 Parkway.

11 MR. BRETT: That's my understanding, or that would be  
12 my inference, yes.

13 MR. ISHERWOOD: 200 is made up that way, and I  
14 understand the other 200 is for future growth within the  
15 GTA.

16 MR. BRETT: Right. It would be for -- well, it's  
17 existing gas; it's a gas they are already using. And the  
18 200, as we understand it, or at least as I think is clear  
19 from the evidence, the Enbridge suction gate station is at  
20 capacity at the moment, right? So the 200, the other 200  
21 of the 400 that's been shifting is existing gas that they  
22 are already using in their system, right?

23 MR. ISHERWOOD: The 200 they're shifting that is not  
24 being replaced, it's gas that's currently being used or its  
25 capacity is currently being used today.

26 MR. BRETT: So it's not for growth as such. Really  
27 it's for -- it's to reroute some of their existing gas in  
28 through another entry point, effectively?

1 MR. ISHERWOOD: It's the whole strategy of  
2 diversifying entry points, and again, Enbridge is probably  
3 in a better position to talk to that, but --

4 MR. BRETT: I understand that. Okay. Then, as you  
5 say, the 200,000, your understanding is the other 200,000  
6 of the shift is the gas that they were going to bring up  
7 your -- bring in from Niagara and through TransCanada's  
8 domestic line, or Hamilton line?

9 MR. ISHERWOOD: Correct.

10 MR. BRETT: I just -- glad you raised the 400 new  
11 incremental, because I sort of lost that a little bit in  
12 the dust. That 400,000 is something -- is an amount they  
13 have already contracted for on Dawn-to-Parkway? The second  
14 400,000?

15 MR. REDFORD: The 400,000 of incremental Dawn-Parkway  
16 transport, they have contracted for that.

17 MR. BRETT: When was that contracted for?

18 MR. REDFORD: For November 1st of 2015.

19 MR. BRETT: 2015?

20 MR. REDFORD: Yeah.

21 MR. BRETT: So they are basically --

22 MR. ISHERWOOD: That was actually contracted through  
23 the 2012 open season that Gaz Métro and Union also  
24 participated in. So it's all three companies participated  
25 in the same April, May 2012 open season.

26 MR. BRETT: So you sort of contract from each other,  
27 as part -- is that the idea?

28 MR. ISHERWOOD: No, the open season was held, and Gaz



1 Métro entered the open season. Enbridge entered the open  
2 season --

3 MR. BRETT: It's your open season?

4 MR. ISHERWOOD: It's our open season, yes. And Union,  
5 we can't contract ourselves, but we also required the  
6 capacity for ourselves, as well.

7 MR. BRETT: That was 2012 open season for delivery  
8 2015 at Dawn, from Dawn-to-Parkway?

9 MR. ISHERWOOD: That's correct.

10 MR. BRETT: Now, just, if I may, going for a moment  
11 back, switching back to the discussion you had a little  
12 yesterday on the sort of new, fast-breaking event or  
13 whatever we want to call it, of TransCanada's situation,  
14 your situation, the open -- you referred to an open season  
15 a moment ago in talking with Mr. Smith, I guess. In any  
16 event, you were saying that what you sought with respect to  
17 the -- this was answering your question about your -- the  
18 question about your expectations. I guess it was Mr. -- it  
19 was the second questioner.

20 You said -- you were asked about your expectations for  
21 what sort of access you would have to the Albion, to the  
22 Albion pipeline, the joint pipeline, the pipeline that was  
23 originally conceived as a joint project between Enbridge  
24 and TPCL.

25 And you said that you would expect that -- as I  
26 paraphrase -- that you would be able to get access for the  
27 gas that you had -- the contract, essentially, or the  
28 commitment that you had made to TransCanada in their open

1 season for -- to move gas along that route.

2 My question was: What open season was that? I just  
3 want to make sure I get these open seasons sequentially  
4 straight. That's...

5 MR. ISHERWOOD: Union Gas held an open season last  
6 spring, in April, and it ended early May, for both Dawn-to-  
7 Parkway as well as Dawn-to-Maple.

8 MR. BRETT: Dawn-to-Maple and Dawn-to-Parkway?

9 MR. ISHERWOOD: Right. And that was really to address  
10 the fact that there was a very large constraint that's  
11 blocking the ability of Ontario and Quebec customers to get  
12 back to Dawn.

13 And at that point, TPCL was not prepared to build, and  
14 we have already said that if they won't build, then Union  
15 will because that constraint is very important for Ontario  
16 and very important for Quebec customers, as well.

17 So we did the open season, and TPCL actually had their  
18 parallel open season. Shortly after we launched ours, they  
19 launched theirs, so it would have been in the April, May  
20 time frame, as well.

21 MR. BRETT: April, May of 2012?

22 MR. ISHERWOOD: Correct. And both Gaz Métro and Union  
23 agreed that to the extent that TPCL was willing to build  
24 and no longer block the path, that we would be prepared to  
25 enter the open season. And the advantage it actually  
26 offered was their capacity would be available in 2014,  
27 which meant the \$100 million-plus that the two companies  
28 would be able to pass on to their customers would be

1 available in 2014.

2 Mr. BRETT: That was 400,000 gJs a day?

3 MR. ISHERWOOD: I think the Gaz Métro and Union  
4 volumes combined would add to 368.

5 MR. BRETT: 368?

6 MR. ISHERWOOD: 368,000.

7 MR. BRETT: This is the same...

8 MR. ISHERWOOD: The same exact number.

9 We were notified in September that TransCanada would  
10 not be able to build in 2014; they delayed it to 2015,  
11 which meant that that \$130 million of savings would not be  
12 available to our customers in eastern Ontario and Quebec.

13 MR. BRETT: The 130 million being the measure of?

14 MR. ISHERWOOD: It's both the Gaz Métro savings that  
15 they've calculated, as well as the savings that we've  
16 calculated for our customers.

17 MR. BRETT: Gas savings as a result of doing it this  
18 -- okay.

19 MR. ISHERWOOD: Natural gas savings. As I mentioned  
20 yesterday, we were further notified in April that the -- we  
21 will no longer be building.

22 MR. BRETT: So in this circumstance, then, is it your  
23 intent in this proceeding to essentially seek access to  
24 that Enbridge line?

25 In other words, without getting into all or the  
26 possible variations on the theme but to put it at a high  
27 level, to ask the Board to condition approval of that line  
28 on open access to you and GazMét, to at least the extent of

1 the 368?

2 MR. SMITH: I think it's fair to say, Mr. Brett, that  
3 Union is in the position of evaluating its options,  
4 including the positions it will take in relation to the  
5 approvals that ought to be granted by the Board.

6 MR. BRETT: You are not saying -- really, at this  
7 stage you are saying you haven't really decided what you  
8 will do, but that you're not ruling out what I just said?

9 MR. SMITH: Not ruling anything out or in.

10 MR. BRETT: Okay. Those are my questions. Thank you.

11 MR. MILLAR: Thank you, Mr. Brett. Mr. Quinn, did you  
12 want to go next?

13 **QUESTIONS BY MR. QUINN:**

14 MR. QUINN: Yes, thank you, Mr. Millar. Before I  
15 proceed, I was interested in the discussion that you were  
16 having with Mr. Brett related to BOMA 3, and I don't know  
17 that we need to refer to it, but it should be fairly handy.  
18 If we can just bring that back up?

19 I'm speaking specifically to January 23rd, this past  
20 year. One of the nice things in -- for utilities to  
21 actually have a really cold day to see how its system  
22 operates on that cold day. What I didn't hear, and maybe  
23 it's embedded in here, so if it is, maybe you can tell me,  
24 but does Union know what the heating degree days were on  
25 January 23rd, 2013.

26 MR. RIETDYK: I don't have that information with me  
27 right now.

28 MR. QUINN: I respect that, and so maybe by way of

1 undertaking, if Union could provide the heating degree days  
2 for January 23rd, and I'm just going to expand upon that,  
3 if I may, Mr. Millar, before we take an undertaking number,  
4 to provide whether the interruptibles were on or off that  
5 day, and then based upon projecting from whatever the  
6 heating degree days were on the day to whatever peak day  
7 would be, based upon Union's typical analysis, what  
8 percentage utilization Union would project for a peak day  
9 for the numbers that were provided in that table?

10 MR. ISHERWOOD: Just a point of clarification, Mr.  
11 Quinn, I guess. Volumes going through Parkway end up  
12 anywhere from Kapuskasing to Boston. Which heating degree  
13 days do you want us to use?

14 MR. QUINN: Good point. Union has submitted  
15 information on weather methodology, but current Board-  
16 approved weather methodology with expectations for what  
17 Union would plan for in its system going into the 2013  
18 winter, so the peak days you would use when you were doing  
19 your system planning for that winter.

20 MR. RIETDYK: So what we've planned for is actually  
21 identified in the table in page 3 in (d). That would be  
22 the percent utilization of those plants, and even coming to  
23 this coming winter we're projecting that we'll need both  
24 Parkway A and Parkway B in order to compress volumes on a  
25 cold winter day; not just a peak day, but a cold winter  
26 day.

27 MR. QUINN: I can appreciate that there is some  
28 variability around it, but what we have here is actual

1 degree heating days and actual utilization. So I would  
2 like if Union would, by way of undertaking, provide us the  
3 heating degree days, interruptibles on or off, and then  
4 project that to a 44 degree day interruptibles off in terms  
5 of what your analysis could project utilization to be.

6 Clearly, if you want to put some caveats on it in  
7 terms of the weather methodology used or assumptions that  
8 go into that, that would be respected, also.

9 MR. RIETDYK: We could certainly provide you with the  
10 actual conditions on January 23rd, Mr. Quinn. When it  
11 comes to actually doing system design, we're required to  
12 meet all of our firm obligations for those particular days.  
13 There's no direct correlation between what happened on  
14 January 23rd and what we would expect to see on a peak  
15 winter day.

16 MR. QUINN: Actually, you may have given us a helpful  
17 way of looking at this, Mr. Rietdyk. You know what your  
18 obligations were in terms of firm obligations. You also  
19 have information as to what was actually nominated.

20 So to the extent that there was an under-nomination  
21 relative to your expectation for those firm contracts, you  
22 can embed that also in the analysis and say, if all of  
23 those firm obligations had to be met, then this is what we  
24 would project as utilization.

25 MR. RIETDYK: We'll undertake to provide you with  
26 those conditions on that particular day.

27 MR. QUINN: Thank you, Mr. Rietdyk.

28 MR. MILLAR: JT2.3. Obviously it's a lengthy

1 undertaking, at least in terms of words, so we may have to  
2 let the transcript speak for itself on that.

3       **UNDERTAKING NO. JT2.3: TO ADVISE HEATING DEGREE DAYS**  
4       **ON JANUARY 23, 2013; WERE INTERRUPTIBLES ON OR OFF;**  
5       **AND WHAT PERCENTAGE UTILIZATION WOULD UNION PROJECT**  
6       **FOR THIS DAY.**

7       MR. QUINN: I think Mr. Rietdyk and I understand one  
8 another. We had the pleasure of serving together some  
9 decades ago together at Union Gas, so I think we're on the  
10 same page here.

11       Just in that regard, I guess I'm going to start off  
12 with a high-level question, and then I don't know who may  
13 be on Union's later panel, so you can move me to the next  
14 panel that's appropriate.

15       I did want to ask about a FRPO interrogatory, ask our  
16 scoreboard operator to get up FRPO 22, if you would,  
17 please? It's Union.A1.FRPO.22.

18       Union had provided information for us, and I would  
19 appreciate that the printing is quite small, but if you can  
20 just turn it up, I'm not sure we're going to have to get  
21 into any of the detail here. I think that will be  
22 appreciated by most.

23       What I wanted to show in this picture I'll get to in a  
24 moment, first off, does Union use a transient or steady-  
25 state simulation for its transmission needs?

26       MR. RIETDYK: For the Dawn-Parkway system, I assume  
27 that is what you are referring to, we use the transient  
28 state simulation.

1 MR. QUINN: Do you use also that for any of the other  
2 transmission laterals that come off the Dawn-Parkway  
3 system?

4 MR. RIETDYK: Yes, we do.

5 MR. QUINN: And those laterals would have operating  
6 pressures down to maybe maximum operating pressures of 275  
7 pounds?

8 MR. RIETDYK: No, not at the inlets of the various  
9 stations. The constraint is actually at Parkway, which is  
10 500 pounds on the suction side, or at the Kirkwall take-  
11 off, which is 650 pounds.

12 MR. QUINN: Maybe I should clarify my question. Do  
13 any of those laterals that come off have operating  
14 pressures that would be in the range of 275 pounds?

15 MR. RIETDYK: No, they don't.

16 MR. QUINN: Thank you. Now, moving on to the  
17 specifics, schematically you can see this in the schematic  
18 that is provided. If you focus on the Brantford to  
19 Kirkwall, that is the loop that Union is applying for in  
20 this proceeding, the remaining 48 inch; is that correct?

21 MR. RIETDYK: That's correct.

22 MR. QUINN: Downstream, though, of Kirkwall, it shows  
23 three lines, and if we're looking at those lines simply,  
24 the one line that's missing is the 42 inch that -- so you  
25 have three lines. You do have 48 between Kirkwall and  
26 Parkway, but you do not have a 42 inch?

27 MR. RIETDYK: That's correct.

28 MR. QUINN: So this may relieve some. If we can move



1 to the next interrogatory, 23, in that interrogatory we  
2 asked about providing data on how adding an additional loop  
3 of pipe between Dawn and Kirkwall would be preferential to  
4 expanding facilities capacity between Kirkwall and Parkway.

5 There is a provision of a figure that -- 8.4, and I  
6 don't think you need to turn it up, but I guess what I was  
7 looking for was a comparison of the value of 48 inch  
8 between Brantford and Kirkwall and 42 inch between Kirkwall  
9 and Parkway.

10 Would you be able to expand upon that by way of  
11 undertaking to show the lower cost per unit of capacity  
12 when you compare those two alternatives?

13 MR. RIETDYK: You are just looking at for the detail  
14 in terms of why this is the least cost alternative?

15 MR. QUINN: Yes, by comparing it to a 42 inch on a  
16 path, that I think is already on the record, is more in  
17 demand these days between Kirkwall and Parkway.

18 MR. RIETDYK: We can do that.

19 MR. QUINN: Thank you.

20 MR. MILLAR: JT2.4.

21 **UNDERTAKING NO. JT2.4: TO PROVIDE COMPARISON OF COSTS**  
22 **AND VALUES BETWEEN 48 AND 42 INCH PIPE BETWEEN**  
23 **BRANTFORD AND KIRK WALL**

24 MR. QUINN: Staying at the high level again, we had a  
25 lot of discussion yesterday about emerging issues, and I  
26 respect that Union does not have -- is not privy to all the  
27 information that would be required to analyze Enbridge's  
28 position in the matter, but I want to take it to a higher

1 level.

2 There was discussion about the value of using the  
3 opportunity of segment A and building it -- I think Mr.  
4 Isherwood's words were build as big as possible, but  
5 because what's been on the record here is the alternatives  
6 of 36 and 42, I was wondering, by way of undertaking, if  
7 Union could do some simple calculations for its system.

8 And just to demonstrate on a percentage basis what the  
9 incremental capacity is, I know Enbridge has some on the  
10 record relative to its capacity that it projected for 36  
11 and 42, but I would like you to take it a step further and  
12 cost out, just at a high level engineering cost assessment,  
13 what the incremental cost is of going from 36 to 42.

14 So what I'm asking for is basically an undertaking  
15 that would say: Here's the incremental capacity we get,  
16 building bigger, and here's the percentage increase in  
17 costs associated with access in that capacity.

18 I think that would just be helpful for everybody to  
19 see the value of providing a pipe of bigger size while we  
20 have the opportunity.

21 MR. SMITH: Mr. Quinn, I think what you are asking us  
22 to do is cost out the increase in the cost of building the  
23 Enbridge pipeline segment A from 36 inches to 42 inches.

24 And without commenting on the appropriateness of that  
25 question to Enbridge, which will still have three panels up  
26 for discussion later today, I don't think that's an  
27 appropriate committee to ask of Union.

28 MR. QUINN: I was trying to give us context, Mr.

1 Smith, that I thought would be helpful for people to  
2 understand why Mr. Isherwood would say build it bigger  
3 because of the incremental costs, but I --

4 MR. SMITH: As I say, I'm not commenting on the  
5 appropriateness of the question. I'm just commenting on  
6 the appropriateness of it to Union.

7 MR. QUINN: I will defer, and hopefully we'll get some  
8 satisfaction from our friends at Enbridge later.

9 Going to another point that was brought up yesterday  
10 that I know you touched on with your panel this morning,  
11 Mr. Smith, I wanted to just go back around the horn, and by  
12 technology that's available to us today, I think Ms. Brown  
13 has that.

14 I just want to display it, but I'm going to ask if  
15 Union would put it on the record as an undertaking.

16 Will we be able to have that brought up?

17 Now, would you take this, subject to check, panel,  
18 that this is a slide that Union presented to the Ontario  
19 Energy Board in the Natural Gas Market Review in 2010?

20 MR. ISHERWOOD: Subject to check.

21 MR. QUINN: So what's displayed here -- and again, a  
22 picture being more than worth than a thousand words, I  
23 think, in this case -- is what Mr. Isherwood was helping us  
24 understand, is two paths from Dawn to Parkway; one, the  
25 direct path that we're all familiar with, and two is the  
26 round-the-horn path that -- I think the record is pretty  
27 good in terms of describing what goes on there.

28 What we're struggling with was the economics. How

1 would that be economic? I know there's been different  
2 people's assessment of that, but I would like to ask, Mr.  
3 Isherwood, if you would be able to, by way of undertaking,  
4 using the 2012 rates that were in place, what the commodity  
5 and fuel gas costs would be of going Dawn-to-Parkway using  
6 a TPCL service, by path one, the Dawn-to-Parkway path, and  
7 path two, the around-the-horn path. Would you be able to  
8 provide us that assessment, to compare the commodity and  
9 fuel gas costs for around-the-horn, relative to the direct  
10 path?

11 MR. ISHERWOOD: We did some of those calculations for  
12 -- in the TPCL main line case last summer. Be happy to  
13 share that. I can't remember if we used '12 tolls or 2013  
14 tolls, but it was definitely discussed at some length at  
15 that hearing. We can definitely share that pretty easily.

16 MR. QUINN: That would be acceptable. I want  
17 everybody to understand what the relative costs are. So if  
18 from your recollection you have that in that, I would be  
19 satisfied.

20 MR. ISHERWOOD: Okay.

21 MR. QUINN: Can I can get an undertaking?

22 MR. WASYLYK: Yeah. That will be JT2.5.

23 **UNDERTAKING NO. JT2.5: USING 2012 RATES, TO PROVIDE A**  
24 **COMPARISON OF COMMODITY AND FUEL GAS COST SERVICE**  
25 **AROUND THE HORN VS DIRECT PATH FROM DAWN TO PARKWAY**

26 MR. QUINN: Thank you. Now, I think we can move off  
27 of that.

28 There was also some discussion yesterday -- and I want

1 to make sure it's on the record, because if segment A is  
2 built under the current situation, there was a question  
3 about how that gas would be used.

4 From Union's knowledge, is there a pipe from Maple to  
5 Albion currently?

6 MR. ISHERWOOD: From Albion to Maple? Or either way,  
7 I guess; it can go both ways.

8 Currently, there is not. So there needs to be segment  
9 A, Parkway-to-Albion, built. Union's current work with Gaz  
10 Métro is to build to a pipeline from Albion to Maple.

11 MR. QUINN: Thank you. I just want to make sure we're  
12 clear on that.

13 Then lastly -- and Mr. Smith, you can chime in here,  
14 as I'm sure you're willing to do -- there were a lot of  
15 discussions yesterday about the changing dynamics, and I  
16 respect nobody's got a crystal ball and they're  
17 negotiations that are sensitive.

18 Would you be willing to consider, by way of  
19 undertaking, providing Union's current thinking and  
20 position relative to conditions that the Board may apply to  
21 any approvals in this proceeding, and the rationale behind  
22 why Union would expect that those conditions would be  
23 helpful in the public interest?

24 MR. SMITH: Mr. Quinn, as I indicated to Mr. Brett, at  
25 this stage, given the recency of the news, Union is still  
26 considering its position, and that position in this  
27 proceeding I'm sure will become known. But I don't think  
28 that we can do that by way of undertaking, particularly

1 given the timing associated with undertakings, which is  
2 next Tuesday.

3 MR. QUINN: I accept the timing, and at this point I  
4 understand from our discussions with Enbridge yesterday  
5 that they will be reporting to the Board prior to the  
6 settlement conference.

7 And I'll ask the question of the panel, but, Mr.  
8 Isherwood, do you anticipate Union will be able to define  
9 its position for the Board before the settlement conference  
10 as an assistance us to in scoping the issues before that  
11 proceeding, for the hearing?

12 MR. SMITH: Sorry, just one moment, Mr. Quinn.

13 Yes, we'll do that that.

14 MR. QUINN: Okay. Those are my questions. Thank you  
15 very much.

16 MR. MILLAR: Thank you, Mr. Quinn.

17 Mr. DeRose, did you have anything for this panel?

18 MR. DeROSE: No.

19 MR. MILLAR: Mr. Garner? Approximately how long do  
20 you have? I just want to get a time.

21 Is there anyone else in the back row who still has  
22 questions? Dr. Higgin, you have just a few minutes; is  
23 that right?

24 And Mr. Viraney, you had just a couple of minutes, and  
25 that will be it for this panel? Thank you.

26 **QUESTIONS BY MR. GARNER:**

27 MR. GARNER: I think this will be quick, because I  
28 think we've covered all the ground. I just want to make

1 sure that I'm -- with all the things that are changing,  
2 I've got a clear picture in my mind what is going on, and I  
3 know some of it is up in the air.

4 And I also appreciate that Mr. Smith may -- he's  
5 prudently indicating you're still assessing your position.

6 But this is what I've heard, and I just want to ask  
7 you. You've told us since yesterday that you will not  
8 build the Brantford-Kirkwall until you get a pathway from  
9 Parkway to Maple; is that correct?

10 MR. ISHERWOOD: Both the Union Gas volumes and the Gaz  
11 Métro volumes obviously definitely need the path between  
12 Parkway and Maple established. Without that pathway  
13 established, we would defer the construction of the  
14 Brantford-to-Kirkwall line.

15 As I mentioned yesterday, our plan is to build the  
16 path from Albion to Maple in 2015, so our plan is still to  
17 build Brantford-to-Kirkwall in 2015, but if for unknown  
18 reasons we get delayed then Brantford-to-Kirkwall will get  
19 delayed, as well

20 MR. GARNER: So you plan to build -- in the absence of  
21 TCPL building Albion-to-Maple, you will build Albion-to-  
22 Maple?

23 MR. ISHERWOOD: Yes.

24 MR. GARNER: And as you said yesterday, I asked you  
25 why TPCL would contract on segment A of Enbridge's proposed  
26 project in the absence of a path that they own themselves  
27 from Albion to Maple, and you explained the issue about  
28 around the horn and the economics for TPCL to do that.

1 MR. ISHERWOOD: Yes.

2 MR. GARNER: Notwithstanding I think your -- if I have  
3 this right, your position that that pathway is not  
4 particularly economic for Ontarians and Quebec consumers of  
5 gas?

6 MR. ISHERWOOD: So the TPCL volumes are existing  
7 volumes. It brings no benefit to Ontario consumers; it  
8 brings benefit to TransCanada, but not to Ontario  
9 consumers.

10 The pathway that Union Gas wants to build between  
11 Albion and Maple brings incremental capacities that helps  
12 both eastern Ontario and Quebec customers.

13 The issue we have here is that Union Gas, Enbridge and  
14 Gaz Métro were in open seasons in 2012. TPCL has  
15 approached Union Gas recently to see if they could  
16 essentially jump into the capacity that would otherwise  
17 have been built for Union and Gaz Métro customers.

18 Our response back to them was by ignoring our existing  
19 contractual obligations to Enbridge and GMI, you would be  
20 queue-jumping. You'd be essentially getting volumes ahead  
21 of customers that were legitimately in the 2012 open  
22 season. We would likely be having open season sometime  
23 shortly in 2013, and we would welcome their participation,  
24 and there would likely be a 2016 or a later build.

25 MR. GARDINER: Thank you. I want to go back now to  
26 the pathway, the issue of the pathway. As I also  
27 understand it, your concern right now with the proposal  
28 that you've seen just recently between TPCL and Enbridge is



1 that the segment A part of that potential path excludes  
2 your participation in it?

3 MR. ISHERWOOD: It excludes our participation, and it  
4 provides full control and access by applying to  
5 TransCanada, and they have no obligation to build to serve  
6 the needs of the Ontario-Quebec customers.

7 MR. GARNER: And this isn't a question for you, but  
8 the understanding so far that we have in the record is that  
9 Enbridge takes the position that STAR, or the Board's  
10 access rules to transmission lines, don't apply in the case  
11 of this project, and that's one of your concerns, that that  
12 doesn't apply to this project?

13 MR. ISHERWOOD: Our belief, STAR does apply.

14 MR. GARNER: Your belief is STAR does apply?

15 MR. ISHERWOOD: Yes.

16 MR. GARNER: In the absence of getting access to  
17 segment A of the Enbridge project, and as you pointed out  
18 building from Albion to Maple, as I understood the evidence  
19 yesterday you gave, you would have to twin the pipe on  
20 segment A.

21 You would have to build along basically that same  
22 route and build another pipeline in the same corridor. Is  
23 that where you would be doing it, or -- I mean, I know  
24 you're not doing it, but is that where you would probably  
25 have to build?

26 MR. ISHERWOOD: I'll defer to Mr. Rietdyk.

27 MR. RIETDYK: We would have to complete an  
28 environmental assessment to establish what the appropriate

1 path for that pipeline between Parkway and Maple would be.

2 MR. GARNER: There is no other obvious choice for you  
3 to take, other than the one where there is already going to  
4 be, I think, now two pipes going down that corridor?

5 MR. RIETDYK: As Mr. Isherwood mentioned earlier, we  
6 did a preliminary assessment early last year on that path  
7 and it did seem like the logical path would be the 407  
8 corridor to Albion, and then north from there to Maple.

9 MR. GARNER: So in the scenario where that pathway is  
10 built or a similar path built from Parkway to Albion, in  
11 your view, what would be the value of the excess capacity  
12 now built on segment A of Enbridge's line? What value  
13 would that bring to the Ontario gas market?

14 MR. ISHERWOOD: I think the best option for Ontario is  
15 to have one line that meets the needs of all customers.

16 MR. GARNER: Thank you. Those are my questions.

17 MR. MILLAR: Thank you, Mr. Garner.

18 **QUESTIONS BY DR. HIGGIN:**

19 DR. HIGGIN: Roger Higgin. I have a question which  
20 could be in A1 or it could be in A2, and as long as I get  
21 it answered, I can defer to that. I think Union knows what  
22 the IR is, so I'll go with whatever that decision is.

23 Do you want to ask it now, or do you want me to put it  
24 to A2?

25 MR. SMITH: I don't know what it is, sorry.

26 DR. HIGGIN: Mark knows. Can you turn up Energy Probe  
27 I.A1.1? A lot of ones in there. Then looking to get an  
28 answer to this question, and in preface I would say that

1 the site development and land costs, 90.6 million, we asked  
2 for those --

3 MR. ISHERWOOD: Is this an A1 or A2 question?

4 DR. HIGGIN: This is an A1; A1-EP-1. It's on the  
5 screen. The question is we didn't get a response to this  
6 that we felt was what we were looking for. Whether that  
7 was a misunderstanding, we don't want to go there.

8 Basically, we would like to see this information.  
9 Now, just to repeat, you did provide some partial  
10 information to LPMA regarding allocation of these costs in  
11 some of its IRs. So what we would request is that you do a  
12 best efforts to provide this information, and whether or  
13 not you should allocate between just land area as one  
14 option as an allocator - you've done that for LPMA - or  
15 whether there should be different allocators. We don't  
16 know. Anyway, we would like you to provide an attempt at  
17 this information, please.

18 MR. SMITH: Why don't we ask that question of panel 2?  
19 I believe the appropriate witness is on that panel.

20 DR. HIGGIN: You would rather have it with panel 2?

21 MR. SMITH: Yes.

22 DR. HIGGIN: Okay, then.

23 MR. MILLAR: Thank you, Mr. Higgin. Mr. Viraney?

24 **QUESTIONS BY MR. VIRANEY:**

25 MR. VIRANEY: This is -- the reference is A1.CCC.4,  
26 and that is with respect to approval of the projects. The  
27 response is Union is requesting board of directors'  
28 approval of the Parkway West project.

1 Have you sought approval of the Brantford to Kirkwall  
2 project, as well?

3 MR. ISHERWOOD: At this point in time, there is  
4 another board meeting in August, so we're going to develop  
5 the project further and go to the board late in the summer,  
6 early fall. Actually, it may be September, but it's later  
7 into this year.

8 MR. VIRANEY: Is the Board aware of the recent changes  
9 that TPCL has suspended expansion of the Parkway to Maple  
10 line?

11 MR. ISHERWOOD: It's probably best if you address it -  
12 - we only have an undertaking on the material. We can  
13 address that maybe in that same undertaking. I've not had  
14 much chance to follow up, actually, what happened at the  
15 board meeting Monday and Tuesday. But we can answer that  
16 in the same undertaking.

17 MR. VIRANEY: Do you want to add to the undertaking?

18 MR. ISHERWOOD: I would add to it. It was --

19 MR. MILLAR: Which undertaking?

20 MR. SMITH: There was an undertaking --

21 MR. ISHERWOOD: 2.1.

22 MR. SMITH: -- to provide the board package.

23 MR. MILLAR: We'll include an update on the extent to  
24 which the board is aware of the TPCL issue.

25 MR. SMITH: Yes.

26 MR. VIRANEY: Referring to A1-BOMA-3, and this is page  
27 5. It is a table of the utilization of the two  
28 compressors.

1 I'm just looking at the table, and it seems that the  
2 utilization seems to be alternating, so you have Parkway B  
3 being utilized most of the time, but when that is not, you  
4 have Parkway A utilized.

5 So, for instance, June 8, 2011 you have Parkway A at  
6 70 percent, and Parkway B at zero.

7 Is there a specific reason that they do not run  
8 simultaneously, or is that only just one compressor is  
9 required?

10 MR. RIETDYK: For these particular flow conditions,  
11 only one of the compressors was required.

12 MR. VIRANEY: So I see from 2010 to 2013 that's -- in  
13 most cases, that's the scenario. It just alternates. In  
14 fact, in very rare cases they are both being utilized?

15 MR. RIETDYK: That's correct. But we are projecting,  
16 based on the increase in flows for this coming winter, that  
17 we will require both compressors be utilized at the same  
18 time.

19 MR. VIRANEY: Thank you. Those are all my questions.

20 MR. MILLAR: Thank you, Mr. Viraney. Is that it for  
21 panel Union 1? Okay. Thank you, panel. You are excused.

22 Mr. Smith, are you prepared to call your second panel?

23 MR. SMITH: I just have to round them up.

24 MR. MILLAR: Are they in the room?

25 MR. SMITH: They are downstairs.

26 MR. MILLAR: Why don't we take a very quick break? Is  
27 ten minutes sufficient?

28 MR. SMITH: Yes.

1 MR. MILLAR: Ten minutes. Thank you.

2 --- Recess taken at 10:08 a.m.

3 --- On resuming at 10:20 a.m.

4 MR. MILLAR: Why don't we go back on the air?

5 Mr. Smith, would you like to introduce your panel?

6 **UNION GAS DISTRIBUTION - PANEL 1**

7 **Greg Tetreault**

8 **Rich Birmingham**

9 **Michelle George**

10 **Dave Hockin**

11 MR. SMITH: I would very much like to introduce my  
12 panel, and maybe I'll ask them to do that.

13 So starting from closest to me, Mr. Tetreault, can you  
14 introduce yourself, and then go down the list, name and  
15 position, please?

16 MR. TETREAUULT: Greg Tetreault, manager of rates and  
17 pricing and regulatory affairs.

18 MR. BIRMINGHAM: Rick Birmingham, vice president of  
19 regulatory lands and public affairs.

20 MS. GEORGE: Michelle George, director of major  
21 projects.

22 MR. SMITH: Mr. Hockin?

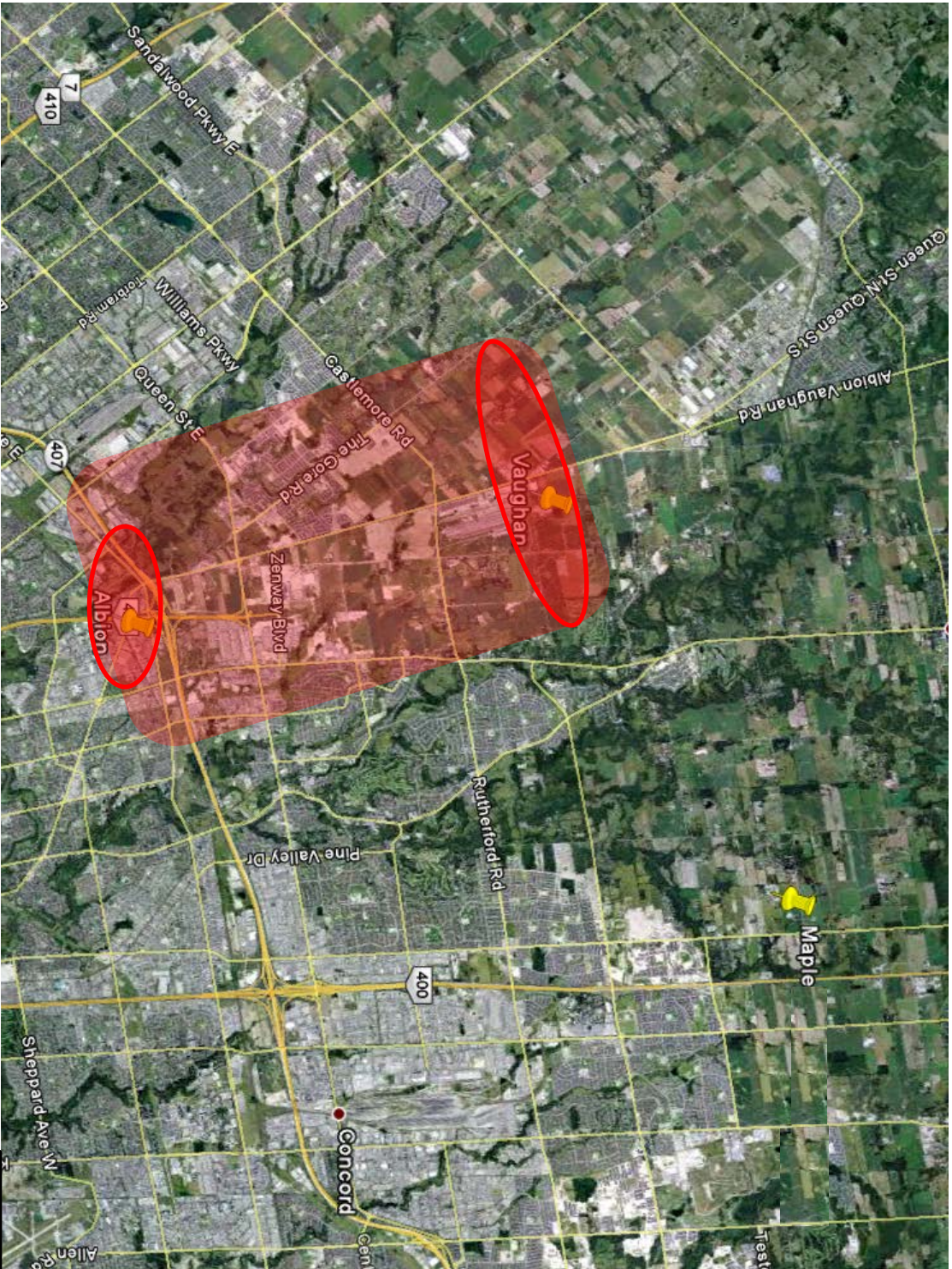
23 MS. HOCKIN: Dave Hockin, manager, strategic  
24 development.

25 MR. SMITH: Just one preliminary matter, Mr. Millar.  
26 I had asked Mr. Birmingham if you could -- some of this is  
27 in the record already, but if you could please summarize  
28 for me the approvals that Union is seeking in this

TAB 20



# Albion to Vaughan Project – Area of Consideration



Filed: 2013-06-18  
 EB-2012-0451/EB-2012-0433/EB-2013-0074  
 Exhibit JT1.14  
 Attachment 1



**uniongas**  
 A Spectra Energy Company

April, 2013



TAB 21

UNDERTAKING JT1.1

UNDERTAKING

TR 1, page 14

To confirm whether TransCanada is obligated under the MOU to build from Albion to Maple in order to retain capacity to Enbridge pipeline.

RESPONSE

The undertaking appears to contain a grammatical error and we assume it to be, "to confirm whether TransCanada is obligated under the MOU to build from Albion to Maple in order to retain capacity on the Enbridge Pipeline."

In Schedule "D" of the MOU, under "Impact of Elections", certain provisions of the applicable election (in this case, election #2) are to be incorporated into the terms of the TBO Agreement, also known as the Transportation Service Agreement ("TSA"); included is section 7 of Schedule "B" which states that "TransCanada will construct, own, operate and maintain the TransCanada Maple Pipeline." Further, the TSA will contain the provision, as set out in Section 4(l) of Amending Agreement #2:

TransCanada agrees to work with the Eastern local distribution companies and the market in a cooperative and timely manner, to establish terms and conditions, to be brought to the NEB for approval, under which TransCanada could expand the TransCanada System for short haul service requests on a commercially reasonable basis.

The MOU also requires TransCanada (and Enbridge) to diligently and expeditiously pursue to the regulatory approvals necessary to enable the parties to meet their obligations under the MOU.

TransCanada and Enbridge have not yet concluded negotiating the definitive terms of the TSA. Currently, Enbridge has proposed a term which states that TransCanada shall utilize the gas transportation services provided hereunder only to provide gas transportation services pursuant to the TransCanada Tariff or for its own operational purposes. Also, TransCanada would be paying for service under the TSA whether or not TransCanada was using the service. These terms combined with the obligations in the MOU stated above have the effect of obligating TransCanada to build the Albion to Maple pipeline in connection with its use of the GTA pipeline.

Witness: M. Giridhar



## UNDERTAKING JT1.2

### UNDERTAKING

TR 1, page 15

To provide the section of STAR which provides exemption.

### RESPONSE

Pursuant to section 1.7.1 of STAR, the OEB may grant an exemption from any provision of the Rule in whole or in part, and such exemption may be subject to conditions or restrictions. Enbridge would like to take this opportunity to explain the principles underpinning the MOU with TransCanada and the manner in which the public interest considerations underpinning STAR and related OEB decisions are incorporated within the MOU.

#### The Intent of the Discussions amongst Enbridge, Union and TransCanada

In its EB-2011-0210 Decision, the OEB admonished Union, Enbridge and TransCanada to consult to determine the most efficient development and use of proposed infrastructure to the benefit of Ontario ratepayers (see pages 126-127). To this end, Enbridge has consulted with and negotiated arrangements with both TransCanada and Union in a non-discriminatory and transparent manner, in order to effect a co-ordinated build of much needed gas infrastructure that provides continued safe and reliable distribution service in the GTA and market access for customers in Eastern Canada. The discussions with TransCanada arose in relation to an open season conducted by TransCanada in 2012 and responded to TransCanada's desire to provide services requested in the open season. The principles underpinning the TransCanada MOU are listed under Section 2.1 of the response to CME Interrogatory #6 filed at Exhibit I.A1.EGD.CME 6, Attachment 3, page 27. STAR has a similar purpose, to ensure open and non-discriminatory access to transportation services.

#### The Quid Pro Quo Sharing Arrangement

The TransCanada MOU and its amendments incorporate a quid pro quo principle to give effect to the twin objectives of continued safe and reliable distribution service to the GTA and market access to economical short haul supply. In return for exclusive access to the Enbridge pipeline from Bram West to Albion ("Enbridge Pipeline"), TransCanada must make reasonable commercial efforts under the Transportation Access Procedures ("TAPS") approved by the NEB to provide service through this path if requested by

Witness: M. Giridhar

Enbridge (Section 16, Exhibit I.A1.EGD.CME 6, Page 23). Further, TransCanada must work with the Eastern LDCs (Enbridge, Union, Gaz Metro) and the market in a cooperative and timely manner to expand the TransCanada system for short haul service requests on a commercially reasonable basis, the terms of which shall be brought to the NEB for approval (Section (I), Exhibit I.A1.EGD.CME.6, Attachment 5, page 7).

#### The Mechanics of the Arrangement

While Enbridge and TransCanada contemplated joint ownership of the Enbridge Pipeline, the parties eventually agreed to a gas transportation service to be provided by Enbridge as the sole owner and operator of the Enbridge Pipeline. Enbridge and TransCanada agreed that the Transportation Service Agreement ("TSA") would mimic joint ownership of a pipeline rather than a traditional transmission service as the STAR contemplates. Enbridge would use its capacity on the Enbridge Pipeline to provide gas distribution services, and TransCanada would use its capacity to provide transmission service under its Mainline Tariff. Enbridge would not control the gas flows or balancing on the pipeline as it would do for a typical transmission service, except for safety reasons. Neither would Enbridge take custody of the gas from TransCanada. The rate charged to TransCanada would also mimic a joint ownership arrangement.

Accordingly, Enbridge is of the view that provided the principles underpinning the sharing arrangement are upheld by Enbridge and TransCanada, the intent of STAR would be met by TransCanada providing fair and non-discriminatory access to short haul capacity that is desired by the marketplace under the TAPS.

#### Changes since the TransCanada MOU was Executed

Since the MOU was executed, two events have created uncertainty. First, the NEB Decision on TransCanada's restructuring proposal has fixed TransCanada's tolls for a five year term as opposed to the requested two year term, which has impacted TransCanada's willingness to provide access to short haul services absent the ability to recover the cost of facilitating access. As a result of the NEB Decision, TransCanada has declined to serve Union and Gaz Metro; instead, TransCanada has stated it will use its capacity on the Enbridge Pipeline to meet existing system requirements resulting from a reduction in back haul service on the Great Lakes system and increase in forward haul service through the Dawn to Parkway system.

Secondly, as a result of the Energy East Project, TransCanada has deemed a significant amount of capacity that is currently required to meet the firm distribution loads of the Eastern LDCs as non-renewable past 2015. TransCanada has stated its intent of ensuring that existing firm contracts will be honored, albeit with changes to tariff terms and conditions, prior to the proposed transfer of Mainline capacity to oil service.

Witness: M. Giridhar

This stated intent does not provide comfort to the Eastern LDCs about the price and other terms and conditions under which prospectively unserved firm residential, commercial, and industrial demand will receive service. Accordingly, market access to Mainline capacity under reasonable commercial terms, whether long haul or short haul, is now a concern for all Ontario customers post October 2015.

Enbridge has identified that up to 170,000 TJ/d of capacity required to serve its Ottawa market, or up to 25% of its peak day demand, will be unsecured past October 2015 as a result of the non-renewable status of these arrangements, causing significant reliability concerns for Enbridge's ability to meet winter demand in the Ottawa market post October 2015. Accordingly, Enbridge has requested that TransCanada provide short haul service commencing in November 2015, in accordance with Section 16 of the MOU; that is, TransCanada must use reasonable commercial efforts under the TAPS to accommodate Enbridge's request either through existing or new facilities, subject to exercise of TransCanada's discretion on a non-discriminatory basis and regulatory approval. TransCanada must issue this open season prior to June 30th, 2013. The TAPS does not permit TransCanada to discriminate between holders of existing and new capacity in terms of price. If TransCanada fails to meet its obligations under the MOU, Enbridge may have the option to terminate the MOU.

#### Moving Forward

Enbridge is of the view that the MOU between Enbridge and TransCanada can address the needs of the Eastern LDCs for economic access to natural gas if all parties act reasonably to develop a solution. As noted in response to Board Staff Interrogatory #48 at Exhibit I.D5.EGD.STAFF.48, negotiations between the Eastern LDCs and TransCanada with respect to the terms and conditions under which TransCanada is able to expand short haul services are continuing and Enbridge hopes to be able to provide a further update prior to the Settlement Conference, in conjunction with an update on the adequacy of the NPS 36 pipe for its Bram West to Albion pipeline. In the event that the negotiations have resulted in an agreement to expand short haul services in a commercially reasonable manner, the OEB could approve the sharing arrangement conditional on NEB approval for the contemplated services.

In the event that negotiations between the Eastern LDC's and TransCanada have not resulted in an agreement to expand short haul services, and TransCanada is unable to demonstrate that it has upheld the quid pro quo principle embodied in the MOU, the OEB may conclude that TransCanada's exclusive access to capacity on the Enbridge Pipeline is not warranted. In this case, if there is no sharing of the GTA pipeline with TransCanada and capacity on the Enbridge Pipeline is not used to meet TransCanada's existing system requirements, Enbridge is of the view that the NPS 36 pipe size will provide significant incremental market access, in conjunction with any additional facilities that may be built from Albion to Maple and the requisite approvals from the

Witness: M. Giridhar

Filed: 2013-06-18  
EB-2012-0451  
Exhibit JT1.2  
Page 4 of 4

NEB for access to TransCanada's system. If this were to occur, Enbridge could use the incremental 800 TJ/d to meet the needs of its customers outside of the GTA Project Influence Area and reduce or assign a portion of its current short haul capacity of approximately 700 TJ/d on TransCanada's system from Parkway to Maple, thereby releasing existing capacity for the benefit of other customers in Eastern Canada.

Enbridge believes that the best course of action in the circumstances is for consultations between TransCanada and the Eastern LDCs to continue and for the parties to report back prior to the Settlement Conference. It is Enbridge's view that the issue of adequate market access under reasonable commercial terms can only be resolved at the NEB and the tension between the LDC market's desire for economical access to natural gas supplies and TransCanada's desire to optimize the use of its Mainline system is best resolved by consultation rather than conflict resolution. Enbridge, Union, Gaz Metro, and TransCanada are therefore incented to negotiate the optimal use of the GTA Project in good faith.

To summarize, Enbridge would define the issue before the Board regarding STAR and the TransCanada MOU simply as whether the proposed sharing arrangement with TransCanada provides non-discriminatory access to transmission capacity. Enbridge is of the view that the Board will have enough information by the end of July to make that determination. Any proposals for further solicitation of market interest under STAR would not result in a comprehensive solution (for example, the cost to transport gas away from Maple would still be at issue) and would likely cause consideration of the GTA project to be delayed. The proposed November 2015 in-service date for the GTA project is critical both for the distribution needs of the GTA and for market access for the Eastern LDCs. The current NPS 36 design of the Enbridge Pipeline which creates 1600 TJ/d of incremental market access for Eastern markets, in combination with TransCanada's remaining long haul facilities post-conversion, provide adequate market access and such delay is not warranted in the circumstances.

Witness: M. Giridhar

TAB 22



# DECISION

QUÉBEC

RÉGIE DE L'ÉNERGIE

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D-2012-175

R-3809-2012

December 18, 2012

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**PRESENT:**

Marc Turgeon  
Jean-François Viau  
Françoise Gagnon  
Commissioners

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**Gaz Métro Limited Partnership**  
Applicant

and

**Stakeholders whose names appear hereinafter**

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**Final decision for the supply plan, the multipoint project,  
and the strategy for transferring the supply structure  
from Empress to Dawn**

*Request for approval for the supply plan and for the  
modification of Gaz Métro Limited Partnership's  
Conditions of Natural Gas Service and Tariff beginning  
on October 1, 2012*

**Stakeholders:**

- Industrial Gas User's Association (IGUA)
- Canadian Federation of Independent Business (CFIB) (Quebec chapter)
- Groupe de recherche appliquée en macroécologie (GRAME)
- Option consommateurs (OC)
- Regroupement des organismes environnementaux en énergie (ROÉE)
- Regroupement national des conseils régionaux de l'environnement du Québec (RNCREQ)
- Stratégies énergétiques and Association québécoise de lutte contre la pollution atmosphérique (S.É./AQLPA).
- TransCanada Energy Ltd. (TCE);
- TransCanada Pipelines Limited (TCPL);
- Union des consommateurs (UC)
- Union of Quebec Municipalities (UMQ)

## 1. INTRODUCTION

[1] On July 6, 2012, the Gaz Métro Limited Partnership (Gaz Métro or the distributor) submits to the Régie de l'énergie (the Régie) an application for approval of the supply plan and the modification of its *Conditions of Natural Gas Service and Tariff* effective October 1, 2012. It proposes to examine this application in two phases.

[2] Phase 1 covers to the following subjects:

- The supply plan for 2013-2015
- The evolution and value of "Futures" of location variations from Henry Hub for various exchange points for natural gas in Northwestern United States
- The purchase records at Dawn
- The multipoint project, and the strategy for transferring the supply structure from Empress to Dawn
- The financial derivative program
- Rate modifications regarding the interruptions
- The performance indicator aimed at optimizing the supply tools.

[3] On September 18, 2012, the Régie transmitted a distinct schedule in conjunction with Phase 1, for examination of the subjects regarding the performance indicator<sup>1</sup>, including a subsidiary proposal from the distributor.

[4] On October 11, 2012, Gaz Métro submitted an amended request in which it requested a one-year postponement of the availability of TCPL's additional capacity be taken into account.

[5] The hearing for Phase 1 of the application covered all of its subjects, except for the performance indicator. It occurred over a period of five days, from November 5-9, 2012. The Régie began its deliberation on the subjects reviewed by the hearing on November 9, 2012.

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<sup>1</sup> Exhibit B-0023.

[6] On November 23, 2012, the Régie rendered its decision D-2012-158 on the distributor's requests regarding the approval of the supply plan for rate year 2013, the financial derivative program, and the rate modifications related to prohibited withdrawals. It also mentioned that all of the other subjects under consideration shall be the subject of a future decision.

[7] This decision pertains to the other subjects considered during deliberations after the hearings in November 2012 such as the supply plan, the multipoint project and the strategy for transferring the supply structure from Empress to Dawn as well as Gaz Métro's objections concerning the admissibility as evidence of the documents submitted by TCPL.

## 2. CONCLUSIONS SOUGHT.....

[8] The conclusions sought by Gaz Métro for Phase 1, other than the conclusions regarding the performance indicator, and the elements addressed by decision D-2012-158 are the following:

*"Regarding the supply plan (Gaz Métro-1, Documents 1, 3 to 13 and 16)"*

*APPROVE the supply plan including the strategy for moving for the supply structure from Empress to Dawn as well as the use of the operation method approved in decision D-2011-162 for rate years 2013, 2014, and 2015*

*In regards to the historical evolution and the "Futures" value for location variations from Henry Hub - follow-up of decision D-2011-182 (Exhibit Gaz Métro-1, Document 2)*

*DECLARE that the information provided in the Gaz Métro-1, Document 2 Exhibit provides the follow-up requested in Paragraph 41 of Decision D-2011-182*

*In regards to the purchase records at Dawn - follow-up of Decision D-2011-153  
(Exhibit Gaz Métro-1, Document 15)*

*DECLARE that the historical comparison of purchases at Dawn presented in Exhibit Gaz Métro-1 Document 15 provides the follow-up requested in Paragraph 21 of Decision D-2011-153;*

*In regards to the multipoint supply project - follow-up of Decision D-2011-164  
(Exhibit Gaz Métro-1, Document 16)*

*DECLARE that the studies and analyses carried out in response to the follow-up requested by the Régie in Decision D-2011-182, in Paragraphs 41 and 42, concerning the multipoint delivery project are satisfactory and that the decision to halt this project is justified' [Emphasis by Gaz Métro]*

### **3. STRATEGY FOR MOVING THE SUPPLY STRUCTURE TO DAWN**

[9] The rate regulations in effect force direct purchase customers to deliver the natural gas that they wish to transport to Québec by Gaz Métro to Empress. In its Decision D-2011-164, the Régie accepted a new method of operation that allowed all customers of Gaz Métro's transportation service to benefit from cost reductions resulting from supply carried out at Dawn rather than from Empress.

[10] In the same decision, the Régie ordered Gaz Métro to add to this application a global solution to the problem of multipoint procurement for customers using direct purchase in order to examine the possibilities for the said customers to deliver their natural gas to more than one delivery point and releasing them from their obligation to deliver to Empress.

### 3.1 GAZ MÉTRO'S OBJECTIONS REGARDING THE SUBMITTING OF TCPL DOCUMENTS

[11] The distributor objected to the admissibility as evidence of Exhibits C-TCPL-0027 to C-TCPL-0045, which consist of documents submitted during a hearing at the National Energy Board (NEB).

[12] At the hearing, TCPL recognized that these documents represent a quick reference used during the cross-examination of the distributor's witnesses, that the goal of the exercise was not to submit proof in the Régie's application<sup>2</sup> and that it did not intend to establish the proof for these documents to the Régie<sup>3</sup>.

[13] Considering TCPL's announced intention in regards to the use of these documents, the Régie deemed that there was no valid reason to adjudicate the objection raised by the distributor in this regard.

### 3.2 GAZ MÉTRO'S POSITION

[14] In response to the Régie's request, Gaz Métro has offered to implement a project to transfer the supply structure from Empress to Dawn: the delivery point for direct purchase customers would henceforth be located at Dawn.

[15] More specifically, Gaz Métro is seeking to release from contract its transportation capacities originating from Empress and replace them by transportation capacities originating from Dawn instead as soon as possible, while maintaining the flexibility of its procurements to meet its customers' daily needs.

[16] Union Gas Limited (Union) and TCPL launched calls to tender targeting new transportation capacities on March 13 and 30, 2012, respectively. Gaz Métro submitted a tender in response to these calls to tender and its tenders were retained.

[17] To justify this transfer, Gaz Métro claims that Dawn is a crossroads where there is an increasing supply of natural gas: many pipelines

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<sup>2</sup> Exhibit A-0030, pages 81-84.

<sup>3</sup> Exhibit A-0050, page 221.

already arrive at Dawn and new pipelines should allow it to receive the gas production from the Marcellus and Utica production sites.

[18] In terms of the procurement at Empress, over the past few years, there has been a decline in gas production in the sedimentary basin in Western Canada, causing the flows in the pipeline connecting Empress to the Eastern Canadian markets to diminish. The increase caused by the "*Firm Transportation Long Haul*" (FTLH) transportation rate causes gas from Western Canada delivered to Dawn to be less competitive and accentuates the decrease in the pipeline's use.

[19] Gaz Métro wishes to decrease its vulnerability in regards to ever-decreasing volumes on FTLH transportation pipelines and resulting in an upwards pressure on the long-distance rate. In 2013, approximately  $2,600,10^6 \text{ m}^3$  will be sent from Empress to the Gaz Métro territory either by FTLH transport held by Gaz Métro or by exchange. These volumes represent about 46% of the territory's overall needs. Gaz Métro is, for all useful purposes, at the limit of purchases it can currently make at Dawn, due to the carrying capacities between Dawn and GMi-EDA at its disposal.

[20] The carrying capacities, contracted from TCPL and Union pursuant to their respective calls to tender, shall contribute to carrying out the project to transfer the location at which direct purchase customers shall deliver the natural gas they purchase. These additional capacities shall also allow Gaz Métro to increase the share of network gas sales that it purchases from Dawn.

[21] One of Gaz Métro's arguments in favour of this transfer to Dawn is the economic benefits. The price difference between AECO and Dawn has substantially diminished over the past few years and the financial market indicates that this trend will continue with the difference ranging from \$0.40 to \$0.60/GJ over the period from May 2012 to October 2017. TCPL's transport rate for the AECO-Dawn route is currently \$2.44/GJ (\$0.20 for AECO to Empress and \$2.24 between Empress and Dawn). The current financial market indicates that it is more profitable to purchase natural gas directly from Dawn than to purchase it at AECO and to pay the current transportation rate as well as the compression gas.

[22] Gaz Métro is currently invoking the distance argument to justify the transfer from Empress to Dawn.

*"It always makes more sense to purchase supplies from close to one's franchise rather than from 3,000 kilometres away, whether from an environmental standpoint, or from an economic standpoint; it simply makes better sense."<sup>4</sup>*

[23] In response to the Régie's questions, Gaz Métro indicates that a transportation contract from Empress limits procurement to Empress or AECO points. On the other hand, by using transportation from Dawn, Gaz Métro or its direct purchase customers have various procurement options, and they may choose whichever offers the lowest price delivered to Montreal. Among these options is Empress<sup>5</sup>. Gaz Métro also confirms that transferring the supply structure to Dawn does not necessarily require that all procurement be done from Dawn.

[24] In response to TCPL's request to the Régie to delay its decision concerning the transfer of the supply structure to Dawn until it has heard the NEB's decision concerning application RH-003-2011 regarding a restructuring of the rates over its network, Gaz Métro states:

*"It is Gaz Métro's belief that the decision that will be made by the NEB in early two thousand thirteen (2013) will not shed any more light on what we already know here about the information. Gaz Métro's position is that, undeniably, no matter what decisions are made, the advantage of getting our supplies closer to our market will remain."<sup>6</sup>*

[25] Gaz Métro also indicates that it cannot afford to pass up the opportunity of developing new transportation capacities from Dawn. To act any other way could delay the access to this market by several years.

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<sup>4</sup> Exhibit A-0030, page 38.

<sup>5</sup> Exhibit A-0042, page 133, lines 18 to

<sup>6</sup> 25. Exhibit A-0050, page 252.



### 3.3 POSITION OF THE STAKEHOLDERS

[26] The IGUA supports the project to transfer the supply structure from Empress to Dawn:

*"You are aware that Dawn is now recognized as a strategic hub in Canada in terms of procurement; it is very liquid and accessible from various supply locations in North America, including, we shall not exclude it, I think Mr. Otis was clear on this subject, from Western Canada.*

*And so this means that, eventually, if TransCanada fixes its current problems with the "long haul" transportation rates and the rates become more competitive due to measures that have not yet been looked at but that could eventually be implemented in the future, Western Canada could once again become a choice supply point while going through Dawn.*

*It is clear, in our opinion, that Dawn offers better selection and flexibility to Gaz Métro and its customers in terms of supply sources, and this allows us, most specifically, to have access to new supply sources from Northeast America, such as the Marcellus production site where production is increasing significantly.<sup>7</sup>*

[27] In its evidence, the CFIB indicated that it deferred to the Régie. The stakeholder did not participate in the hearing.

[28] OC supports the transfer of the supply structure to Dawn. It invokes the reduction of Gaz Métro's vulnerability as well as its dependence upon TCPL's main network.

[29] S.É./AQLPA supports the project of transferring the main supply point to Dawn in order to serve the customers in the southern region due to the prediction of a decrease in the offer of conventional natural gas available from Empress.

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<sup>7</sup> Exhibit A-0050, pages 96-97.

[30] S.É./AQLPA believes that in the long term it is more likely that the price of natural gas delivered from Empress to GMi-EDA will even out with the price of natural gas delivered to GMi-EDA from Dawn. Therefore, the advantage of getting supplies at Dawn rests upon the foreseeable decrease in supply available for Gaz Métro from Empress.

[31] According to S.É./AQLPA, the low volumes required for the northern region render possible a diversification that would consist in maintaining procurement at Empress for customers in that area. Supply there would be, according to the stakeholder, less expensive than supply from Dawn-GMi-NDA.

[32] TCPL first of all requested that the matter of transferring to Dawn be processed separately from the supply plan.

[33] Also, TCPL requested the Régie to withhold a decision on Gaz Métro's proposal until it learned of the NEB's decision regarding application RH-003-2011. The NEB must make a decision concerning a restructuring proposal with and in-depth review of the rates for its network. TCPL, indicates that, as mentioned by Gaz Métro in its evidence, the NEB's decision is expected to possibly come in early 2013<sup>8</sup>.

[34] TCPL considers that the NEB's decision could cause the savings forecast by Gaz Métro to disappear, as these rely upon hypothetical scenarios:

*"Thus, according to the benefit of the decision that shall be made in application RH-003-2011, the advantages presented by Gaz Métro favouring the transfer of the supply structure to Dawn, including the estimated savings, all rely in many ways upon hypothetical scenarios. These advantages could simply not even apply once the NEB renders its decision.*

*In order to allow it to conclude that the NEB's decision regarding application RH-003-2011 is, for all practical purposes, useless in its analysis, Gaz Métro presented the Régie with savings that its customers could benefit from based on TransCanada's current interim rates and the rates that it proposed in application RH-003-2011 for the years two thousand twelve (2012) and two thousand thirteen (2013).*

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<sup>8</sup> Exhibit A-0050, page 205.

[...] *Also, Gaz Métro in its evidence did not take into account the other proposals formulated by stakeholders in application RH-003-2011, including the one that Gaz Métro submitted through MAS, the Market Area Shippers, a group composed of Gaz Métro, Union Gas and Enbridge.*<sup>9</sup>

[35] TCPL claims that Gaz Métro did not reasonably demonstrate the urgency of adopting, at this stage, the strategy for transferring to Dawn and that this request is premature. TCPL first points out that the transfer would only take place in November 2015. TCPL also alleges the fact that its expansion project was put off for one year removes “*any sense of urgency for the Régie, if there ever was one, to render a decision on very short notice regarding Gaz Métro’s decision.*”<sup>10</sup>

[36] According to TCPL, Gaz Métro did not demonstrate any prejudice in regards to this setback or any obligation that it will not be able to meet.

[37] TCPL invokes an argument according to which Gaz Métro is willing to wait for the NEB’s decision for certain things, such as the flexibility needs, while at the same time, it does not seem to want to do the same for the major revision of TCPL’s rates<sup>11</sup>.

[38] TCPL also claims that Gaz Métro’s evidence is insufficient to currently justify approving the strategy of transferring to Dawn. In its opinion, it is clear that the Régie must have in its possession the NEB’s decision regarding application RH-003-2011 before being able to conclude that the strategy of transferring to Dawn is well-founded<sup>12</sup>.

[39] TCPL also argues that Gaz Métro has not presented an analysis that takes into account the upward pressure that a reduction in FTLH’s transportation contracts would bring about on TCPL’s rates, to the profit of “*Firm Transportation Short Haul*” (FTSH) transportation contracts.

<sup>9</sup> Exhibit A-0050, pages 206-211.

<sup>10</sup> Exhibit A-0050, page 208.

<sup>11</sup> Exhibit A-0050, page 209.

<sup>12</sup> Exhibit A-0050, pages 212-213.

[40] TCPL alleges that several issues regarding the terms of transfer to Dawn as well as to other matters, such as the operational flexibility and the possibility of gaining access to other supply points, should be treated at the same time as the approval request for the transfer to Dawn.

[41] Finally, TCPL mentions that this application contains no analysis of the petroleum reserves in Western Canada. Its cross-examination of the IGUA's witness demonstrated that there are considerable reserves of conventional and non-conventional natural gas in Western Canada and that it would be premature to conclude that Western Canada no longer has a place in Gaz Métro's supply portfolio.

[42] The UMQ supports Gaz Métro's proposal.

### 3.4 THE RÉGIE'S OPINION

[43] The Régie shares the distributor's opinion and deems that remaining with Empress and not acquiring additional carrying capacities for the Dawn-GMi-EDA route would leave the distributor's customers captive of TCPL's FTLH tolls.

[44] The Régie agrees with the IGUA in saying that transferring to Dawn would give Gaz Métro and its customers greater selection and flexibility. As a matter of fact, transferring to Dawn would give access to new supply sources from Northeastern America while continuing to have the possibility of purchasing natural gas from Empress while going through Dawn, if this turned out to be the most economical solution.

[45] The Régie notes that in response to a request for information, the IGUA evaluates, based on rates proposed for 2013 by TCPL, the difference between the FTLH transportation cost for Empress-GMi-EDA and the total FTLH transportation cost for Empress-Dawn and FTSH-GMi-EDA is approximately \$0.27/GJ.

[46] Furthermore, the Régie maintains, as mentioned by the IGUA, that transferring the supply structure to Dawn would help save substantial amounts every year. These amounts vary between \$88 million and \$120 million, based on current rates and those proposed by TCPL<sup>13</sup>.

[47] The Régie also recognizes the fundamental logic of preferring a supply station that is close to Gaz Métro's territory over one that is 3,000 kilometres away.

[48] The Régie recognizes that all consumer groups support Gaz Métro's proposal, except for the CFIB, which defers to the Régie.

[49] The Régie deems that the solution of transferring the supply structure to Dawn is advantageous due to its flexibility. It allows Gaz Métro and its customers to take advantage of the savings provided by obtaining supplies from Northeastern America, while maintaining the possibility of making adjustments if needed and making a contract with, for example, Empress, if it is advantageous to do so.

[50] Consequently, the Régie rejects the arguments presented by S.É./AQLPA concerning the supply from Empress for the northern region. In fact, the reasoning provided by S.É./AQLPA rests upon the premises that the natural gas prices delivered to GMi-EDA from Empress and Dawn will even out and that Empress will continue to have sufficient reserves at the same price. If these hypotheses do not hold true, the customers of the northern region will be stuck with the FTLH transportation prices for the TCPL network. The Régie considers that the solution from Dawn offers the most flexibility to adjust to the various contexts that may occur.

[51] In regards to TCPL's proposal to wait for the NEB's decision regarding application RH-003-2011, the Régie notes that this decision will pertain to rates applicable to the TCPL network. It will not modify the intrinsic characteristics of the procurement options from Empress and Dawn for Gaz Métro and its customers. The solution from Empress will continue to keep Gaz Métro and its customers under the FTLH rate and the procurement conditions in Western Canada. On the other hand, the solution from Dawn will continue to offer the advantage of flexibility, including the recourse to supplies from Empress. The strategic nature of the choice to make remains unchanged.

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<sup>13</sup> Exhibit A-0050, pages 97-98.

[52] The Régie notes that TCPL also presents other arguments, such as the evolution of natural gas reserves in Western Canada and the evolution of the distance-kilometres factor in TCPL's billing. The Régie considers that these arguments are not deciding factors in selecting a fundamental strategy orientation such as transferring the supply structure when the solution chosen provides the flexibility of adjusting to context changes as they come up.

[53] The Régie deems that the arguments presented by TCPL regarding the terms and conditions to be determined due to the transfer of the supply structure are not pertinent. These matters shall be addressed and resolved in due time, and they do not influence the strategic elements of this decision.

[54] For all of these reasons, the Régie approves of Gaz Métro's proposal to transfer the supply structure from Empress to Dawn, a proposal that is materializing through the tenders submitted by Gaz Métro for the calls for tenders launched in 2012 by Union and TCPL, who retained them.

#### **4. MOVING THE SUPPLY STRUCTURE TO DAWN...TERMS AND CONDITIONS.....**

[55] Various problems associated with transferring the supply structure to Dawn were raised in this document:

- The "multipoint" proposal presented by Gaz Métro
- The "multipoint" variant presented by IGUA
- The distribution of costs and profits for Gaz Métro's procurement portfolio
- The pricing of charges associated with operational flexibility
- The transition premium and the potential fees for customers who continue to deliver to Empress after November 1, 2015
- The terms and conditions of the advance notice for the distributor's transportation and the assignment of the carrying capacity held by the distributor.

## **4.1 MULTIPPOINT PROPOSAL**

### **4.1.1 GAZ MÉTRO'S PROPOSAL**

[56] Gaz Métro proposes not to implement a multipoint delivery system for direct purchase customers and to replace Empress' current delivery point by Dawn.

[57] Gaz Métro justifies this orientation by the complexity that would inevitably result from having many delivery points without changing the total cost for customers<sup>14</sup>.

[58] In regards to the decision to go with Dawn as the only delivery point, Gaz Métro mentions that several pipelines already go to this point and give access to many basins in North America, which provides diversity in procurement with a large number of service providers<sup>15</sup>.

### **4.1.2 STAKEHOLDERS' POSITION**

[59] All consumer groups support the change in delivery points from Empress to Dawn for direct purchase customers, except for the CFIB, which defers to the Régie.

### **4.1.3 THE RÉGIE'S OPINION**

[60] The Régie notes that Gaz Métro's proposal to replace the Empress delivery point by Dawn is a simple solution, which allows direct purchase customers to diversify their delivery points if they so desire, so long as they deliver the natural gas that they require to Dawn from the various delivery points that go through this point.

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<sup>14</sup> Exhibit B-0034, page 32.

<sup>15</sup> Exhibit B-0034, page 33.

[61] The Régie deems that the decision to select Dawn as the only delivery point is justified. The previous section regarding the transfer of the supply structure fully dealt with this subject.

[62] For these reasons, the Régie retains Gaz Métro's proposal to not offer multipoint delivery service to direct purchase customers.

## 4.2 "MULTIPOINT" VARIANT PROPOSED BY THE IGUA

### 4.2.1 THE IGUA'S POSITION

[63] The IGUA's proposal is for direct purchase customers to be able to deliver, for a minimum of one year, to points other than Dawn located on the route between Dawn and GMi-EDA, such as Kirkwall, North Bay Junction and Parkway. These customers would still pay the same transportation rate as other customers.

### 4.2.2 GAZ MÉTRO'S POSITION

[64] Gaz Métro indicates that these transactions currently could not take place on a firm basis, except at Parkway inasmuch as it maintains contracts for which the receipt point is Parkway, taking into account the rules applicable for the TCPL network.

[65] Gaz Métro is opposed to this proposal, due to the potential situation where the rules applying to the TCPL network would be modified and these transactions could not be carried out on a firm basis. Gaz Métro invokes reasons of equity toward its gas network customers.

[66] Gaz Métro clarifies its position in the following manner:

*"We see it is a matter of equity when there is an opportunity to save money by moving a supply point to a specific location. The big question is, should one customer benefit from it, or should all the customers?"*



*When Gaz Métro does it with network gas, what we do is we redistribute the savings incurred to all of our customers.*

[...]

*Therefore, when such an opportunity comes about through the transportation tools controlled by Gaz Métro, the question that we must ask ourselves is: Should this opportunity be placed at the disposal of only one customer, or should it be captured, if possible, by Gaz Métro, who would then redistribute it to all its customers.*<sup>16,,</sup>

[67] The IGUA's witness recognized in the cross-examination that modifications needed to be made to TCPL's tolls in order to operationalize the delivery to North Bay Junction or Kirkwall. He also admitted that the IGUA's proposal carried with it some equity problems, except for perhaps North Bay Junction<sup>17</sup>.

#### 4.2.3 THE RÉGIE'S OPINION

[68] The Régie notes first of all that Parkway is the only receipt point on the Dawn-GMi-EDA route that could be used under the terms of the current TCPL tolls.

[69] The Régie considers that Gaz Métro's argument, that any profit made from transportation tools controlled by Gaz Métro should be shared by all its customers using Gaz Métro's transportation service, is very persuasive. To act any other way would be to risk causing an equity problem between the network gas customers and the direct purchase customers.

[70] However the Régie is aware of the IGUA's argument regarding the North Bay point, which would not be affected by the matter of equity. Consequently, in the event where this delivery point would become accessible to Gaz Métro, including its transportation tools on a firm basis in terms of the TCPL's tolls, the Régie would be willing to re-examine the IGUA's proposal for this delivery point.

<sup>16</sup> Exhibit A-0042, pages 187-188.

<sup>17</sup> Exhibit A-0046, pages 212-213.

[71] On these grounds and subject to the preceding, the Régie rejects the IGUA's proposal.

#### 4.3 DISTRIBUTION OF COSTS AND PROFITS OF GAZ MÉTRO'S SUPPLY PORTFOLIO

[72] During the latest rate application, the Régie temporarily accepted the implementation of a rate rebate applicable to the transportation rate in order to cause direct purchase customers to benefit from savings made thanks to purchases made at Dawn, even though their natural gas is delivered to Empress<sup>18</sup>. This decision is the result of a new operating method for the cost of purchases at Dawn.

[73] According to Gaz Métro, the regulations in effect help maintain equity among the various customer categories, due to:

- The supply price evaluated at Empress
- The transfer of costs of the supply service toward balancing
- The evaluation of an average transportation rate.

[74] These mechanisms thus allow network gas customers and direct purchase customers to be treated equally. These two customer categories pay their natural gas at Empress' price and pay the same average transportation rate.

[75] The Régie asked Gaz Métro and the IGUA the following question:

*"Hypothetically, if Gaz Métro were to sign a contract for transportation from Iroquois or Niagara and this solution would turn out to be more economical than Dawn, should the decrease in supply costs, according to Gaz Métro, be distributed between network gas customers and direct purchase customers?"<sup>19</sup>*

<sup>18</sup> Application R-3752-2011, decision D-2011-164.

<sup>19</sup> Exhibit B-0094, page 7.

#### 4.3.1 GAZ MÉTRO'S POSITION

[76] The supply structure defined by Gaz Métro is implemented to serve all of its customers. If a structure modification causes an increase or decrease of total costs, the variations would then be shared by all of the customers using the distributor's transportation service.

[77] The operating method for these purchases between supply, compression, transportation, and balancing services allows the savings made to be imputed against the transportation and balancing services, consequently reducing the energy bill for all the customers using the distributor's transportation service.

#### 4.3.2 THE IGUA'S POSITION

[78] The costs and savings for supplies delivered in franchise and made by Gaz Métro would only benefit customers using network gas. The same would occur if additional costs were incurred by Gaz Métro.

[79] The IGUA recognizes that there may be situations where the market does not have sufficient Dawn-GMi-EDA capacities, for example, to face a sudden increase in demand, and that Gaz Métro would then incur additional costs. In the event of constraints, the IGUA agrees that it would be best to share the costs between all customers of the transportation service.

#### 4.3.3 THE RÉGIE'S OPINION

[80] The Régie considers that Gaz Métro's approach allows it to distribute costs and profits resulting from the transportation tool portfolio among all the transportation service customers every year.

[81] This approach is also in compliance with the principle expressed in Paragraph 69 of this decision, which is that any cost/profit resulting from transportation tools controlled by Gaz Métro should be shared by all of Gaz Métro's transportation service customers.

[82] The Régie considers that this approach has already been tested since it is the underlying principle of the operating method that is currently in effect. Furthermore, the Régie deems that this approach is much simpler to apply and more equitable for all the customers using the distributor's transportation service. However, the Régie deems that such an approach requires that the distributor adopt a dynamic management of its supply portfolio and that it seizes any opportunities that come up in order to allow all customers using the distributor's transportation service to benefit from them.

[83] For these reasons, the Régie retains Gaz Métro's interpretation regarding the distribution of costs and profits of its supply portfolio.

[84] Furthermore, the Régie takes note of Gaz Métro's commitment to present, in the 2014 rate application, a new operating method for purchases that will come into effect on November 1, 2015. The Régie requests that this method rest upon the principle expressed in this section regarding the manner in which costs and profits from Gaz Métro's supply portfolio are distributed.

[85] Finally, until November 1, 2015, the Régie maintains the current operating method in place.

#### 4.4 PRICING OF RATES ASSOCIATED WITH OPERATIONAL FLEXIBILITY

[86] Each type of contract with TCPL has its special features and prerequisites which influence the operational management of all the tools controlled by Gaz Métro.

[87] The main special feature is the flexibility of daily contracts through the nomination windows available with each of these contracts:

*"The FTI (Firm Transportation Injection) service is a condition included in the FTLH contract which allows Gaz Métro to redirect Empress' natural gas to Parkway so that it can then be delivered to Dawn rather than being delivered to GMI, mainly in the summer. The possibility of using FTI is a result of having STS contracts. The main historical management principle for these capacities was*

*the following: to extract natural gas from the storage site and use Parkway's STS (Storage Transportation Service) transportation to GMI, the site must have been injected with Empress' FTI to Parkway during the previous summer. The FTI service is mainly used in the summer to regulate supply, while the STS is mainly used in the winter.*<sup>20</sup>

[88] The transfer of the supply structure could cause Gaz Métro to review the manner in which it ensures it has the necessary flexibility tools at its disposal. Maintaining this flexibility could result in additional costs.

[89] Currently, the cost of operating flexibility is difficult to disassociate from the cost of certain tools, such as the STS (*Storage Transportation Service*) which is considered to be a balancing tool, since it is not identified as such.

#### 4.4.1 STAKEHOLDERS' POSITION

[90] The CFIB proposes to have all customers pay for any costs associated with the operational flexibility required by Gaz Métro.

[91] The IGUA supports this proposal, with the hope that these fees are temporary.

#### 4.4.2 GAZ MÉTRO'S POSITION

[92] Gaz Métro considers that these costs should be covered by all customers<sup>21</sup>.

#### 4.4.3 THE RÉGIE'S OPINION

[93] Until now, the cost of operational flexibility tools could not be disassociated from the cost of transportation and balancing tools. The Régie agrees with the CFIB's proposal and requests that Gaz Métro presents,

<sup>20</sup> Exhibit B-0070, page 37.

<sup>21</sup> Exhibit B-0042, page 179.

for the 2015 rate application at the latest, a proposal for spreading the operating flexibility and distribution costs among all customers as well as a proposal for the pricing of these costs.

#### **4.5 TRANSITION PREMIUM AND POTENTIAL CHARGES FOR CUSTOMERS WHO WILL CONTINUE TO DELIVER TO EMPRESS AFTER NOVEMBER 1, 2015**

##### **4.5.1 GAZ MÉTRO'S POSITION**

[94] Gaz Métro indicates that transferring the delivery point from Empress to Dawn will cause the implementation of transitory measures for customers whose natural gas contracts will expire after November 1, 2015.

[95] One of the measures considered by Gaz Métro in this matter is a transition premium that would cause consumers to be indifferent to the idea of transferring their purchases to Dawn. In fact, after November 1, 2015, customers who are bound by their natural gas contracts to stay with Empress would be clearly better off without this transition fee, because they would have to pay the molecule price to Empress (which is lower than Dawn's molecule cost) and a transportation rate that would likely be equal to the Dawn-GMi-EDA transportation cost<sup>22</sup>. The transition premium would bring the supply and transportation costs back down to the cost of Dawn's supplies, even if their supplies are still delivered to Empress.

[96] If a customer continues to deliver to Empress after November 1, 2015, Gaz Métro could have to incur costs that are otherwise not required to send this customer's natural gas to Dawn. These costs would be closer to the price differential between Empress and Dawn<sup>23</sup>. Furthermore, these costs could otherwise be required if the operating flexibility constraint causes Gaz Métro to keep a transportation amount at Empress that is at least equal to the transportation amount required to transport these customers' natural gas to Dawn.

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<sup>22</sup> Exhibit B-0094, page 6, Table 2 and Exhibit B-0042, page 151, lines 1 to 17.

<sup>23</sup> Exhibit A-0042, page 152, lines 10 to 25 and page 153, lines 1 to 5.

[97] Gaz Métro considers that the transition premium should also reflect, if applicable, the costs that are otherwise not required to send the natural gas to Dawn for customers whose current supply contracts force them to deliver Empress after November 1, 2015,

[98] Gaz Métro mentions that it will no longer offer its transportation service to customers with contracts expiring before November 1, 2015, and who renew supply contracts to Empress for a period going beyond November 1, 2015:

*"Regarding direct purchase customers, Gaz Métro will have to obtain the expiration dates of contracts that are already in place or of commitments already made with suppliers. This information will be mainly required in order to know the level of carrying capacities that will be required to go between Empress and Dawn in order to meet customer commitments, and it will also allow Gaz Métro to have some measure of control over commitments between customers and suppliers that will come to term and that must be transferred to Dawn.*

*When the contracts between customers and suppliers expire, Gaz Métro will not allow these customers to continue delivering to Empress. If such is a customer's desire, he will have to provide his own transportation service and deliver his natural gas directly into Gaz Métro's territory.<sup>24</sup>*

[99] No stakeholder has expressed an opinion on this matter.

#### 4.5.2 THE RÉGIE'S OPINION

[100] In order to maintain fairness among all of its customers, the Régie orders Gaz Métro to apply a transition premium to customers who continue to deliver to Empress after November 1, 2015 because their natural gas contracts have not yet expired. In other cases, the Régie orders the distributor to no longer offer the FTLH transportation service to customers after November 1, 2015.

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<sup>24</sup> Exhibit B-0037, page 38.

[101] Once again, for equity reasons, the Régie shares Gaz Métro's opinion in that this transition premium must have a double effect, namely:

- To bring the supply and transportation costs back down to the cost of Dawn's supplies, even if their supplies are still delivered to Empress
- To make them responsible for any cost, which would otherwise not be required, to direct their natural gas from Empress to Dawn, which will cause the supply and transportation costs for these customers to be the same as Empress'.

[102] In order to communicate this as quickly as possible to the customers who will eventually be affected by the rules governing the transfer of the delivery point for direct purchase customers from Empress to Dawn, the Régie requests that Gaz Métro present, in its next rate application, the specific terms of this transition premium and the modifications to be made to the *Conditions of Natural Gas Service and Tariff* text, while taking into account the orientations previously mentioned.

#### **4.6 TERMS AND CONDITIONS RELATED TO THE ADVANCE NOTICE OF THE DECOMMISSIONING OF THE DISTRIBUTOR'S TRANSPORTATION AND THE ASSIGNMENT OF THE CARRYING CAPACITY HELD BY THE DISTRIBUTOR**

##### **4.6.1 GAZ MÉTRO'S POSITION**

[103] Gaz Métro indicates that the terms and conditions for the advance notice of the decommissioning of the distributor's transportation and for the carrying capacity held by the distributor should be reviewed in conjunction with the project of transferring the supply structure to Dawn.

[104] Due to the commitments made by Gaz Métro that will come into effect on November 1, 2015, and due to the fact that a customer could immediately request to provide his own transportation, the Régie asked Gaz Métro how it was going to deal with this situation in the short term. Gaz Métro indicates that it does not expect many customers to follow this procedure, because the market does not have a high capacity for short distance transportation.



[105] Gaz Métro also contends that it still has flexibility to increase or decrease its capacities<sup>25</sup>.

[106] Finally, Gaz Métro specifies that it cannot deal with this matter in Phase 2 of this application and that the subject will probably be addressed in the next rate application.

#### **4.6.2 THE RÉGIE'S OPINION**

[107] The Régie retains Gaz Métro's position in which it cannot process the terms and conditions regarding the advance notice of the decommissioning of the distributor's transportation and the assignment of the carrying capacity it holds in Phase 2 of this application. Consequently, the Régie orders Gaz Métro to make a proposal for the new terms and conditions regarding the advance notice and the assignment of the carrying capacity held by the distributor in the next rate application.

### **5. SUPPLY PLAN.....**

#### **5.1 TRANSACTION EXCHANGE OF 82,000 GJ/DAY**

##### **5.1.1 GAZ MÉTRO'S POSITION**

[108] On June 26, 2012, Gaz Métro signed an exchange contract for the Dawn-GMi-EDA route with a third party for a 10-year duration, effective November 1, 2013.

This transaction allows 82,000 GJ/day to be sent to GMi-EDA, which is approximately 14% of consumption volumes for the distributor's territory.

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<sup>25</sup> Exhibit B-0042, page 147, lines 19 to 21.

[109] Gaz Métro explains the context of the transaction:

*"The due date to submit a tender for these calls to tender, including the offer for the secondary market, was May 4, 2012.*

*In spite of the fact that these various offers came into effect after the date originally set for the implementation of the new supply strategy, Gaz Métro could not afford to let these opportunities pass by, due to the important gains to be made by the customers affected by them. It therefore made many analyses forecasting the demand for supply for 2013-2015 as well as the transportation contracts already in place in order to establish its strategy and to submit its proposal to Gaz Métro's Board of Directors.*

*Gaz Métro's first decision was to sign the exchange contract between Dawn and GMI EDA on the secondary market for a quantity of 82,000 GJ/day ( $2.164 \times 10^3 \text{ m}^3/\text{day}$ ), effective November 1 2013, for a 10-year duration.<sup>26,</sup>*

[110] In response to a request for information by the Régie, Gaz Métro supplied the following additional information:

*"The initial discussions with the counterparty pertained to the possibility of delivering supplies to GMi-EDA in accordance with a structure from Niagara.*

*[...]*

*However, Gaz Métro concluded that it could not commit to a purchase of network gas on an annual basis of this size on a long-term basis. In fact, network gas is purchased in preponderance during the winter in order to reduce storage needs. Although Gaz Métro plans to purchase an amount of network gas similar to the amount covered by the transaction for a normal year, such a supply signed in advance could create a situation of surplus in the event of a year that is warmer than usual.<sup>27,</sup>*

<sup>26</sup> Exhibit B-0070, page 46.

<sup>27</sup> Exhibit A-0094, pages 1-2.

[111] When questioned on this matter by the Régie during a hearing, Gaz Métro declared that it had not considered a smaller transaction or a transaction with many phases. When invited to explain the reasons for this, the witness invoked the short time frame.

*"Honestly, the idea of putting this transaction together, to divide it into several methods, never came to our minds. We tried to come up with at least one working method that would allow us to secure savings for all of our customers."<sup>28</sup>*

[112] Gaz Métro indicates that it must consider possible migrations between network gas and direct purchasing over the period of the agreement and that it would be unwise to commit to purchasing such quantities for the supply of network gas at Niagara<sup>29</sup>.

[113] Gaz Métro alleges that purchasing network gas at Niagara would also concentrate a large part of molecule purchases with one supplier<sup>30</sup>.

[114] The following answer presents the most economical analysis, according to Gaz Métro, justifying the selection of a supplier at Dawn's price plus transportation to GMI-EDA compared to the cost of procurement from imported natural gas going through Niagara plus transportation to Montreal.

*"The transportation rate with TCPL between Niagara and the GMI EDA area is \$0.5921/GJ while the combined Union/TCPL transportation price for shipping between Dawn – Parkway and Parkway – GMI EDA is \$0.5745/GJ. The price of compression gas required is currently lower for the Niagara – GMI EDA segment than for the other segment. The actual impact of compression gas will therefore depend on the future price of natural gas and on the calculation of the amount of compression gas required for Union and TCPL transportation systems. The overall transportation costs, however, are similar from both points.*

28 Exhibit A-0042, pages 210-211.

29 Exhibit B-0094, page 2.

30 Exhibit B-0094, page 2.

*The molecule price at the Niagara point historically came from Canada. The Niagara molecule thus was more expensive than that of Dawn. The introduction of procurement from the United States should thus modify this dynamic. Gaz Métro believes that the pricing structure agreed upon with the counterparty adequately reflects this market dynamic.<sup>31</sup>*

[115] When questioned during a hearing, Gaz Métro admitted that, based on “futures” and taking transportation costs into account, the cost of natural gas delivered to GMi-EDA from Niagara would be less expensive than that which is delivered from Dawn. Gaz Métro nevertheless indicated that this was not certain<sup>32</sup>.

[116] Gaz Métro claims that it does not know about the flow over the past few years of the 10 pipelines that feed into Dawn. It also admits that it does not know about the physical installations required to send natural gas from Marcellus to Dawn<sup>33</sup>. When questioned to know if it had evaluated the risk of having a higher price difference between Niagara and Dawn, the distributor gave the following answer:

*“Well, listen, once again, Gaz Métro does not make any price predictions. We look at what the market is forecasting. And so what you see in terms of price differences in the curves is based on the market forecasts for these various points, and this is the result.*

*So, does Gaz Métro know everything that is going on in the market? Of course not, we don't know. We will never know. We haven't even made any forecasts for these points, we do not deal with Niagara. The structure we implemented is not a structure that begins in Niagara. You may ask me these questions concerning any geographical location: “Why didn't you try to implement a structure beginning in Chicago? Why not from Boston?”*

[...]

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<sup>31</sup> Exhibit B-0094, page 2.

<sup>32</sup> Exhibit B-0042, page 219.

<sup>33</sup> Exhibit B-0093, page 14.

*With that being said, Gaz Métro will not second-guess the market as to what the price will be at a certain geographic location. We go into the market, and we ask people "in your opinion, what are the price expectations?" and we see what kind of results we get. Once again, will these differences reflect reality? We will only know in two thousand sixteen (2016) what the prices were in two thousand fifteen (2015).<sup>34,</sup>*

[117] In its argument, Gaz Métro summarizes its position as follows:

*"The matter of knowing if the decision to proceed at this exchange transaction was correct from a financial standpoint was raised during hearings.*

*[...]*

*As for me, in the evidence, it is not disputed that the exchange transaction has helped saved a substantial amount for our customers. Specifically, this amount is twenty-two point three million (\$22.3 million) in two thousand fourteen (2014), and twenty-three point eight million (\$23.8 million) in two thousand fifteen (2015).*

*Furthermore, the price of the transaction, which was... - This price was disclosed in confidence. You have this information in your hands. - Proves that Gaz Métro took advantage of the market opportunities, to the full advantage of the customers. I also will reiterate that Gaz Métro does not benefit from this transaction.<sup>35,</sup>*

### 5.1.2 THE IGUA'S POSITION

[118] The IGUA did not directly address the issue of the exchange transaction of 82,000 GJ/day. However, it presented various information and concerns regarding procurement at Dawn.

[119] In regards to the price comparison for natural gas delivered to Montreal from Niagara and Dawn, the IGUA indicates the following:

<sup>34</sup> Exhibit A-0042, pages 227-229.

<sup>35</sup> Exhibit A-0050, page 14.

*"According to transportation costs, it could be expected that the price from Niagara would be approximately \$0.06/GJ, which is lower than Dawn's price.*

- The Niagara-Kirkwall TCPL price proposed for 2013 is approximately \$0.13/GJ.*
- The price for Union Gas Dawn – Kirkwall is currently \$0.065/GJ.*

*In fact, when one observes the regional price curves supplied by Gaz Métro (Niagara) and the price curve for Dawn, one notices a difference of approximately \$0.05/GJ in May 2015 between Dawn and Niagara, which is relatively similar to the difference in transportation costs. Thus, a supply solution at Dawn is equivalent to one at Niagara.*

*The price curve for Dawn probably presumes that new transportation infrastructures will connect the Marcellus/Utica and Dawn productions. If these infrastructures are delayed and TCPL is late in introducing competitive long haul prices and innovative products, the Niagara supplier will be in a position to request a premium for his Niagara/GMI EDA service.<sup>36,</sup>*

[120] In regards to the outlooks for the supply situation at Dawn, the IGUA presents the following observations:

*"In this scenario, two of the ten gas pipelines feeding into Dawn are no longer interesting – TCPL Dawn and TCPL Parkway. Furthermore, two of the other gas pipelines are connected to the underground storage exits and these represent very large quantities. Only Vector and a few small gas pipelines remain to supply the current request at Dawn. Hence the IGUA's concerns, as expressed in its evidence.<sup>37,</sup>*

[121] Finally, the IGUA expresses its appreciation for the various supply perspectives by importing natural gas from Marcellus to Niagara:

*"I'm taking the third pipeline, the Kirkwall TCPL. And this is for importing natural gas from Niagara or Chippewa. For now, its capacity is approximately four hundred terajoules (400 TJ/day) per day, and it is currently dedicated to the Ontario market. And to unlock additional capacities, because we know that in the US, there are several projects to provide for Niagara and Chippewa*

<sup>36</sup> Exhibit C-ACIG-0010, page 7.

<sup>37</sup> Exhibit C-ACIG-0010, page 6.

*from Marcellus' production, but in order to unlock most capacities, ten (10) year contracts will be required to unlock such a capacity.<sup>38,</sup>*

## 5.2 THE RÉGIE'S OPINION

### 5.2.1 EXCHANGE TRANSACTION OF 82,000 GJ/DAY

[122] The Régie finds that the exchange transaction of 82,000 GJ/day is important. It is set over a period of 10 years and can send a volume of natural gas to GMI-EDA evaluated by the Régie to be approximately 14% of the annual needs of the territory served by Gaz Métro.

[123] The Régie, in order to ensure that the supply plan is maximized, must be able to evaluate the proposal retained by Gaz Métro in regards to possible alternative solutions.

[124] In the case of this transaction, it was established that natural gas would be imported to Niagara and that the transaction could have been in the form of procurement from Niagara.

[125] Gaz Métro affirms that such an agreement would create a situation where there would be a supply surplus in the event of a year that is warmer than usual. The Régie notes that when the distributor's supply came mainly from Empress for network gas, there was a surplus of FTLH transportation during years that were warmer than usual, which the distributor sold on the secondary market. The Régie observes that Gaz Métro has not given any details as to the size of this surplus, or of the potential financial consequences of such a surplus. This information could have allowed the Régie to appreciate the practical relevance of this constraint.

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<sup>38</sup> Exhibit B-0046, page 192.

[126] The distributor also describes the possibility of migration for the network gas service volumes toward direct purchasing. The distributor indicates that there has not been this type of significant migrations over the last few years when the network gas price was significantly higher than the direct purchase gas. The Régie observes that the distributor gave no evidence regarding the size of potential future migrations, considering the current level of network gas sales and the current considerable price difference between network gas and direct purchase gas.

[127] The Régie must come to the conclusion that the distributor has not considered a smaller transaction or one that contains several sections.

[128] The Régie rejects Gaz Métro's argument that purchasing from Niagara would concentrate a large portion of molecule purchases with one supplier. The exchange transaction, as presented by Gaz Métro, produces the same result: natural gas delivered to GMi-EDA comes from only one supplier.

[129] The Régie notes that, based on the IGUA's analysis of "Future" prices and on transportation rates, the price of natural gas delivered to GMi-EDA from Niagara would be slightly less than the price of natural gas delivered to GMi-EDA from Dawn, even when taking into account the exchange transaction price.

[130] The Régie understands from Gaz Métro's evidence that the installations required in the United States to supply Niagara and Chippawa as well as the installations required in Canada from Niagara to Parkway have been completed or are in the process<sup>39</sup>.

[131] The Régie notes that Gaz Métro did not have the information concerning the flow over the last years for the 10 pipelines currently feeding into Dawn, nor does it have the forecasts for the upcoming years.

[132] The Régie is sensitive to the concerns raised by the IGUA regarding the price differences that could occur if the completion installations that will send the gas from Marcellus and Utica to Dawn were to be delayed.

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<sup>39</sup> Exhibit B-0062, page 19, lines 19 to 31.



[133] The Régie observes that the distributor did not carry out any risk studies concerning the price difference between Niagara and Dawn or any other risk and sensitivity studies.

[134] Furthermore, the Régie considers that the possible diversification of supply sources is also a fundamental aspect that was ignored in the evaluation of alternatives.

[135] The Régie is concerned by the fact that the distributor did not consider that procurement from Niagara was a serious alternative to procurement from Dawn nor that risk studies were required for such a transaction:

*"I would say that it is a fair affirmation within a structure based on a Niagara price, but that is not what we have established. Thus, since what we have concluded with the counterparty is a price for an exchange contract between Dawn and the franchise, the pricing structure at Niagara and the market dynamics at Niagara are not important at that level."<sup>40</sup>*

[136] The Régie reiterates that apart from the principle of healthy management which requires an analysis of alternatives and of risk analyses during important decisions, the Regulation regarding the contents and frequency of the supply plan mentions in Article 1 that:

*"The supply plan that any holder of exclusive natural gas rights must prepare and submit for the Régie of Energy's approval must contain the following information:*

*[...]*

*3° The holder's objectives as well as the strategy that it plans to implement [...] concerning additional supplies required as identified in Sub-paragraph C of Paragraph 2°, and the characteristics of contracts that it expects to conclude, by defining, amongst other things:*

- a) The various products, tools, or measures planned*
- b) The risks resulting from the choice of supply sources*

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<sup>40</sup> Exhibit A-0042, page 222.

*c) The measures that it hopes to take to reduce the impact of risks*  
[...]<sup>41</sup>„

[137] The Régie considers that these expectations applicable to supply plans become the absolute minimum requirements when it comes to presenting a contract for which the characteristics and risks have not been the object of prior discussions in the application dealing with the supply plan.

[138] The Régie notes that Gaz Métro is seeking to decrease its vulnerability through a transaction carried out at a very liquid point. Nevertheless, the Régie considers that there was more than one solution to reduce the vulnerability caused by receiving supplies from Empress and that the problem was not limited to a decision between Empress and Dawn as in the case of tenders presented to TCPL and Union.

[139] The analysis of the problem of choosing between Empress and Dawn demonstrates that the Dawn solution dominates the Empress solution in that it is the solution that is currently considered to be the most flexible and economical. The characteristic considerably lightens the burden of the evidence associated with risk analyses. It is in this context that the Régie was satisfied, in the case of tenders accepted by TCPL and Union, by the evidence that these transactions help forecast cost reductions without running any major risks.

[140] The Régie is not in a position to voice an opinion as to which transaction is most profitable, and it has no reason to do so either. However, based on the evidence of the application and for all of the aforementioned reasons, the Régie concludes that the decision regarding the conclusion of an exchange contract of 82,000 GJ/day was not made carefully.

[141] During the conclusion of an important transaction, the Régie expects alternate solutions to be identified and complete profitability studies to be completed. The advantages and risks associated with these various alternative solutions should be discussed, analyzed, and evaluated.

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<sup>41</sup> (2001) 133 G.O. II, 6038.

[142] Consequently, the Régie orders the distributor to submit a follow-up report for this transaction for the next ten years as part of the annual report examination. This follow-up report shall contain the following information:

- The index of prices at Dawn and Niagara as well as the difference between these two indexes
- The unit cost of transportation for the Dawn-GMi-EDA segment
- The unit cost of transportation for the Niagara-GMi-EDA segment
- The unit cost of compression gas for these two transportation segments
- The total unit cost for supplies, transportation, and compression for each of these points, as well as the difference in costs between these points
- The difference in total cost for these two points evaluated on the contractual amount, which is 82,000 GJ/day.

### 5.2.2 MARKET PERSPECTIVES AT DAWN

[143] The Régie notes that Gaz Métro was not in a position to respond to a request for information formulated by the IGUA: *Compare the capacity for these ten gas pipelines to deliver to Dawn to the historical quantities (2009, 2010 and 2011) delivered to Dawn by these ten pipelines.*

[144] Within the context of the transfer of the supply structure to Dawn and the flexibility resulting from it, the Régie considers that it is useful to illustrate, for the benefit of the stakeholders and that of the Régie, the perspectives of supply at Dawn over the next few years and their potential impact on annual supply plans.

[145] In this perspective, the Régie orders the distributor to present, in the next rate application, an external summary study containing:

- The delivery capacity of the ten gas pipelines feeding into Dawn for the next few years and a comparison to the real quantities delivered in 2009, 2010, 2011 and 2012
- The delivery capacity shall take into account the availability at competitive prices.
- A follow-up of the development of projects connecting the production from Marcellus and Utica to Dawn.

[146] Furthermore, the distributor shall take this study into account when establishing its supply plan for 2014-2017.

### 5.2.3 SUPPLY CONTRACTS NEAR PRODUCTION SOURCES

[147] Furthermore, the Régie notes that the distributor does not seem to expect to sign long-term supply contracts nearer to the production sites. It instead suggests trusting market strengths<sup>42</sup>.

[148] The Régie considers that the distributor has not yet presented any convincing arguments in this regard. The Régie deems that there is no reason to set aside the idea of contracts near production sources. This type of solution could secure more supply in an importing context. It is somewhat similar to the strategy used by several American buyers of Canadian natural gas<sup>43</sup>. This type of solution could also, depending on the price index retained, turn out to be more interesting or at least provide healthy diversity to the distributor's contract portfolio.

[149] Consequently, the Régie orders Gaz Métro to consider this alternative and to report on this in the next supply plans. It is open, if necessary, to express its opinion quickly concerning possible large-scale commercial proposals.

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<sup>42</sup> Exhibit B-0039, page 7.

<sup>43</sup> Exhibit B-0008, page 4.

### 5.3 DIVERSIFICATION OF INDEXES FOR ADVANCE PURCHASES AT DAWN

#### 5.3.1 GAZ MÉTRO'S POSITION

[150] In decision D-2011-153 pursuant to the 2012 rate application, the Régie requested Gaz Métro to *"proceed with a significant diversification of indexes on which the natural gas transactions could be based and to adjust the financial products program in consequence."*<sup>44</sup>

[151] In its request in this application, Gaz Métro indicates that the use of the AECO index will be reviewed during the transfer of the supply structure to Dawn. At that time, Gaz Métro will evaluate if this index or another index, such as Nymex or Dawn, would be more appropriate when setting the natural gas prices contracted in advance. The analysis of this item shall also take into account the derivative financial product program and it shall adapt it to reflect any modifications, if necessary<sup>45</sup>.

[152] In response to one of the Régie's questions, Gaz Métro affirms that the operating method is not an obstacle for the use of indexes other than AECO for the purchase of natural gas from Dawn<sup>46</sup>.

[153] In response to another of the Régie's questions, namely, whether it will be possible to present a concrete strategy in the 2014 rate application, the distributor gives the following answer:

*"Gaz Métro deems that so long as the distributor's supply price is evaluated at Empress, there is no reason to modify the use of the AECO index."*

*As mentioned in the exhibits, Gaz Métro shall analyze this aspect of the use of indexes, as well as the impact on the financial derivative program, in conjunction with the project of transferring the supply structure to Dawn.*

<sup>44</sup> Decision D-2011-153, Application R-3752-2011, page 6, Paragraph 19.

<sup>45</sup> Exhibit B-0020, page 48.

<sup>46</sup> Exhibit B-0037, page 13.

*In the 2014 Rate Case, a progress report on the various reflections shall be presented to the Régie, including the aspects regarding the supply price.<sup>47</sup>*

[154] Furthermore, in Decision D-2011-153, the Régie also requested the distributor to present a comparison of monthly prices at Dawn and monthly prices of Gaz Métro's purchases carried out at Dawn for each of the last five years available.

[155] This comparison demonstrates that the price of purchases, according to the AECO index, made by Gaz Métro have been often higher than the Dawn index since November 2009. In fact, the difference over the period spanning November 2009 - August 2011 was approximately \$17 million.

[156] In response to a question by the Régie asking if the cost difference assumed by the customers was sufficient reason to proceed as quickly as possible with a diversification of indexes on which the natural gas purchases at Dawn are based, the witness concurred with the distributor's position: Gaz Métro deems that so long as the distributor's supply price is evaluated at Empress, there is no reason to modify the use of the AECO index.

[157] Among the other reasons invoked, Gaz Métro claims that there is already a certain measure of diversity, since it regularly purchases natural gas on the spot market at Dawn's price<sup>48</sup>.

### 5.3.2 THE RÉGIE'S OPINION

[158] When the Régie rendered its decision regarding the 2012 rate application, it implicitly granted a certain latitude to the distributor to act by not imposing a specific completion schedule for the diversification of indexes or a minimum percentage for such a diversification.

[159] However, the Régie finds that Gaz Métro has not yet followed up on this decision.

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<sup>47</sup> Exhibit B-0071, page 14.

<sup>48</sup> Exhibit B-0042, page 206.

[160] The distributor established that the operating method did not constitute an obstacle to the use of indexes other than the AECO index.

[161] Furthermore, the Régie considers that the comparison of Gaz Métro's purchase prices based on the AECO index to the Dawn index since November 2009 indicates that there is no reason to keep using the AECO index for 100% of purchases made with the index. To the contrary, the Régie instead believes that it is urgent to begin significantly diversifying.

[162] The Régie also notes that Gaz Métro could have made this observation itself as early as October 2011, which was the moment when the Régie's decision was given.

[163] The Régie rejects Gaz Métro's argument, claiming that spot sales constitute a diversification that complies with the spirit of decision D-2011-153.

[164] The Régie also rejects Gaz Métro's argument claiming that it would be preferable to wait to use Dawn more before acting. The Régie stresses that there is expected to be an 85% proportion of network gas that will be purchased at Dawn in 2013.

[165] For all these reasons, the Régie orders Gaz Métro to submit, in the next rate application, a full diversification strategy of indexes on which the advance purchases from Dawn are made. The Régie considers that this diversity must be created as quickly as possible. Consequently, this strategy shall allow the first significant diversification step to be completed in the fall of 2013, and these indexes shall be used by Gaz Métro to carry out advance purchases at Dawn.

## **5.4 ENTRY AND EXIT CONDITIONS FOR NETWORK GAS**

### **5.4.1 GAZ MÉTRO'S POSITION**

[166] In response to one of the Régie's questions, Gaz Métro presented a table indicating the changes in volumes and the number of customers for each service:

network gas, direct purchase, and transportation service<sup>49</sup>. This table shows that between 2006 and 2012, the proportion of network gas sales went from 42% to 32% of total volumes.

[167] Gaz Métro does not conclude that there was a significant migration from network gas volumes toward direct purchasing<sup>50</sup>.

[168] Currently, in order to deal with migrations between various services, a six-month notice is required for entry to and exit from network gas. However, upon start-up the customer may pay migration fees in order to avoid the six-month notice. These fees are equal to the value of hedging positions at the market price applicable at 6/12 of the normalized annual consumption.

[169] When asked about the issue of fairness regarding migrations between network gas and other services and the establishment of exit fees to compensate for this issue, Gaz Métro mentions that due to the hedging that it took in conjunction with its derivative products program, *"If we had wanted a perfect situation, we would need customers to give us a four-year advance notice. This does not seem reasonable in a market where we want our customers to have options and to be able to make their own decisions regarding their supply structure..."*<sup>51</sup>.

#### 5.4.2 STAKEHOLDERS' POSITION

[170] OC, which represents customers who mainly purchase network gas, says that it is preoccupied by migrations between direct purchase and network gas. It requests that the Régie orders Gaz Métro to offer fair solutions to reduce migration and mitigate its impact.

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<sup>49</sup> Exhibit B-0102, pages 1-2.

<sup>50</sup> Exhibit B-0042, pages 107-111.

<sup>51</sup> Exhibit B-0042, page 114.



### 5.4.3 THE RÉGIE'S OPINION

[171] The Régie notes that a significant portion of network gas customers is captive. In fact, due to the low consumption level, these customers, in practice, do not have access to other supply services, such as direct purchasing. On the other hand, other customers with higher consumption levels can, in practice, enter into or exit from the network gas service according to the regulations applicable in the *Conditions of Natural Gas Service and Tariff*.

[172] In light of this situation, the Régie finds that when migrations take place, it is ultimately captive clients who pay the financial consequences<sup>52</sup>. These consequences are generally negative, involving a higher cost. In fact, exit migrations tend to occur when the network gas price is higher than the market price, while entry migrations occur when the price of network gas is lower than the market price. This finding was confirmed by the distributor.

[173] The Régie considers that, if the financial derivatives protection program is to continue, the entry and exit terms must be reviewed in order to more adequately protect customers who are captive to network gas service. For example, entry and exit migrants could have a choice between a waiting period and fees when applicable. Thus, for example, the waiting period could be 24 months or migration fees calculated over 24 months of protection.

[174] Consequently, the Régie orders the distributor to submit new entry and exit terms for network gas in the next rate application, in order to more adequately protect customers who are captive to this service.

## 5.5 BIOGAS SUPPLY

### 5.5.1 S.É./AQLPA'S POSITION

[175] S.É./AQLPA questions the legitimacy of Gaz Métro's prediction that the amount of biogas available for supply will decrease.

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<sup>52</sup> Exhibit B-0042, page 112.

[176] The stakeholder recommends that Régie requests Gaz Métro to include, in the 2013-2015 supply plan, the biogas supply quantities for all projects in Québec that are expected to be implemented between now and September 30, 2015<sup>53</sup>.

[177] During the hearing, the stakeholder indicates that it believes that the new development projects for biogas from Québec that could supply Gaz Métro's main network should be considered, even if they have not yet been approved by the Régie. It specifies that the exclusion of biogas found in Article 2 of the *Act respecting the Régie de l'énergie*<sup>54</sup> (the Act) only applies if the biogas can be distinctly identified when it is delivered to a consumer through pipes.

### 5.5.2 GAZ MÉTRO'S POSITION

[178] The distributor indicates that if new potential contracts are approved and move forward, it will adapt its supply plan accordingly. It specifies that its approach, when setting up the supply plan, is to go with what has been confirmed at the time that the rate application is prepared<sup>55</sup>.

[179] In its answer, the distributor explains that even though the S.É./AQLPA's recommendation pertains to biogas, the question raised with this recommendation is to know whether or not Gaz Métro shall account for the tools resulting from an investment project that isn't even sure to occur in its supply plan<sup>56</sup>.

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<sup>53</sup> Exhibit C-SÉ-AQLPA-0011, page 23.

<sup>54</sup> L.R.Q., c. R-6.01.

<sup>55</sup> Exhibit A-0030, page 46.

<sup>56</sup> Exhibit A-0050, page 270.

### 5.5.3 THE RÉGIE'S OPINION

[180] The Act reads:

*"1. This Act applies [...] to transportation, distribution and storage of natural gas delivered or intended to be delivered through pipes to a consumer.*

*[...]*

*2. In this Act, unless the context implies something different, we understand;*

*[...]*

*"natural gas" to mean gaseous or liquid methane, except for biogas and synthetic gas;"*

[181] The Régie rejects the S.É./AQLPA's recommendation. It believes that this recommendation cannot be considered due to the content of the Act. In fact, the Régie considers that the Act does not allow it to impose on Gaz Métro the obligation to include biogas in its supply, as this type of gas is specifically excluded from the definition of natural gas mentioned in the Act.

[182] In spite of its conclusion, the Régie does not give an opinion on the distributor's capacity to include in its natural gas supply plan natural gas that can be used for consumption, no matter what its origin is. Furthermore, the Régie reiterates that in the terms of the *Conditions of Natural Gas Service and Tariff*, the gas injected in the Gaz Métro network must follow the quality criteria set by TCPL, no matter its origin.

### 5.6 2013-2015 SUPPLY PLAN

[183] In Decision D-2012-158, the Régie approved the supply plan for 2013, subject to the guidelines mentioned in Decision D-2012-136 regarding the renewal of the 116,10<sup>6</sup>m<sup>3</sup> of Union's storage capacities, expiring on April 30, 2013. It reserved its decision regarding the supply plans for 2014 and 2015.

[184] Considering all of the elements of this decision, the Régie approves the supply plan for 2014 and 2015.

## **6. FOLLOW-UP OF DECISION D-2011-182**

[185] Pursuant to Decision D-2011-182<sup>57</sup>, Gaz Métro provides the historical evolution and the value of "Futures" for location differentials compared to Henry Hub for various natural gas exchange points located in the Northeastern United States<sup>58</sup>.

[186] Gaz Métro requests the Régie to declare that the information thus provided satisfies the follow-up requested.

[187] Pursuant to Decision D-2011-153, Gaz Métro provides, for each of the last five years, a comparison between the average price of its purchases from Dawn, weighted by the volumes purchased, on the one hand, and the monthly prices at Dawn according to a published index, on the other hand. Gaz Métro requests the Régie declares that this comparison satisfies the follow-up requested<sup>59</sup>.

[188] In this regard, Gaz Métro also submits a table for Exhibit B-0092, page 27.

[189] The Régie declares that the documents submitted by Gaz Métro satisfy the required follow-up.

[190] The Régie requests that Gaz Métro continues these follow-ups and that it presents the information in the next rate application. However, the Régie requests that the follow-up regarding the price of purchases at Dawn be submitted in the same format as Exhibit B-0092.

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<sup>57</sup> Application R-3752-2011.

<sup>58</sup> Exhibit B-0006.

<sup>59</sup> Exhibit B-0019.

[191] For these reasons,

**The Régie de l'Énergie:**

**APPROVES** Gaz Métro's supply plan for 2014 and 2015, including the strategy for transferring the supply structure from Empress to Dawn, with the specifications and modifications made in this decision

**MAINTAINS** the use of the operation method approved in Decision D-2011-162 for rate years 2013, 2014 and 2015

**ORDERS** Gaz Métro to comply with all of the conclusions and decisions set forth in this decision.

Marc Turgeon  
Commissioner

Jean-François Viau  
Commissioner

Françoise Gagnon  
Commissioner

**Representatives:**

- Industrial Gas User's Association (IGUA) represented by Mr. Guy Sarault
- Canadian Federation of Independent Business (CFIB) (Quebec chapter) represented by Mr. André Turmel
- Groupe de recherche appliquée en macroécologie (GRAME) represented by Ms. Geneviève Paquet
- Option consommateurs (OC) represented by Mr. Éric David
- Regroupement des organismes environnementaux en énergie (ROÉE) represented by Mr. Franklin S. Gertler
- Regroupement national des conseils régionaux de l'environnement du Québec (RNCREQ) represented by Ms. Annie Gariépy
- Gaz Métro Limited Partnership (Gaz Métro) represented by Mr. Vincent Regnault and Mr. Hugo Sigouin-Plasse
- Stratégies énergétiques and Association québécoise de lutte contre la pollution atmosphérique (S.É./AQLPA) represented by Mr. Dominique Neuman
- TransCanada Energy Ltd. (TCE) represented by Mr. Pierre Grenier
- TransCanada Pipelines Limited (TCPL) represented by Mr. Pierre Grenier
- Union des consommateurs (UC) represented by Ms. Hélène Sicard
- Union des municipalités du Québec (UMQ) represented by Mr. Steve Cadrin.

TAB 23

**Shorts, Chris**

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**From:** Lisa DeAbreu [lisa\_deabreu@transcanada.com]  
**Sent:** May-28-12 5:43 PM  
**To:** Shorts, Chris  
**Subject:** Notification from TransCanada's 4May12 New Capacity Open Season  
**Attachments:** Union Bid Acceptance TC NCOS 4May2012 10000.pdf; Union Bid Acceptance TC NCOS 4May2012 100000.pdf

Good afternoon Chris,

As per your discussion with Don Bell, attached please find two letter regarding the acceptance of Union Gas's two bids in TransCanada's new capacity open season that closed May 4, 2012.

If you have any questions, please feel free to contact me at the below noted numbers or Don Bell at 416-869-2191.

Regards,

Lisa

*Lisa DeAbreu  
Customer Account Manager  
Canadian Pipelines, Commercial Gas  
Phone: 416-869-2171  
Cell: 416-371-5078*

This electronic message and any attached documents are intended only for the named addressee(s). This communication from TransCanada may contain information that is privileged, confidential or otherwise protected from disclosure and it must not be disclosed, copied, forwarded or distributed without authorization. If you have received this message in error, please notify the sender immediately and delete the original message. Thank you.





May 28, 2012

200 Bay Street, 24<sup>th</sup> Floor  
Toronto, Ontario, Canada M5J 2J1  
tel. 416-869-2171  
fax 416-869-2119  
email [lisa\\_desbroux@transcanada.com](mailto:lisa_desbroux@transcanada.com)  
web [www.transcanada.com](http://www.transcanada.com)

Union Gas Limited  
50 Keil Drive North  
Chatham, Ontario  
N7M 5M1

**Attention: Chris Shorts**  
**Director, Gas Supply**

Dear Chris,

This letter acknowledges receipt of the following bid from Union Gas Limited ("Union Gas") in response to TransCanada PipeLines Limited's ("TransCanada") New Capacity Open Season ("NCOS") which closed on May 4th, 2012:

- 100,000 GJ/d of Firm Transportation ("FT") service from Union Parkway Belt to Union EDA, commencing November 1, 2014 and expiring October 31, 2024 (the "Requested Service").

TransCanada is pleased to accept Union Gas's bid for the Requested Service subject to the removal of the conditions contained in the bid and included in the cover letter to the bid.

TransCanada anticipates that the flexibility of the Precedent Agreement ("PA") will accommodate Union Gas's requirement to obtain its necessary internal approvals for this bid, and to manage its requirement for upstream transportation. The PA allows a Service Applicant to declare an Event of Cancellation at any time. Additionally, Union Gas will have 30 days to execute the PA once it is received from TransCanada. A spend profile for the project will be provided to Union Gas with the PA, which will allow Union Gas to manage its exposure to the liability of the agreement if either the internal approvals have not yet been received or if the Union Gas capacity has not been secured. TransCanada does not expect to incur appreciable costs until August 2012 which will give Union Gas additional time to accommodate these requirements.

With respect to the condition requiring TransCanada to build facilities between Parkway and Maple, TransCanada expects that incremental facilities will be required between Parkway and Maple and possibly at other locations on its system to accommodate all of the requests from the NCOS.

A Precedent Agreement ("PA") and Financial Assurances Agreement ("FAA") will be sent to you within a few weeks. As per TransCanada's Transportation Access Procedures and the NCOS posting, Union Gas will have 30 days to execute the PA and FAA following its receipt of the executable versions.

We look forward to working with you to meet your transportation requirements.

Regards,



Lisa DeAbreu  
Customer Account Manager  
Mainline East, Canadian Pipelines

TAB 24



October 23, 2012

Mr. Don Bell  
Director, Commercial – East Canadian Pipelines  
TransCanada Pipelines Limited  
200 Bay Street  
24<sup>th</sup> Floor, South Tower  
Toronto, ON M5J 2J1

Dear Don:

**Re: TCPL Letter dated September 14, 2012 informing Union of delay in service from Nov 1, 2014 to no earlier than Nov 1, 2015**

As a follow up to your letter noted above which outlines the fact that TCPL will not be able to meet the expected November 1, 2014 in service date for Union's Parkway belt to Union EDA and Parkway belt to Union NIDA requests, I am concerned with the delay and the impact to Union and its customers. There was considerable effort on Union's part to get the necessary approvals to move forward with this request for 2014 which included approvals from the Spectra Board of Directors.

Your letter explains that the delay is due to the fact that "the required facilities cannot be installed prior to November 1, 2015". Please identify specifically, those facilities in question and the reasons why the original Nov, 2014 cannot be met. This will allow for us to understand the infrastructure that a 10 year commitment would be in support of. Also, please indicate what facilities will be required for the 2015 in-service (if different than above) together with a discussion of why TCPL believes they will be installed in a timely manner.

Given the importance of this service request Union requires as much information as possible to determine how best to serve its customers interests.

Also, please provide an updated spend schedule related to this delay.

I look forward to receiving this information so Union can continue to support the critical infrastructure TCPL needs to construct.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris'.

Chris Shorts  
Director, Gas Supply

TAB 25

THIS MEMORANDUM OF UNDERSTANDING is made the 28<sup>th</sup> day of January, 2013.

**BETWEEN:**

**TRANSCANADA PIPELINES LIMITED**, a corporation  
organized under the laws of Canada ("TransCanada"), and

**ENBRIDGE GAS DISTRIBUTION INC.**, a corporation  
incorporated under the laws of Ontario ("Enbridge").

**RECITALS:**

- A. TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points past the international border with the United States (the "TransCanada System"). TransCanada utilizes the capacity on the TransCanada System and from firm service transportation entitlements on other natural gas transmission systems.
- B. In May 2012, TransCanada held a New Capacity Open Season for natural gas transportation services on the TransCanada System (the "May 2012 NCOS"). Due to commitments received from participants in the May 2012 NCOS, TransCanada is proposing to expand the TransCanada System capacity between Parkway and Maple to accommodate incremental firm service transportation contracts to meet these commitments.
- C. In December 2012, Enbridge filed a leave to construct application with the OEB to increase natural gas supply and reliability of natural gas distribution service to the Greater Toronto Area (the "GTA Project"). As part of the GTA Project, Enbridge is seeking approval from the OEB to construct a new section of NPS 36 pipeline originating in the vicinity of the Parkway gate stations and terminating at Enbridge's Albion district station (the "Enbridge Pipeline").
- D. In an effort to provide greater certainty with respect to the efficient development of natural gas infrastructure in Enbridge's Greater Toronto Area distribution franchise (the "GTA") and for the reasons set out in Section 2.1, the Parties wish to enter into the transactions contemplated in this MOU, subject to the terms and conditions outlined in this MOU.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

## ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

### 1.1 Definitions

Whenever used in this MOU, the following words and terms have the meanings set out below:

**"Actual Costs"** shall have the meaning given to it in Section 3.2(c).

**"Affiliate"** means any Person that, directly or indirectly:

- (i) controls a Party;
- (ii) is controlled by a Party; or
- (iii) is controlled by the same Person that controls a Party,

it being understood and agreed that for purposes of this definition the terms "controls" and "controlled by" shall mean the power to direct or cause the direction of the management and policies of another Person whether through the ownership of shares, a contract, trust arrangement or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes, with respect to the control of or by a corporation or partnership, the ownership of shares or equity interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly, as contemplated above.

**"Albion Meter Station"** means a measurement station at the Albion district station.

**"Application Amendment"** shall have the meaning given to it in Section 3.2(b).

**"Banking Day"** shall have the meaning given to it in the Tariff.

**"Bram West"** shall have the meaning given to it in Section 3.1(a)(i).

**"Bram West CDA"** shall have the meaning given to it in Section 3.1(a)(iii).

**"Bram West CDA Service Contracts"** shall have the meaning given to it in Section 3.2(f)(i).

**"Bram West Interconnect"** shall have the meaning given to it in Section 3.1(a)(i).

**"Confidentiality Agreement"** means the confidentiality agreement dated February 14, 2011, between TransCanada and Enbridge, as amended from time to time.

**"Election #1"** means the election described in Schedule "A".

**"Election #1 Option"** shall have the meaning given to it in section 1 of Schedule "A".

**"Election #2"** means the election described in Schedule "B".

**"Election #2 Option"** shall have the meaning given to it in section 1 of Schedule "B".

**"Election #2 Option Date"** shall have the meaning given to it in section 1 of Schedule "B".

**"Election #3"** means the election described in Schedule "C".

**"Election Date"** shall have the meaning given to it in Section 3.1(c).

**"Enbridge Authorizations"** shall have the meaning given to it in Section 4.2(a).

**"Enbridge Long Haul FT Contracts"** means Enbridge's existing long haul firm transportation service contracts on the TransCanada System.

**"Enbridge Maple Pipeline"** shall have the meaning given to it in section 1 of Schedule "C".

**"Enbridge Pipeline"** shall have the meaning given to it in the recitals.

**"Enbridge Pipeline Costs"** means the reasonably (or prudently) incurred internal and third party costs, expenses and charges of Enbridge arising from, attributable to or incurred in respect of the development and construction of the Enbridge Pipeline, calculated in a manner consistent with capital costs forming part of a regulated rate base, as depreciated, as applicable.

**"Estimated Costs"** shall have the meaning given to it in Section 3.2(b).

**"Firm Transportation Service"** shall have the meaning given to it in the Tariff.

**"GJ"** means gigajoule, being 1,000,000,000 joules and include the plural as the context requires.

**"Governmental Authority"** means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal, dispute settlement panel or body or other law, rule or regulation-making entity (a) having or purporting to have jurisdiction on behalf of any nation, province, state or other geographic or political subdivision thereof; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

**"GTA" and "GTA Project"** shall have the meaning given to those terms in the recitals.

**"Hamilton Line"** means a pipeline comprised primarily of NPS 20 and NPS 36 pipe that connects to TransCanada's high pressure Kirkwall Niagara line at a point near Hamilton and extends between Hamilton and Enbridge's Parkway meter station near Toronto and will allow sourcing of natural gas from Niagara Falls or Chippawa and delivery of gas to Toronto at the new Parkway Enbridge CDA.



**"Laws"** means applicable statutes, by-laws, rules, regulations, orders, ordinances or judgments, in each case of any Governmental Authority.

**"Linepack"** means the initial gas purchased at the time the pipeline is placed into service for the efficient operation of the Enbridge Pipeline.

**"Maple"** means at or near TransCanada's compressor Station 130 located at Lot 29, Concession 6.

**"Maple Interconnect"** means the interconnect facilities to be located upstream of Maple on the TransCanada System.

**"May 2012 NCOS"** shall have the meaning given to it in the recitals.

**"MOU"** means this MOU, including all schedules and all amendments or restatements as permitted, and references to an "Article" or "Section" mean the specified Article or Section of this MOU.

**"NEB"** means the National Energy Board.

**"New Capacity Open Season"** shall have the meaning given to it in the Tariff.

**"Notice"** shall have the meaning given to it in Section 6.1.

**"OEB"** means the Ontario Energy Board.

**"Parkway"** means in the vicinity of 6626 9<sup>th</sup> Line, Mississauga, Ontario.

**"Parkway Enbridge CDA"** means a new single point distributor delivery area created by removing the Parkway Enbridge meter station located on the TransCanada System from the existing Enbridge CDA.

**"Parkway Enbridge CDA Service Contract"** shall have the meaning given to it in Section 3.2(f)(ii).

**"Parties"** means, collectively, TransCanada and Enbridge, and **"Party"** means any one of them, as applicable.

**"Person"** means any natural person, firm, trust, partnership, corporation, limited liability company, joint venture, association, joint stock company, enterprise, unincorporated entity, government, governmental agency or other entity.

**"Regulatory Approvals"** means the applicable certificates, permits, orders, authorizations, approvals, certificates, licenses, exemptions or comparable orders from any applicable Government Authority (including the NEB and OEB as applicable).

**"Storage Transportation Service"** shall have the meaning given to it in the Tariff.

**"Tariff"** means the TransCanada System tariff, as amended from time to time.

**"TBO Agreement"** shall have the meaning given to it in Section 2.5.

**"Term Sheet"** shall have the meaning given to it in Section 2.4(a).

**"Term Sheet Date"** shall have the meaning given to it in Section 2.4(a).

**"TransCanada Authorizations"** shall have the meaning given to it in Section 4.1(a).

**"TransCanada Maple Pipeline"** means a pipeline originating near Enbridge's Albion district station and terminating at a point upstream of Maple.

**"TransCanada System"** shall have the meaning given to it in the recitals.

**"Transportation Access Procedure" or "TAPS"** shall have the meaning given to it in the Tariff.

**"Union Interconnect"** shall have the meaning given to it in section 1 of Schedule "C".

## **1.2 Certain Rules of Interpretation**

In this MOU:

- (a) **Derivatives:** Where a term is defined in this MOU, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.
- (b) **Governing Law:** This MOU is a contract made under and shall be governed by and construed in accordance with the Laws in force in the Province of Ontario.
- (c) **Headings:** Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this MOU.
- (d) **Including:** Where the word "including" or "includes" is used in this MOU, it means "including (or includes) without limitation".
- (e) **No Strict Construction:** The language used in this MOU is the language chosen by the Parties to express their mutual intent and no rule of strict construction shall be applied against any Party.
- (f) **Number and Gender:** Unless the context otherwise requires, words importing the singular include the plural and *vice versa* and words importing gender include all genders.
- (g) **References to Agreements or Statutes:** Any reference in this MOU to an agreement shall, unless the context otherwise requires, mean and refer to such agreement as modified, amended, restated, supplemented or replaced from time to time, and a reference to any statute is a reference to it as re-enacted, varied, amended, modified, supplemented or replaced from time to time.

- (h) **Severability:** If, in any jurisdiction, any provision of this MOU or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this MOU and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.
- (i) **Time:** Time is of the essence in the performance of the Parties' respective obligations.
- (j) **Time Periods:** Unless otherwise specified, time periods within or following which an act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Banking Day following if the last day of the period is not a Banking Day.

### 1.3 Entire Agreement

This MOU, the Confidentiality Agreement and any documents delivered in connection therewith constitute the entire agreement among the Parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements among the Parties pertaining to the subject matter of this MOU and supersede all prior agreements, understandings, negotiations and discussions among the Parties, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or agreements, whether oral or written, express, implied or collateral among the Parties in connection with the subject matter of this MOU except as specifically set forth in this MOU, the Confidentiality Agreement and any documents required to be delivered in connection herewith.

### 1.4 Schedules

The following schedules are attached to and form an integral part of this MOU:

<u>Schedule</u>	<u>Description</u>
Schedule "A"	Election #1
Schedule "B"	Election #2
Schedule "C"	Election #3
Schedule "D"	Terms of TBO Agreement

## **ARTICLE 2**

### **SCOPE AND PURPOSE OF MOU**

#### **2.1 Purpose**

The Parties have entered into this MOU for the following purposes:

- (a) to provide greater certainty with respect to the efficient development of natural gas infrastructure in the GTA and on TransCanada's Parkway to Maple path;
- (b) to optimize use of existing natural gas transportation infrastructure in and around the GTA and TransCanada's Parkway to Maple path to meet the capacity needs of the Parties' current and future respective customers;
- (c) to plan for future infrastructure to meet medium and long term needs in a coordinated fashion in order to manage rate impacts upon the current and future customers of both Parties;
- (d) to ensure reliability and adequacy of the Parties' respective services and gas transportation systems for customers; and
- (e) to manage infrastructure costs and potential risk of redundant infrastructure and other risks that may negatively impact either Party or its customers.

#### **2.2 Condition Precedent**

- (a) The obligations of each Party under this MOU are subject to satisfaction or waiver (in each Party's sole discretion) of the condition precedent that it shall obtain, on or before February 1, 2013, approval by its senior executive of the terms and conditions of this MOU.
- (b) The condition precedent set forth in Section 2.2(a) in respect of each Party is for the sole benefit of such Party, and may only be waived in writing (in whole or in part) by such Party.

#### **2.3 Effect of MOU**

- (a) Subject to Section 2.2 and Section 2.3(b), the Parties intend for the obligations outlined in this MOU to be legally binding unless expressly stated otherwise.
- (b) All obligations of the Parties under this MOU are subject to:
  - (i) Laws; and
  - (ii) the ability of the respective Party or Parties to obtain such necessary Regulatory Approvals to give effect to such obligations (including the TransCanada Authorizations and the Enbridge Authorizations) on conditions satisfactory to the applicable Party in its sole discretion.

## 2.4 Term Sheet

- (a) As soon as reasonably practicable following execution of this MOU, the Parties agree to meet to determine in good faith and with diligence the most effective procedures and mechanisms to give effect to each Party's respective obligations under this MOU, which shall include the development of a term sheet (the "Term Sheet") setting out the procedures and mechanisms to give effect to the Election #1 Option or the Election #2 Option, as the case may be, by March 15, 2013 (the "Term Sheet Date"). The Parties commit to make every reasonable effort to satisfy their respective obligations hereunder.
- (b) In respect of the equity ownership structure in the Term Sheet to give effect to the commercial terms outlined in Schedule "A" and Schedule "B", the Parties acknowledge their mutual intent to develop a tax-efficient structure that is likely to be successful in obtaining Regulatory Approval in a time frame consistent with the obligations outlined in this MOU, and may include joint ownership on an undivided interest basis, or through joint ownership of some other entity, either directly or through one or more Affiliates.
- (c) The Parties acknowledge that while Schedule "A" and Schedule "B" do not contain all of the commercial principles for the Term Sheet, the commercial principles set forth in Schedule "A" and Schedule "B" have been agreed by the Parties and are not subject to further negotiation.
- (d) The Term Sheet, once agreed, shall govern the relationship between the Parties in respect of the matters contemplated therein until one or more definitive agreements that by their terms supersede and replace the Term Sheet.

## 2.5 TBO Agreement

If the Parties:

- (a) fail to agree on the Term Sheet by the Term Sheet Date; or
- (b) are unable to implement the transactions described in the Election #1 Option or the Election #2 Option, as applicable, due to Laws, the denial of any Regulatory Approvals required by a Party to meet its obligations under this MOU (including the TransCanada Authorizations and the Enbridge Authorizations) or the granting of same on conditions unsatisfactory to such Party in its sole discretion;

and provided that TransCanada has not elected Election #3, then the Parties shall, subject to Section 2.6(a)(v), enter into a transportation-by-other service agreement on the terms and conditions set out in Schedule "D" (the "TBO Agreement").

## 2.6 Term and Termination

- (a) This MOU shall be binding upon the Parties and shall commence on the date hereof and shall terminate on the earliest to occur of:

- (i) Notice from one Party to the other Party if the condition precedent set forth in Section 2.2 shall have become incapable of fulfilment or has not been fulfilled within the time frame set forth therein, and shall not have been waived by the applicable Party in its sole discretion;
  - (ii) Subject to Section 2.5, the inability of either Party to meet any obligations under this MOU due to Laws, the denial of any Regulatory Approvals required by a Party to meet its obligations herein (including the TransCanada Authorizations and the Enbridge Authorizations), the granting of same on conditions unsatisfactory to such Party in its sole discretion, or due to conditions described in Section 3.3;
  - (iii) the execution and delivery by the Parties of a TBO Agreement that, by its terms, is expressed to supersede and replace the terms and conditions set out in Schedule "D";
  - (iv) the mutual agreement of the Parties;
  - (v) where TransCanada has elected Election #1 or Election #2 pursuant to Section 4.1(c), May 8, 2013, unless the Board of Directors of Enbridge has as at such date approved:
    - (A) the transactions contemplated in:
      - (1) Election #1, in the case where Election #1 was chosen (including the Term Sheet, if agreed); or
      - (2) Election #2, in the case where Election #2 was chosen (including the Term Sheet, if agreed); and
    - (B) the terms and conditions of the TBO Agreement as set out in Schedule "D"; and
  - (vi) the latest date that all of the Parties' obligations under this MOU have been satisfied or have been superseded by definitive agreements as contemplated herein.
- (b) The items outlined in Section 2.7 shall survive termination of this MOU for the periods outlined therein.

## 2.7 Surviving Obligations

- (a) Notwithstanding the termination of this MOU for any reason other than Section 2.6(a)(v), and subject to Section 2.7(b), the following shall apply:
  - (i) If TransCanada has elected Election #1, then:

- (A) Section 14 of Schedule "A" shall survive any such termination and shall remain in full force and effect for a period of ten (10) years; and
- (B) Section 15 of Schedule "A" shall survive any such termination and shall remain in full force and effect for a period of ten (10) years.
- (ii) If TransCanada has elected Election #2, then:
  - (A) Section 15 of Schedule "B" shall survive any such termination and shall remain in full force and effect for a period of ten (10) years; and
  - (B) Section 16 of Schedule "B" shall survive any such termination and shall remain in full force and effect for a period of ten (10) years.
- (iii) If TransCanada has elected Election #3, then Section 3 of Schedule "C" shall survive any such termination and shall remain in full force and effect for a period of ten (10) years.
- (iv) Section 5.1 shall survive any such termination for the duration of the period outlined in Section 5.1.
- (v) In circumstances where:
  - (A) Section 2.5 applies and the Parties would, subject to Section 2.6(a)(v), be obligated to enter into the TBO Agreement; and
  - (B) termination of this MOU is for any reason other than that listed in Sections 2.6(a)(iii) or 2.6(a)(v);

Schedule "D" shall survive in accordance with its terms.

- (b) In the case of termination of this MOU as provided in Section 2.6(a)(v), all obligations under this MOU and the Confidentiality Agreement, including Section 5.1, notwithstanding anything in Section 5.1 which states otherwise, shall immediately terminate.
- (c) Notwithstanding the termination of this MOU for any reason, Sections 3.2(d) and 6.2 shall survive such termination and remain in full force and effect in accordance with its terms.

### ARTICLE 3 THE TRANSACTIONS

#### 3.1 TransCanada Obligations

- (a) TransCanada will:

- (i) construct interconnect facilities with sufficient capacity and specification for the purposes contemplated herein (the "Bram West Interconnect"), in the vicinity of Highway 407, between Winston Churchill and Heritage Road ("Bram West"), to connect to the Enbridge Pipeline at a point of connection located at or near Bram West;
  - (ii) complete construction of the Bram West Interconnect by April 1, 2015 or as soon as possible thereafter and use reasonable efforts to have the Bram West Interconnect in-service no later than September 1, 2015 or as soon as possible thereafter; and
  - (iii) add the Bram West Interconnect as a single point distributor delivery area to the Tariff (the "Bram West CDA").
- (b) TransCanada will construct, own, operate and maintain the Albion Meter Station.
- (c) TransCanada will make an election to manage the service requests identified in the May 2012 NCOS by electing one of the following options:
- (i) Election #1 (as set out in Schedule "A");
  - (ii) Election #2 (as set out in Schedule "B"); or
  - (iii) Election #3 (as set out in Schedule "C"),
- and provide Notice of the relevant election to Enbridge on or before April 29, 2013 (the "Election Date"). If Notice is not given within such time frame, TransCanada shall be deemed to have elected Election #3. The requirement of the Parties to give effect to Election #1 and Election #2 are subject to agreement on the Term Sheet pursuant to Section 2.4, except to the extent that the provisions of Schedule "A" or Schedule "B" are incorporated into the TBO Agreement terms contained in Schedule "D".
- (d) TransCanada acknowledges that, at any time prior to November 1, 2015, Enbridge may, but shall not be obligated to, bid and contract for Interruptible Transportation Service on the TransCanada System in accordance with and subject to the Tariff for the purposes of commissioning the Enbridge Pipeline.

### 3.2 Enbridge Obligations

- (a) Enbridge will construct the Enbridge Pipeline and connect it to the TransCanada System at the Bram West Interconnect by April 1, 2015 or as soon as possible thereafter and use reasonable efforts to have the Enbridge Pipeline in-service for TransCanada by November 1, 2015 or as soon as possible thereafter.
- (b) Enbridge will provide TransCanada, within ten (10) days of the execution of this MOU, a Notice containing its reasonable estimate (the "Estimated Costs") of the incremental costs directly attributable to, arising from or associated with



amending its GTA Project application to modify the size of the Enbridge Pipeline from NPS 36 to NPS 42, including changes to facilities as contemplated by this MOU (the "Application Amendment"), together with such reasonable supporting documentation as may be typically provided with similar estimates, or as may be reasonably requested by TransCanada.

- (c) Enbridge will proceed to amend the GTA Project application to reflect the Application Amendment and TransCanada agrees to reimburse Enbridge for the actual incremental costs attributable to, arising from or associated with the Application Amendment, up to a maximum amount of \$1,000,000 (the "Actual Costs"), if TransCanada has elected Election #3 or either Party is unable to obtain its Regulatory Approvals such that the NPS 42 Enbridge Pipeline is not approved and constructed.
- (d) If TransCanada has elected Election #3 or if either Party is unable to obtain its Regulatory Approvals such that the NPS 42 Enbridge Pipeline is not approved and constructed, Enbridge shall make a final determination of the Actual Costs no later than September 30, 2015 and shall provide TransCanada with an invoice, with sufficient supporting evidence reasonably satisfactory to TransCanada, and TransCanada shall pay Enbridge the Actual Costs within thirty (30) days of receipt of such invoice.
- (e) Enbridge will consult with TransCanada in respect of the Application Amendment and provide TransCanada with a reasonable opportunity to review and comment on the Application Amendment. Notwithstanding the foregoing, the Parties acknowledge that Enbridge has exclusive control over the filing and prosecution process for the Enbridge Approvals (including the Application Amendment).
- (f) If TransCanada elects either Election #1 or Election #2 in Section 3.1(c), Enbridge will bid and contract for:
  - (i) service contracts for 800,000 GJ/day of Firm Transportation Service and/or Storage Transportation Service on the TransCanada System from Parkway to the Bram West CDA (the "Bram West CDA Service Contracts"); and
  - (ii) a service contract for 200,000 GJ/d of Firm Transportation Service on the TransCanada System from Niagara Falls and/or Chippawa to the Parkway Enbridge CDA (the "Parkway Enbridge CDA Service Contract"),

through one or more New Capacity Open Seasons, to be held, in compliance with the TAPS, on or before June 30, 2013, with service to commence on November 1, 2015 or as soon as possible thereafter, in each case for a minimum term of fifteen (15) years and at a toll to be determined in accordance with TransCanada's NEB approved point-to-point tolling methodology and the Tariff.

- (g) Unless TransCanada elects Election #1 as provided in Section 3.1(c), Enbridge shall be under no obligation to modify the size of the Enbridge Pipeline from NPS 36 to NPS 42 or make any other related change to facilities.

### **3.3 Limitations on Application**

- (a) The obligations of a Party to construct facilities pursuant to this ARTICLE 3 and any Schedule to this MOU will be undertaken by such Party on a reasonable commercial efforts basis.
- (b) In the event of either Party being rendered unable, wholly or in part, by force majeure to perform or comply with any obligation or condition hereof or any obligation in this ARTICLE 3 or any of the Schedules to this MOU, such Party shall give notice and full particulars of such force majeure in writing to the other Party as soon as possible thereafter, and the obligations of the Party giving such notice, other than obligations to make payments of money then due, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as used herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, temporary failure of either Party's gas supply, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority, civil or military, any act or omission (including failure to deliver gas) of a supplier of gas to, or a transporter of gas to or for either Party which is excused by any event of force majeure, any act or omission by parties not controlled by the Party having the difficulty and any other similar causes not within the reasonable control of the Party claiming suspension. The settlement of strikes, lockouts or other labour disputes shall be entirely within the discretion of the Party having the difficulty. Under no circumstances will lack of finances be construed to constitute force majeure.

## **ARTICLE 4 REGULATORY AUTHORIZATIONS**

### **4.1 TransCanada Authorizations**

- (a) Enbridge agrees to cooperate with, and shall not oppose, intervene against, or seek to delay, whether directly or indirectly, TransCanada in its efforts to obtain such Regulatory Approvals that TransCanada reasonably determines are necessary to enable it to meet its obligations under this MOU (the "TransCanada Authorizations") and shall provide such reasonable support as may be necessary

in connection with the applications for, and the processing of, the TransCanada Authorizations.

- (b) Notwithstanding Section 4.1(a), nothing shall obligate TransCanada to appeal, or seek a review of, any decision of a regulatory or judicial authority which has the effect of denying any of the TransCanada Authorizations or granting same on conditions unsatisfactory to TransCanada.
- (c) TransCanada agrees to diligently and expeditiously pursue the TransCanada Authorizations.

#### 4.2 Enbridge Authorizations

- (a) Except as this Section 4.2(a) may be modified by section 3 of Schedule "C", TransCanada agrees to cooperate with, and shall not oppose, intervene against, or seek to delay, whether directly or indirectly, Enbridge in its efforts to obtain such Regulatory Approvals Enbridge reasonably determines are necessary to enable it to meet its obligations under this MOU and build the Enbridge Pipeline, including any related gas supply portfolio approvals and Union Gas Limited's development of the Parkway West site in order to provide Enbridge with a back-up feed and adequate compression for the GTA Project (the "Enbridge Authorizations"), and shall provide such reasonable support as may be necessary in connection with the applications for, and the processing of, the Enbridge Authorizations.
- (b) Notwithstanding Section 4.2(a), nothing shall obligate Enbridge to appeal, or seek a review of, any decision of a regulatory or judicial authority which has the effect of denying any of the Enbridge Authorizations or granting same on conditions unsatisfactory to Enbridge.
- (c) Enbridge agrees to diligently and expeditiously pursue the Enbridge Authorizations.

#### 4.3 Regulatory Approvals

For greater certainty, the obligation on both Parties to not oppose, intervene against, or seek to delay, whether directly or indirectly, the other Party in its efforts to obtain Regulatory Approvals as outlined in Section 4.1(a) and Section 4.2(a), respectively:

- (a) only applies to those Regulatory Approvals that are within the scope of this MOU; and
- (b) shall not apply in respect of any applications for Regulatory Approvals that are inconsistent with the terms of this MOU.

## ARTICLE 5 CONFIDENTIALITY

### 5.1 Confidentiality

- (a) The Parties acknowledge that all information disclosed by a Party to the other Party pursuant to or in relation to this MOU shall be deemed to be Confidential Information of the disclosing Party subject in all respects to the receiving Party's obligations pursuant to the Confidentiality Agreement. The Parties' obligations to be bound by such Confidentiality Agreement shall survive the termination of this MOU until the later of (i) November 1, 2014, and (ii) such later date as may be specified in this Section 5.1.
- (b) If Enbridge extends the Election #2 Option Date in accordance with Section 1 of Schedule "B", then the Parties agree that the termination date of the Confidentiality Agreement shall be extended to the Election #2 Option Date.
- (c) Notwithstanding Section 2 of the Confidentiality Agreement and Section 5.2, the Parties agree that each of them may publicly disclose the following information:
  - (i) The existence of the Confidentiality Agreement;
  - (ii) that:
    - (A) the Parties are seeking to enter into transactions for the purposes described in Section 2.1, subject to Regulatory Approvals;
    - (B) Enbridge plans to amend its GTA Project application to include an option to change the size of its Enbridge Pipeline to a NPS 42 line and TransCanada proposes to acquire up to 60% of that line from Enbridge for TransCanada's own system requirements;
    - (C) TransCanada proposes to build a connection to Enbridge at a location called Bram West and Enbridge proposes to build a connection to TransCanada at Bram West;
    - (D) TransCanada proposes to create a new single point distributor delivery area called Parkway Enbridge CDA, by removing the Enbridge Parkway meter from the Enbridge CDA and adding it to the Tariff;
    - (E) TransCanada proposes to create a new single point distributor delivery area called Bram West and add it to the Tariff;
    - (F) TransCanada proposes to charge the NEB-approved point to point tolling methodology for these two new distributor delivery areas;
    - (G) Enbridge proposes to bid and contract for:

- (1) Firm Transportation Service or Storage Transportation Service on the TransCanada System from Parkway to the Bram West CDA for 800,000 GJ/d; and
- (2) Firm Transportation Service on the TransCanada System from Niagara Falls or Chippawa to the new Parkway Enbridge CDA for 200,000 GJ/d and TransCanada proposes to utilize its Hamilton Line to provide this service;
- (H) TransCanada will construct own and operate a meter station at or near the existing Albion district station to measure deliveries from TransCanada at Bram West to Enbridge;
- (I) the Parties propose to enter into the TBO Agreement, provided such disclosure is made at the earlier of:
  - (1) the time that the Parties have entered into a definitive agreement in respect of the TBO Agreement; and
  - (2) the time that Enbridge or TransCanada first applies for Regulatory Approval of the TBO Agreement, as contemplated herein; and
- (iii) The Parties will work together to determine the optimum capacity of the Enbridge Pipeline and to meet a commissioning date of April 1, 2015 and in-service date for TransCanada of November 1, 2015 or as soon as possible thereafter.

## 5.2 Press Releases

Except as expressly provided in Section 5.1(c), the Parties may only disclose information regarding this MOU and/or the contents thereof to the public at a time and in a manner as mutually agreed to by the Parties. If the Parties mutually agree to a disclosure, then either Party may issue press releases, public announcements or make such other similar communications, provided that the content, timing and manner of any such disclosure is in strict compliance with the mutual agreement of the Parties.

## ARTICLE 6 GENERAL

### 6.1 Notices

Any notice, consent or approval required or permitted to be given in connection with this MOU (a "Notice") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile:

If to TransCanada:

TransCanada PipeLines Limited  
450-1<sup>st</sup> Street, S.W.  
Calgary, AB T2P 5H1

Attn: Corporate Secretary  
Facsimile: 403.920.2467

If to Enbridge:

Enbridge Gas Distribution Inc.  
500 Consumers Road  
Toronto, ON M2J 1P8

Attn: VP Gas Supply c/o Law Department  
Facsimile: 416.495.5994

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Banking Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Banking Day then the Notice shall be deemed to have been given and received on the next Banking Day. Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section 6.1.

## 6.2 Limitation of Liability

- (a) Notwithstanding anything contained herein to the contrary, neither Party will be liable under this MOU or under any cause of action relating to the subject matter of this MOU for any indirect, punitive, or consequential damages, or loss of profits, loss of use of any property or claims of customers or contractors of the Parties for any such damages.
- (b) Other than in the case of wilful misconduct or gross negligence, aggregate liability of a Party hereunder shall be capped at ten million dollars (\$10,000,000.00), regardless of the number of events, incidents or breaches.

## 6.3 Audit Rights

- (a) To the extent that amounts are payable by TransCanada under this MOU in respect of the Actual Costs and Enbridge Pipeline Costs, TransCanada and its representatives shall have the right within one (1) year of the payment or final calculation of any such amount to engage an independent auditor to conduct a single audit of the relevant books and records in respect of such costs for such payment during regular business hours and in a manner that does not unreasonably interfere with Enbridge's business or operations (upon sixty (60) days Notice and at TransCanada's expense).
- (b) TransCanada and Enbridge will use reasonable commercial efforts to resolve any discrepancies disclosed by an audit report as soon as reasonably practicable and in any event within 180 days following presentation of the audit report by TransCanada.

#### 6.4 Payments

If either Party fails to make a payment to the other Party in full within any applicable time period set out herein, interest on the unpaid portion of any such payment shall accrue from the date payment is first overdue until payment is made at a rate of interest equal to the prime rate of interest per annum of the Canadian Imperial Bank of Commerce applicable to Canadian dollar commercial loans plus two percent (2%).

#### 6.5 Miscellaneous

- (a) **Costs and Expenses:** Each Party shall bear its own costs and expenses in respect of the negotiation and execution of this MOU.
- (b) **Amendment:** No amendment, supplement, modification, waiver or termination of this MOU and, unless otherwise specified, no consent or approval by any Party, shall be binding unless executed in writing by an officer or other authorized representative of the Party to be bound thereby.
- (c) **Assignment:** No Party shall have the right to assign this MOU or any interest in this MOU to a non-affiliated third party without the prior written consent of the other Party, which consent may be withheld in such other Party's sole, absolute and unfettered discretion. Upon providing prior written Notice, either Party may assign all of its rights hereunder to an Affiliate of such Party provided however, that the assigning Party shall remain obligated to ensure the performance by such Affiliate of the assigned obligations hereunder and shall not be released from any of its obligations hereunder upon such assignment without the consent of the other Party delivered in accordance with this Section 6.2(c).
- (d) **Enurement:** This MOU shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.
- (e) **Further Assurances:** The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this MOU, and each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect the purpose of this MOU and carry out its provisions.

- (i) **Execution and Delivery:** This MOU may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

IN WITNESS OF WHICH the Parties have duly executed this MOU as of the date first written above:

**TRANSCANADA PIPELINES LIMITED**

**ENBRIDGE GAS DISTRIBUTION INC.**

By:

Name: S. C. C. C.  
 Title: SUP. CANADIAN NEWS PIPELINES

By:

Name: Karl Johansson  
 Title: President, Natural Gas Pipelines

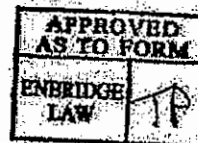
By:

Name: D. Guy Jarvis  
 Title: President

By:

Name: Mahini Girdhar  
 Title: Vice President, Gas Supply

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Content	<u>DS</u>





**SCHEDULE "A"**  
**ELECTION #1**

If TransCanada makes Election #1 in accordance with Section 3.1(c), then the following shall apply:

1. TransCanada shall acquire, upon the terms and conditions set out in the Term Sheet, a percentage equity interest in the Enbridge Pipeline and its related capacity or such alternative capital structure that would allow both Parties to own and earn a regulated return on their respective portions of the Enbridge Pipeline, either:
  - (a) if the Enbridge Pipeline is sized at NPS 36, fifty (50%) percent of the Enbridge Pipeline for a contribution of fifty (50%) percent of the Enbridge Pipeline Costs, or
  - (b) if the Enbridge Pipeline is sized at NPS 42, sixty (60%) percent of the Enbridge Pipeline for a contribution of sixty (60%) percent of the Enbridge Pipeline Costs,with service to commence on or before November 1, 2015 or as soon as possible thereafter (the "Election #1 Option").
2. The Parties agree to do all such things and provide all such reasonable assurances as may be required to give effect to the Term Sheet and the related Election #1 Option. Each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect such purpose.
3. The Parties agree that Enbridge will retain a quantity of 800,000 GJ/d on the Enbridge Pipeline and that any future expanded pipeline capacity will be attributable to and at the expense of TransCanada.
4. The initial Linepack associated with the Enbridge Pipeline, as determined by Enbridge, represents a cost to the project and these costs shall be treated as any other non-depreciating rate base item. The Parties agree that Enbridge will purchase the initial Linepack and TransCanada's share of the cost of the initial Linepack will be included in the contribution contemplated in section 1 of this Schedule "A".
5. Enbridge will be responsible for the operation of the Enbridge Pipeline and TransCanada will pay Enbridge for its proportionate share of operation and maintenance costs.
6. TransCanada will construct, own, operate and maintain the TransCanada Maple Pipeline.
7. TransCanada will construct, own, operate and maintain the Maple Interconnect.
8. Enbridge will construct, own, operate and maintain odourization facilities downstream of the Albion Meter Station.
9. If Enbridge requires Storage Transportation Service to Bram West CDA then Enbridge will be required to contract for long haul firm transportation service to Bram West CDA.

The combined quantity will not be greater than 800,000 GJ/d. At the same time Enbridge executes any Bram West CDA Service Contracts for Storage Transportation Service, Enbridge may choose to replace the delivery point identified in any of its Enbridge Long Haul FT Contracts, or a portion thereof, with Bram West CDA and the Parties shall execute amending agreements evidencing the same as soon as reasonably possible thereafter.

10. TransCanada will add the Parkway Enbridge CDA as a new single point distributor delivery area by removing the Parkway Enbridge meter station located on the TransCanada System from the existing Enbridge CDA.
11. TransCanada will use its Hamilton Line to provide Enbridge with service for the Parkway Enbridge CDA Service Contracts. Enbridge agrees that TransCanada may deliver such gas to the Parkway Enbridge CDA at lower than the minimum pressure set out in the Tariff but in no circumstances will any such delivery pressure be lower than 3450 kilopascals.
12. Enbridge agrees that the Parkway Enbridge CDA Service Contract will not displace any existing TransCanada System Firm Transportation Service contracts currently serving the Enbridge CDA.
13. Enbridge agrees that 200,000 GJ/d of the 800,000 GJ/d referred to in Section 3.2(f)(i) will consist of quantities displaced from the suction side of Union Gas Limited's Parkway compression to the Bram West Interconnect.
14. The Enbridge Pipeline will only be used to serve TransCanada and Enbridge's distribution franchise, including direct purchase customers, and will not be used for the transportation of gas for any other Person.
15. If requested by Enbridge to provide future incremental gas transportation service through or along the Parkway to Maple path, TransCanada will use reasonable commercial efforts under the TAPS procedures for New Capacity Open Seasons to accommodate Enbridge's request through either existing facilities or an expansion of TransCanada's system capacity, or a combination of these. Such efforts will involve the exercise of TransCanada discretion in a non-discriminatory basis and will be subject to Regulatory Approval.

**SCHEDULE "B"**  
**ELECTION #2**

If TransCanada makes Election #2 in accordance with Section 3.1(c), then the following shall apply:

1. TransCanada shall have an option, exercisable at any time by TransCanada until November 1, 2014, or such other later date as determined by Enbridge (the "**Election #2 Option Date**"), to acquire, upon the terms and conditions set out in the Term Sheet, a percentage equity interest in the Enbridge Pipeline and its related capacity or such alternative capital structure that would allow both Parties to own and earn a regulated return on their respective portions of the Enbridge Pipeline, either
  - (a) if the Enbridge Pipeline is sized at NPS 36, fifty (50%) percent of the Enbridge Pipeline for a contribution of fifty (50%) percent of the Enbridge Pipeline Costs, or
  - (b) if the Enbridge Pipeline is sized at NPS 42, sixty (60%) percent of the Enbridge Pipeline for a contribution of sixty (60%) percent of the Enbridge Pipeline Costs,with service to commence on or before November 1, 2017 or as soon as possible thereafter (the "**Election #2 Option**").
2. The Parties agree to do all such things and provide all such reasonable assurances as may be required to give effect to the Term Sheet and the related Election #2 Option. Each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect such purpose.
3. The Parties agree that Enbridge will retain a quantity of 800,000 GJ/d on the Enbridge Pipeline and that any future expanded pipeline capacity will be attributable to and at the expense of TransCanada.
4. The initial Linepack associated with the Enbridge Pipeline, as determined by Enbridge, represents a cost to the project and these costs shall be treated as any other non-depreciating rate base item. The Parties agree that Enbridge will purchase the initial Linepack and TransCanada's share of the cost of the initial Linepack will be included in the contribution contemplated in section 1 of this Schedule "B".
5. Enbridge will be responsible for the operation of the Enbridge Pipeline and TransCanada will pay Enbridge for its proportionate share of operation and maintenance costs.
6. TransCanada will meet the service requests identified in the May 2012 NCOS by using available capacity on the TransCanada System through a turnback open season or through the cancellation or reduction of quantities in the May 2012 NCOS precedent agreements and will delay exercising the Election #2 Option. Notwithstanding the foregoing, TransCanada may, at any time up to and including the Election #2 Option Date, exercise the Election #2 Option.

7. TransCanada will construct, own, operate and maintain the TransCanada Maple Pipeline.
8. TransCanada will construct, own, operate and maintain the Maple Interconnect.
9. Enbridge will construct, own, operate and maintain odourization facilities downstream of the Albion Meter Station.
10. If Enbridge requires Storage Transportation Service to Bram West CDA then Enbridge will be required to contract for long haul firm transportation service to Bram West CDA. The combined quantity will not be greater than 800,000 GJ/d. At the same time Enbridge executes any Bram West CDA Service Contracts for Storage Transportation Service, Enbridge may choose to replace the delivery point identified in any of its Enbridge Long Haul FT Contracts, or a portion thereof, with Bram West CDA and the Parties shall execute amending agreements evidencing the same as soon as reasonably possible thereafter.
11. TransCanada will add the Parkway Enbridge CDA as a new single point distributor delivery area by removing the Parkway Enbridge meter station located on the TransCanada System from the existing Enbridge CDA.
12. TransCanada will use its Hamilton Line to provide Enbridge with service for the Parkway Enbridge CDA Service Contracts. Enbridge agrees that TransCanada may deliver such gas to the Parkway Enbridge CDA at lower than the minimum pressure set out in the Tariff but in no circumstances will any such delivery pressure be lower than 3450 kilopascals.
13. Enbridge agrees that the Parkway Enbridge CDA Service Contract will not displace any existing TransCanada System Firm Transportation Service contracts currently serving the Enbridge CDA.
14. Enbridge agrees that 200,000 GJ/d of the 800,000 GJ/d referred to in Section 3.2(f)(i) will consist of quantities displaced from the suction side of Union Gas Limited's Parkway compression to the Bram West Interconnect.
15. The Enbridge Pipeline will only be used to serve Enbridge's distribution franchise, including direct purchase customers, and will not be used for the transportation of gas for any other Person, unless TransCanada has exercised the Election #2 Option, then the Enbridge Pipeline may also be used to serve TransCanada.
16. If requested by Enbridge to provide future incremental gas transportation service through or along the Parkway to Maple path, TransCanada will use reasonable commercial efforts under the TAPS procedures for New Capacity Open Seasons to accommodate Enbridge's request through either existing facilities or an expansion of TransCanada's system capacity, or a combination of these. Such efforts will involve the exercise of TransCanada discretion in a non-discriminatory basis and will be subject to Regulatory Approval.

17. If TransCanada does not exercise the Election #2 Option, the Parties will work together to ensure that the Bram West CDA point to point toll is reasonable in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway.

**SCHEDULE "C"**  
**ELECTION #3**

If TransCanada makes Election #3 in accordance with Section 3.1(c), then the following shall apply:

1. Enbridge may build a pipeline from Enbridge's Albion district station terminating upstream of Maple (the "Enbridge Maple Pipeline") and may interconnect the Enbridge Pipeline to the Union Gas Limited system at Parkway (the "Union Interconnect").
2. If Enbridge builds the Enbridge Maple Pipeline, TransCanada will construct, own and operate the Maple Interconnect which will connect to the Enbridge Maple Pipeline.
3. TransCanada shall not be obligated to support but shall not oppose, intervene against or seek to delay, Enbridge in its efforts to obtain the Enbridge Authorizations for the Enbridge Maple Pipeline or the Union Interconnect.
4. Notwithstanding anything to the contrary herein, TransCanada will not be required to construct the Bram West Interconnect, add the Bram West CDA as a single point distributor delivery area to the Tariff or construct, own, operate and maintain the Albion Meter Station.
5. TransCanada will have the right, but shall in no way be obligated, to transportation-by-other service on the entire Enbridge pipeline from Bram West to Maple.

**SCHEDULE "D"**  
**TERMS OF TBO AGREEMENT**

The following sets forth the primary commercial terms of the TBO Agreement. In the event that the Parties are unable to enter into a definitive agreement in respect of the TBO Agreement, the Parties agree that all material commercial terms are contained in this Schedule "D", which shall, where the Parties are obligated to enter into the TBO Agreement in accordance with the terms of this MOU, be considered legally binding until such time as the Parties have entered into a definitive TBO Agreement that by its terms supersedes and replaces this Schedule "D".

Term	Application
<b>General</b>	The intent of the Parties is that the TBO Agreement will reflect, as much as is commercially practicable, the same commercial effect as if the Enbridge Pipeline was jointly owned by the Parties as contemplated by Election #1 or Election #2, except that the Enbridge Pipeline would be wholly owned and operated by Enbridge.
<b>Capacity Allocation</b>	Enbridge's allocated capacity on the Enbridge Pipeline would be equal to 800,000 GJ/d, and TransCanada shall be entitled to the balance of the capacity on the Enbridge Pipeline, including any increases in such capacity.
<b>Rate</b>	<ul style="list-style-type: none"> <li>The rate will be based on OEB-approved methodologies for rate setting in respect of the Enbridge Pipeline or comparable pipeline facilities inclusive of interest on (short and long term) debt, equity thickness, return on equity (ROE), depreciation expense, municipal and income taxes, and operating and maintenance expense.</li> <li>If the Enbridge Pipeline is sized at 42 NPS, the rate to be charged to TransCanada would be based on 60% of the Enbridge Pipeline Costs.</li> <li>If the Enbridge Pipeline is sized at 36 NPS, the rate to be charged to TransCanada would be based on 50% of the Enbridge Pipeline Costs.</li> <li>In principle, except where capital improvements are made to the Enbridge Pipeline, the rate payable will decline over time as the Enbridge Pipeline is depreciated. Any such capital improvements will otherwise be treated in the same manner as the balance of the Enbridge Pipeline Costs.</li> </ul>
<b>Term &amp; Termination</b>	<ul style="list-style-type: none"> <li>The TBO Agreement will have a primary term of 15 years from the in-service date of the Enbridge Pipeline, with automatic annual renewals at TransCanada's option, where TransCanada could terminate the TBO Agreement not later than 6 months prior the next renewal date.</li> <li>Upon termination by TransCanada, TransCanada would be obliged to reimburse Enbridge for that percentage of the net book value of the Enbridge Pipeline as of the date of termination, based on the applicable percentage used for calculating the rate.</li> <li>If Enbridge wishes to sell, assign or dispose of the Enbridge Pipeline, TransCanada would have the first right to buy the Enbridge Pipeline at the net book value of the Enbridge Pipeline as of the date of transfer.</li> </ul>

Term	Application
Operations	Enbridge will operate the Enbridge Pipeline in an operationally similar manner to the TransCanada System.
Impact of Elections	<p>In the event that TransCanada has elected the election specified below where the Parties have not reached agreement on the Term Sheet in accordance with Section 2.4, the following provisions shall be incorporated into the TBO Agreement:</p> <ul style="list-style-type: none"><li>• In respect of Election #1, the provisions of sections 6-15 of Schedule "A", inclusive; or</li><li>• In respect of Election #2, the provisions of sections 7-17 of Schedule "B", inclusive.</li></ul>
Terms of Service	Unless otherwise agreed to by the Parties, the TBO Agreement will contain standard terms and conditions consistent with the standard terms of service found in the Tariff and the Parties will rely on these standard terms in the development of agreements for the service.
Other Terms	Unless otherwise included in the foregoing, the TBO Agreement would also contain other reasonable terms and conditions consistent with other agreements for the transportation of natural gas in Canada.



TAB 26

**THIS AMENDING AGREEMENT** is made the 26<sup>th</sup> day of April, 2013.

**BETWEEN:**

**TRANSCANADA PIPELINES LIMITED**, a corporation organized under the laws of Canada ("**TransCanada**"); and

**ENBRIDGE GAS DISTRIBUTION INC.**, a corporation incorporated under the laws of Ontario ("**Enbridge**");

(TransCanada and Enbridge are collectively referred to as the "**Parties**").

**RECITALS:**

- A.** The Parties entered into a Memorandum of Understanding dated January 28, 2013 (the "**MOU**") for the purposes of optimizing use of existing natural gas transportation infrastructure in and around the GTA, planning for future infrastructure to meet medium and long term needs in a coordinated fashion, ensuring reliability, and managing infrastructure costs and risks, all in connection with the construction by Enbridge of the Enbridge Pipeline and obtaining the corresponding Regulatory Approvals.
- B.** The MOU provides that TransCanada is required to select Election #1, Election #2 or Election #3 on or before the Election Date of April 29, 2013.
- C.** In accordance with Section 3.2(c) of the MOU, Enbridge has amended the GTA Project application to the OEB to reflect the Application Amendment to modify the size of the Enbridge Pipeline from NPS 36 to NPS 42.
- D.** The Parties indicated a preference towards the TBO Agreement and thus did not agree on the Term Sheet by the Term Sheet date.
- E.** The Parties have agreed that the Enbridge Pipeline should remain sized at NPS 36.
- F.** The Parties wish to amend certain provisions of the MOU to allow for an extension of the Election Date on the terms and subject to the conditions set out in this Amending Agreement.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

**1. Definitions**

Whenever used in this Amending Agreement, capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the MOU.

## 2. Certain Rules of Interpretation

Section 1.2 of the MOU is incorporated by reference and shall apply to this Amending Agreement *mutatis mutandis*.

## 3. Entire Agreement

This Amending Agreement together with the MOU constitutes the entire agreement among the Parties and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements among the Parties pertaining to the subject matter of this Amending Agreement and supersede all prior agreements, understandings, negotiations and discussions among the Parties, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or agreements, whether oral or written, express, implied or collateral among the Parties in connection with the subject matter of this Amending Agreement except as specifically set forth in this Amending Agreement and the MOU. Except as expressly modified by this Amending Agreement, the MOU is hereby ratified and confirmed.

## 4. Amendments

The MOU is hereby amended as follows:

- (a) Section 2.6(a)(v) is amended by deleting "May 8, 2013" and inserting in place thereof "the date that falls one week following the Election Date".
- (b) Section 3.1(c) is amended by deleting "April 29, 2013 (the "Election Date")" and inserting in place thereof:

"the earlier of May 22, 2013 or the date (the "Election Date") that falls ten Business Days prior to the first date on which, in relation to the GTA Project OEB application, Enbridge is required to provide interrogatory responses, as determined by the OEB".
- (c) Section 3.2(c) is amended by:
  - (i) deleting and replacing the maximum amount for Actual Costs of "\$1,000,000" to "\$500,000"; and
  - (ii) deleting the last phrase beginning with the words ", if TransCanada has elected Election #3...".
- (d) Section 3.2(d) is deleted and replaced by the following:

"(d) [Intentionally deleted]."
- (e) Section 3.2(g) is amended by deleting "Unless TransCanada elects Election #1 as provided in Section 3.1(c)," therefrom.

## 5. Payment

In full satisfaction of its obligations under Section 3.2(c) of the MOU (as amended by this Amending Agreement), TransCanada agrees to pay the Actual Costs incurred by Enbridge prior to April 29, 2013, up to a maximum amount of \$500,000. Enbridge shall make a final determination of the Actual Costs and shall provide TransCanada with an invoice setting out in reasonable detail the nature of the costs incurred no later than May 16, 2013. TransCanada shall make payment of the Actual Costs within thirty (30) days of receipt of such invoice.

## 6. Confidentiality

The Parties acknowledge and agree that all information disclosed by a Party to the other Party pursuant to or in relation to this Amending Agreement constitutes Confidential Information of the disclosing Party, and this Amending Agreement constitutes Confidential Information, in each case subject in all respects to Article 5 of the MOU.

## 7. Miscellaneous

- (a) **Costs and Expenses:** Each Party shall bear its own costs and expenses in respect of the negotiation and execution of this Amending Agreement.
- (b) **Enurement:** This Amending Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.
- (c) **Further Assurances:** The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Amending Agreement, and each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect the purpose of this Amending Agreement and carry out its provisions.
- (d) **Execution and Delivery:** This Amending Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

[The remainder of this page is left intentionally blank  
and the next page is the signing page.]

IN WITNESS OF WHICH the Parties have duly executed this Amending Agreement as of the date first written above.

TRANSCANADA PIPELINES LIMITED

ENBRIDGE GAS DISTRIBUTION INC.

By: \_\_\_\_\_

Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

  
D. Guy Jarvis  
President

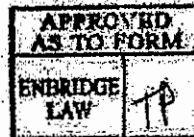
By: \_\_\_\_\_

Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

  
James Lord  
Vice President  
Law & Information Technology



IN WITNESS OF WHICH the Parties have duly executed this Amending Agreement as of the date first written above.

TRANSCANADA PIPELINES LIMITED

ENBRIDGE GAS DISTRIBUTION INC.

By:

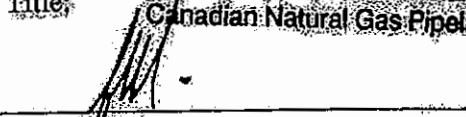


Name: Dave Schultz  
Title: Vice President, Commercial East  
Canadian Natural Gas Pipelines

By:

Name:  
Title:

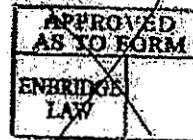
By:



Name: Stephen M. V. Clark  
Title: Senior Vice President  
Canadian & Eastern U.S. Natural Gas Pipelines

By:

Name:  
Title:



TAB 27

**THIS AMENDING AGREEMENT #2** is made the 21<sup>st</sup> day of May, 2013.

**BETWEEN:**

**TRANSCANADA PIPELINES LIMITED**, a corporation organized under the laws of Canada ("TransCanada")

- and -

**ENBRIDGE GAS DISTRIBUTION INC.**, a corporation incorporated under the laws of Ontario ("Enbridge")

(TransCanada and Enbridge are collectively referred to as the "Parties")

**RECITALS:**

- A. The Parties entered into a Memorandum of Understanding dated January 28, 2013, as amended by the amending agreement dated April 26, 2013 (the "MOU") for the purposes of optimizing use of existing natural gas transportation infrastructure in and around the GTA, planning for future infrastructure to meet medium and long term needs in a coordinated fashion, ensuring reliability, and managing infrastructure costs and risks, all in connection with the construction by Enbridge of the Enbridge Pipeline and obtaining the corresponding Regulatory Approvals.
- B. The MOU amendment provides that TransCanada is required to select Election #1, Election #2 or Election #3 on or before the Election Date of May 22, 2013.
- C. Due to the impacts of the NEB Decision in RH-003-2011, the current intent of TransCanada's utilization of the Enbridge Pipeline has changed.
- D. The Parties wish to further amend certain provisions of the MOU on the terms and subject to the conditions set out in this Amending Agreement.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

**1. Definitions**

Whenever used in this Amending Agreement, capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the MOU.

**2. Certain Rules of Interpretation**

Section 1.2 of the MOU is incorporated by reference and shall apply to this Amending Agreement *mutatis mutandis*.

**3. Entire Agreement**

This Amending Agreement together with the MOU constitutes the entire agreement among the Parties and sets out all the covenants, promises, warranties, representations, conditions, understandings and



-2-

agreements among the Parties pertaining to the subject matter of this Amending Agreement and supersede all prior agreements, understandings, negotiations and discussions among the Parties, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or agreements, whether oral or written, express, implied or collateral among the Parties in connection with the subject matter of this Amending Agreement except as specifically set forth in this Amending Agreement and the MOU. Except as expressly modified by this Amending Agreement, the MOU is hereby ratified and confirmed.

#### 4. Amendments

The MOU is hereby amended as follows:

- (a) Section 2.7(a)(iii) is deleted in its entirety and replaced with the following:

"If TransCanada has elected Election #3, then Section 3 of Schedule "C" shall survive any such termination and shall remain in full force and effect for a period of ten (10) years and if Enbridge connects to the TransCanada System at Bram West and TransCanada and Enbridge have agreed to a Load Retention Rate, Section 7 of Schedule "C" shall survive for the term of the Bram West CDA Service Contracts."

- (b) Section 3.1(c) is deleted in its entirety and replaced it with the following:

"(c) TransCanada will make an election to manage future transportation service requests or any existing or future TransCanada System requirements by electing one of the following options:

- (i) Election #1 (as set out in Schedule "A");
- (ii) Election #2 (as set out in Schedule "B"); or
- (iii) Election #3 (as set out in Schedule "C").

and provide Notice of the relevant election to Enbridge on or before May 22, 2013 (the "Election Date"). If Notice is not given within such time frame, TransCanada shall be deemed to have elected Election #3. Notwithstanding the foregoing if TransCanada elects Election #1, such election is subject to the condition precedent that TransCanada receives Board of Director approval on or before June 30, 2013. If TransCanada does not receive Board of Director approval on or before June 30, 2013, TransCanada shall be deemed to have elected Election #3. The Parties agree to work cooperatively to determine in good faith and with diligence the terms and conditions of the definitive agreements to give effect to Election #1 or Election #2, as the case may be, and the TBO Agreement terms contained in Schedule "D".

- (c) Section 4.1(a) is amended by adding the following after "this MOU" on line 4:

"including transportation service that TransCanada determines necessary on Union Gas Limited's Dawn to Parkway transportation system."

- 3 -

(d) Section 5.1(c)(ii) is amended by adding the following after Section 5.1(c)(ii)(I):

"(J) TransCanada will seek approval of its Board of Directors by June 30, 2013;

(K) The full capacity of the Enbridge Pipeline will be for Enbridge's use if TransCanada is unable to proceed with the TBO Agreement; and

(L) In the event TransCanada is unable to proceed with the TBO Agreement and Enbridge connects to Bram West, the Parties will work in good faith to establish a reasonable rate in the manner stated in Section 16 of Schedule "A", Section 17 of Schedule "B", or Section 6 of Schedule "C", as applicable according to the election made by TransCanada."

(e) Schedule "A" is amended by adding the following Section 16:

"If TransCanada elects Election #1 and for any reason is unable to proceed with the TBO Agreement, the Parties will work together to ensure that the Parkway to Bram West CDA point to point toll is reasonable in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway. A reasonable toll will take into account that the Bram West interconnect will provide an independent connection off of the TransCanada System, and will reduce environmental impacts of the construction of the Enbridge Pipeline.

The Parties will use reasonable efforts to work together on a strategy to defend the Parkway to Bram West CDA point to point toll, as determined by TransCanada's approved rate methodology (the "Tariff Rate"), however, if the Parties agree, acting reasonably, that the Tariff Rate is not defensible in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway, then the Parties will work in good faith to develop a load retention rate (the "Load Retention Rate").

If the Parties, acting reasonably, are unable to agree on a Load Retention Rate, or are unable to get approval for the Load Retention Rate, then Enbridge will have the right to construct back to Parkway. Enbridge will have the right to immediately terminate the Bram West CDA Service Contracts by providing notice within 30 days from when negotiations terminate. TransCanada agrees not to oppose Enbridge in its efforts to obtain such Regulatory Approvals as Enbridge reasonably determines are necessary to enable it to construct and operate the extension from Bram West to Parkway."

(f) Schedule "A" is amended by adding the following Section 17:

"If for any reason TransCanada does not proceed with the TBO Agreement, the full capacity of the Enbridge Pipeline will be available for Enbridge's use."

(g) Schedule "B" - Section 3 is amended by adding the following Section 18:

"If TransCanada does not exercise the Election #2 Option or for any reason does not proceed with the TBO Agreement, the full capacity of the Enbridge Pipeline will be available for Enbridge's use."

- (h) **Schedule "B"** - Section 6 is deleted in its entirety and replaced with the following:

"TransCanada has determined that it is not possible to provide the requested service from the May 2012 NCOS based on the NEB Decision RH-003-2011. Notwithstanding the foregoing, if TransCanada exercises the Election #2 Option, Enbridge agrees that TransCanada's capacity on the Enbridge Pipeline under the TBO Agreement shall be available to TransCanada for future requests for transportation service or for any existing or future TransCanada System requirements."

- (i) **Schedule "B"** - Section 17 shall be deleted in its entirety and replaced with the following:

"If TransCanada does not exercise the Election #2 Option, or if for any reason TransCanada is unable to proceed with the TBO Agreement, the Parties will work together to ensure that the Parkway to Bram West CDA point to point toll is reasonable in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway. A reasonable toll will take into account that the Bram West interconnect will provide an independent connection off of the TransCanada System, and will reduce environmental impacts of the construction of the Enbridge Pipeline.

The Parties will use reasonable efforts to work together on a strategy to defend the Parkway to Bram West CDA point to point toll, as determined by TransCanada's approved rate methodology (the "Tariff Rate"), however, if the Parties agree, acting reasonably, that the Tariff Rate is not defensible in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway, then the Parties will work in good faith to develop a load retention rate (the "Load Retention Rate").

If the Parties, acting reasonably, are unable to agree on a Load Retention Rate, or are unable to get approval for the Load Retention Rate, then Enbridge will have the right to construct back to Parkway. Enbridge will have the right to immediately terminate the Bram West CDA Service Contracts by providing notice within 30 days from when negotiations terminate. TransCanada agrees not to oppose Enbridge in its efforts to obtain such Regulatory Approvals as Enbridge reasonably determines are necessary to enable it to construct and operate the extension from Bram West to Parkway."

- (j) **Schedule "C"** is amended by adding the following Section 6:

"If the Parties mutually agree, and Enbridge chooses to continue with a connection to the TransCanada System at Bram West, the Parties will work together to ensure that the Parkway to Bram West CDA point to point toll is reasonable in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway. A reasonable toll will take into account that the Bram West interconnect will provide an independent connection off of the TransCanada System, and will reduce environmental impacts of the construction of the Enbridge Pipeline.

The Parties will use reasonable efforts to work together on a strategy to defend the Parkway to Bram West CDA point to point toll, as determined by TransCanada's approved rate methodology (the "Tariff Rate"), however, if the Parties agree, acting reasonably, that the Tariff Rate is not defensible in relation to Enbridge's cost of extending the Enbridge Pipeline to Parkway, then the Parties will work in good faith to develop a load retention rate (the "Load Retention Rate").

-5-

If the Parties, acting reasonably, are unable to agree on a Load Retention Rate or are unable to get approval for the Load Retention Rate, then Enbridge will construct back to Parkway. If Enbridge has entered into the Bram West CDA Service Contracts as contemplated in the MOU, then Enbridge will have the right to immediately terminate the Bram West CDA Service Contracts by providing notice within 30 days from when negotiations terminate."

(k) **Schedule "C"** is amended by adding the following Section 7:

"If at any time any Person or Persons other than Enbridge's gas distribution customers utilize transportation on the Enbridge Pipeline that would otherwise have been contracted by TransCanada, and a Load Retention Rate had been agreed to between Enbridge and TransCanada for service between Parkway and Bram West, then at TransCanada's sole discretion, it may revoke the Load Retention Rate and the Tariff Rate would apply to the Bram West CDA Service Contracts."

(l) **Schedule "D"** is amended by adding the following after the sentence setting out the "Capacity Allocation":

"TransCanada agrees to work with the Eastern local distribution companies and the market in a cooperative and timely manner, to establish terms and conditions to be brought to the NEB for approval, under which TransCanada could expand the TransCanada System for short haul service requests on a commercially reasonable basis."

5. **Confidentiality**

The Parties acknowledge and agree that all information disclosed by a Party to the other Party pursuant to or in relation to this Amending Agreement constitutes Confidential Information of the disclosing Party, and this Amending Agreement constitutes Confidential Information, in each case subject in all respects to Article 5 of the MOU.

6. **Miscellaneous**

- (a) **Costs and Expenses:** Each Party shall bear its own costs and expenses in respect of the negotiation and execution of this Amending Agreement.
- (b) **Enurement:** This Amending Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.
- (c) **Further Assurances:** The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Amending Agreement, and each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect the purpose of this Amending Agreement and carry out its provisions.

-6-

- (d) Execution and Delivery: This Amending Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

IN WITNESS OF WHICH the Parties have duly executed this Amending Agreement as of the date first written above.

TRANSCANADA PIPELINES LIMITED

ENBRIDGE GAS DISTRIBUTION INC.

Per:

Name: Steve Clark  
Title: SVP Canadian and Eastern  
US Pipelines

Per:

Name: Donald Bell  
Title: Director Commercial East

Per:

Name:  
Title:

Per:

Name:  
Title:

-6-

- (d) **Execution and Delivery:** This Amending Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

IN WITNESS OF WHICH the Parties have duly executed this Amending Agreement as of the date first written above.

**TRANSCANADA PIPELINES LIMITED**

**ENBRIDGE GAS DISTRIBUTION INC.**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: Martin Girdnar  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Martin Girdnar  
Vice President, Gas Supply

Per: James Lord  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
James Lord  
Vice President  
Law & Information Technology

TAB 28





**Union Gas**  
 A Spectra Energy Company

January 31, 2013

TransCanada Pipelines Limited  
 450 – 1st Street S.W.  
 Calgary, Alberta  
 T2P 5H1

**Attention: Dave Schultz**  
**Vice-President, Commercial East, Canadian Natural Gas Pipelines**

Dear Dave:

**Re: Union Gas Limited – Parkway LCU Protection and Related Issues**

I am writing further to the discussions between our respective companies and Enbridge which have been ongoing since last year.

As you know, our discussions have considered matters beyond the need for loss of critical unit (LCU) protection at Parkway to include Enbridge's GTA reinforcement project, the impact on Ontario of the changing North American gas supply dynamics occasioned by the development of Marcellus shale gas and, generally, the development of the natural gas market in Ontario and the need for facilities to address that development.

I believe our discussions have been productive in considering each of the above issues. We have made significant progress in understanding our companies' respective points of view and in determining how the needs of Ontarians can best be met going forward, all as encouraged by the Ontario Energy Board.

Beginning with Enbridge's GTA reinforcement project, we understand that it is intended to:

1. Reinforce downtown Toronto to permit for more growth post 2015, with the capability to source supply from multiple directions (as opposed to today where supply is sourced down the DVP).
2. Manage the existing dependency on Parkway. This is being addressed as follows, by: (i) building a line from Parkway to Albion; (ii) rebuilding the Albion Gate Station into a major feed (one of four such stations); (iii) supporting the development of LCU protection at Parkway; (iv) supporting a second feed from the suction side of Parkway to back up the Parkway Consumers and Lisgar feeds; and (v) diversifying the supply at Parkway to include direct delivery from TCPL (Niagara to Parkway) along TCPL's domestic line.
3. Restructure Enbridge's gas supply portfolio away from long haul discretionary services to more short haul supply on Union's system.

We understand that, consistent with the GTA project, Enbridge is currently negotiating new supply contracts with Union and a Memorandum of Understanding with TCPL. The MOU includes a new joint



development of the Parkway to Albion line (by EGD and TCPL), with a further expansion of the line by TCPL from Albion to Maple. We understand this work is scheduled to be completed by November 1, 2015. Union strongly supports this expansion provided it can be done by the end of 2015.

Turning to the Parkway project and the need for physical LCU protection at Parkway, it is consistent with the GTA project and Enbridge's objectives. The Parkway project also addresses Union's own significant operational and risk management needs which have been driven by the changing gas supply dynamics discussed above. Enbridge, GMI, Vermont Gas and the other ex-franchise shippers who will bear the majority of the costs associated with the project all support it. Marcellus and the changes it has brought about are here to stay. The potential benefits to Ontarians (and others) in terms of reduced gas supply costs are significant. While Marcellus volumes coming into Ontario may have an impact on Mainline flows, ultimately, facilitating Marcellus supply will benefit Ontario and ensure that TCPL's eastern triangle continues to grow.

I understand that having considered all of the issues outlined above including the shippers' perspective, Union's operational needs, the best interests of Ontarians and the various alternatives we have discussed in the past, TCPL now similarly supports the Parkway projects.

As a final matter, we have advised you that Union has entered into contracts for the incremental transportation of 700,000 GJ/d of growth. These contracts drive the need for a new growth compressor at Parkway West and a loop of the Dawn to Parkway transmission system (Brantford to Kirkwall). TCPL and Enbridge have indicated their support for that compressor given the new incremental contracted volumes. Union would expect that support (and for the Union Gas contracts on TCPL from Parkway to the NDA and Parkway to the EDA) to continue going forward.

As always, please feel to give me a call should you wish to discuss any of the above further. It would be appreciated if you could please confirm back TCPL's agreement with respect to all of the matters described above by February 8<sup>th</sup>, 2013.

Yours truly,



Mark Isherwood  
Vice President, Business Development  
Storage & Transmission

cc: Malini Giridhar (Enbridge)

TAB 29



February 8, 2013

TransCanada PipeLines Limited  
450 - 1<sup>st</sup> Street S.W.  
Calgary, Alberta, Canada T2P 5H1

Mr. Mark Isherwood, P.Eng, M.B.A.  
Vice-President, Business Development, Storage and Transmission  
Union Gas Limited  
P.O. Box 2001  
50 Keil Drive North  
Chatham, ON  
N7M 5M1

tel 403.920.5574  
fax 403.920.2384  
email dave\_schultz@transcanada.com  
web www.transcanada.com

Dave Schultz, P. Eng.  
Vice-President, Commercial East

Dear Mark:

Re: Union Gas Limited – Parkway LCU Protection and Related Issues

I am writing in response to your letter sent to me on January 31, 2013 regarding "Parkway LCU Protection and Related Issues". In your letter, you describe a number of items, some of which I will not respond to at this time as they pertain to discussions occurring with other third parties. With respect to the proposed Union Gas facilities at Parkway West, as noted in your letter, TransCanada is not opposed to Union's facility plans related to incremental growth requirements supported by firm contractual commitments. Specifically this is related to the new compressor at the proposed Parkway West site and associated metering. Additionally, TransCanada has determined it is not opposed to the addition of a Loss of Critical Unit protection compressor unit to the proposed scope of the Parkway West site. Finally, TransCanada continues to progress its plans that will facilitate having the required capacity in place to accommodate the incremental Union Gas contract volumes from Parkway to the NDA and EDA for November 2015.

If you need to contact me, I can be reached at 403-920-5574.

Sincerely,

Dave Schultz  
Vice-President, Commercial East  
Canadian Natural Gas Pipelines

TAB 30

Hagerman, Max

---

**From:** Tim Stringer [tim\_stringer@transcanada.com]  
**Sent:** April 23, 2013 5:53 PM  
**To:** Redford, Jim; brian.wikant@enbridge.com; cindy.mills@enbridge.com;  
owne.schneider@enbridge.com; lisa.dumond@enbridge.com; byron.madrid@enbridge.com;  
George, Michelle; Hagerman, Max; Craig Fernandes; Brian West; Lisa DeAbreu  
**Subject:** April 15 Meeting Minutes  
**Attachments:** Meeting Minutes - April 15 2013 coordination meeting.docx

Folks, here are the meeting minutes and associated action items from last Monday's meeting. My apologies for the delay in sending these, I meant to send them out first thing Monday morning. Thanks to Jim Redford who essentially completed the consolidation of notes that Craig started, I only had to add a few small items.

If you have any questions, please give me a call at 416.869.2177 or send me an email.

Thanks,  
Tim

This electronic message and any attached documents are intended only for the named addressee(s). This communication from TransCanada may contain information that is privileged, confidential or otherwise protected from disclosure and it must not be disclosed, copied, forwarded or distributed without authorization. If you have received this message in error, please notify the sender immediately and delete the original message. Thank you.

### **Enbridge, TransCanada and Union Gas Coordination Meeting**

**Date:**  
April 15, 2013

**Attendees:**

TransCanada – Tim Stringer, Lisa Deabreu, Brian West  
Enbridge – Craig Fernandes, Byron Madrid, Cindy Mills, Lisa-Marie Dumond, Brian Wikant, Owen Schneider, Aman Haq  
Union Gas – Jim Redford, Max Hagerman, Michelle George, Paul Colwell

**Purpose of Meeting:** to introduce project teams to one another and discuss coordination of associated infrastructure projects over the 2013-2015 time-frame.

**Key Discussion Points:**

**Enbridge project planning:**

- 2015 in-service for Segment A and B
- 2015 in-service for Parkway West Gate Station
- Pre-filed evidence update currently being filed with the OEB
- Segment A and Segment B required to move incremental Dawn-Parkway contracted volumes to intended market

**TCPL project planning:**

- TCPL preliminary route for NPS 36, 13 km 2015 EME follows Highway 50 to a 500 kV power line and then to the Parkway-Maple corridor
- Targeting late November 2013 NEB Section 58 filing with approval expected by Q3 2014
- Targeting late October 2015 in-service
- New interconnection to Union at Parkway West targeting early Q4 2015 in-service and does not require check measurement

**Union Gas project planning:**

- Parkway Projects consist of a reliability project (Parkway West Project) and a growth project to serve ¼ Bcfd of incremental Dawn-Parkway demand (Parkway D compressor and Brantford-Kirkwall looping)
- Parkway West Project to be in-service in stages
  - 2014 – Parkway (Consumers 2) interconnection along with site grading and preparations, tie-in to Dawn-Parkway System, replacement of NPS 26 and NPS 34 pipelines across the station property and station headers
  - 2015 – Plant C compressor and remaining associated facilities
- Parkway West Project application submitted January 29, 2013
- Parkway growth projects (Plant D compressor at the Parkway West site and Brantford-Kirkwall looping) to be in-service November 1, 2015
- Parkway growth projects application submitted April 2, 2013

Filed: 2013-06-20

EB-2012-0451/EB-2012-0433/EB-2013-0074

Exhibit I.A1.UGL.CCC.7

Attachment 2

- Jim Redford to have a follow up discussion with Craig Fernandes regarding the Parkway West Gate Station timing.

**Action Items:**

**Joint Engineering/Construction Team**

Need identified for coordination between project development teams.

Engineering/Construction Team to discuss engineering design, schedule and construction issues related to the Enbridge, TransCanada and Union Gas projects. Tim Stringer to follow up with Larry Jensen to schedule initial Engineering/Construction Team coordination meeting. Engineering/Construction Team meetings to be scheduled regularly starting with bi-weekly occurrences.

- Include Larry Jensen, Byron Madrid, Paul Colwell, Roger Pieltt and Brian West (minimum) on invite
- Schedule initial meeting as soon as possible - week of April 22<sup>nd</sup> preferred
- Technical team leads to draft discussion items list for consolidation and circulation prior to the meeting—will include: ownership of the tie-in (Bramwest); ownership of the pipeline between Parkway West and TransCanada's existing valve site, detailed design requirements, sharing of project schedules, etc.
- Tim Stringer to set up a meeting between Byron Madrid, Paul Colwell and Brian West to get clarity on the land requirements from Infrastructure Ontario for all of the related projects and to discuss overall lands coordination
- Need to develop a common milestone schedule encompassing all related projects at the first or second meeting
- Jim Redford to set up a meeting with Tim Stringer to discuss who will own the pipe between the TransCanada valve site and Union's facilities at the Parkway West site
- Jim Redford to develop a letter of understanding between Union and TransCanada detailing ownership and operation of the Union/TransCanada interconnection facilities
- Paul Colwell to forward geo-technical information on the Parkway West site to Byron Madrid
- Lisa Marie Dumond to contact Doug Schmidt regarding the Environmental Assessment information for the Parkway West Project

Paul Colwell and Byron Madrid to follow up on zoning approval and site plan approval next steps for Parkway West:

- Pre-consultation for zoning on April 22<sup>nd</sup> - Paul Colwell to follow up with Byron Madrid and Bill Coldicott on results
- Paul Colwell and Byron Madrid to discuss whether Parkway West ECA is to be a common site plan application or two separate ECAs. Results to be communicated to the Enbridge, TransCanada and Union Gas project teams

Engineering/Construction Team leads (Byron Madrid, Paul Colwell and Brian West) to exchange a list of technical assumptions and detailed design requirements for further discussion.



- Communication signals, ownership of each element of the proposed facilities, tie-in points, cathodic protection, induced currents, station design parameters, access, etc.

#### Joint Stakeholder Relations Team

- Need identified to have coordinated stakeholder relations since one party is likely to be asked about the projects proposed by the other two parties (consistency required)
- Team would cover media, First Nations, all levels of government, landowner, permitting, regulatory (potentially) and other stakeholder relations
- Jim Redford to provide Union Gas contact details for Stakeholder Relations Team to Cindy Mills
- Cindy Mills to schedule recurring meeting – suggest bi-weekly to start
- Need to draft issues list for initial meeting and discuss common key messages as soon as possible

#### Procurement

- Recognized as an opportunity for Enbridge, TransCanada and Union Gas to work together and create value
- Procurement Team can be formed to discuss strategy regarding procurement of services and materials with initial focus on construction contracting (joint engagement of HDD contractor and efficient logistics such as mobilization and demobilization). Pipe order (mill space, etc.) and other long lead items could be discussed following. Scope to include scheduling, logistics and costs.
- Procurement Team to be initiated after Engineering/Construction Team gets together and would be a sub-set of the Engineering/Construction Team. Procurement Team to be developed, including representatives from Enbridge, TransCanada and Union Gas.
- Procurement Team would have recurring meetings as part of the Engineering/Construction Team discussions
- Common regional spare parts was mentioned as an item to be discussed jointly amongst the Procurement Team and the Engineering/Construction Team

TAB 31



TransCanada PipeLines Limited  
200 Bay Street, South Tower  
Toronto, Ontario  
M5J 2J1

tel 416.889.2191  
fax 416.889.2110  
email don\_bell@transcanada.com  
web www.transcanada.com

April 29, 2013

Union Gas Limited  
50 Keil Drive North  
Chatham, Ontario  
N7M 5M1

Attention: Chris Shorts  
Director, Gas Supply

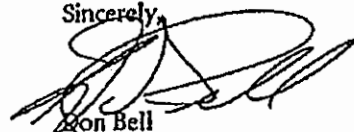
Dear Chris,

Reference: Precedent Agreement between TransCanada PipeLines Limited ("TransCanada") and Union Gas Limited dated October 2, 2012 (the "Precedent Agreement") for 100,000 GJ/d from Union Parkway Belt to Union EDA

Please be advised that the Board of Directors of TransCanada has not approved the Eastern Mainline expansion projects for 2015 in light of the recent NEB Decision for RH-003-2011. Although Union Gas Limited did not execute the above mentioned Precedent Agreement, the Eastern Mainline 2015 expansion project included the transaction contemplated in the above noted Precedent Agreement. As such we would like to notify you that TransCanada is not prepared to execute the Precedent Agreement on the basis that the Condition Precedent, as such term is defined in the Precedent Agreement under Paragraph 29 (a), would not be satisfied.

Notwithstanding the suspension of the 2015 Eastern Mainline Expansion, TransCanada would like to work with you to explore what solutions or alternatives may be available to move these initiatives ahead given the NEB RH-003-2011 Decision.

Sincerely,



Don Bell  
Director, Mainline East  
Commercial East

TAB 32



May 22, 2013

Enbridge Gas Distribution Inc.  
500 Consumers Road  
Toronto, Ontario  
M2J 1P8

Attention: Malini Girdhar

TransCanada PipeLines  
Limited  
200 Bay Street, South Tower  
Toronto, Ontario  
M5J 2J1

tel: 416.869.2191  
fax: 416.869.2119  
email: don.bell@transcanada.com  
web: www.transcanada.com

Dear Malini,

Re: Memorandum of Understanding between TransCanada PipeLines Limited ("TransCanada") and Enbridge Gas Distribution Inc. ("Enbridge") as amended April 26, 2013 and May 21, 2013 (the MOU)

Attached is the election notice electing Election #2.

As discussed, it was TransCanada's intent to elect Election #1 but after years of challenging GLGT back haul Union has informed TransCanada that is not in a position to offer the required Union Dawn to Parkway TBO capacity necessary to convert existing currently contracted GLGT back haul to forward haul until November 1, 2016. This has come as a surprise to us and has put TransCanada in a position where it needs to elect election #2.

TransCanada will however continue to pursue the project keeping to a November 1, 2015 in service date. However in the event that more time is required to resolve this unfortunate issue TransCanada would revert to the option #2 time line.

Malini, if you have any questions please give me a call.

Best regards,

Don Bell  
Director, Mainline East  
Commercial East



VIA FACSIMILE: (416) 495-5994

May 22, 2013

Enbridge Gas Distribution Inc.  
 500 Consumers Road  
 Toronto, Ontario  
 M2J 1P8

TransCanada PipeLines  
 Limited  
 450 - 1st Street SW  
 Calgary, AB  
 T2P 5H1

Tel: (403) 920-2018  
 Fax: (403) 920-2317  
 email: [stephen.clark@transcanada.com](mailto:stephen.clark@transcanada.com)  
 web: [www.transcanada.com](http://www.transcanada.com)

Attention: VP Gas Supply  
 c/o Law Department

Re: Memorandum of Understanding between TransCanada PipeLines Limited ("TransCanada") and Enbridge Gas Distribution Inc. ("Enbridge") as amended April 26, 2013 and May 21, 2013 (the "MOU").

Pursuant to Sections 3.1(c) and 6.1 of the MOU, TransCanada hereby provides Notice to Enbridge that TransCanada elects Election #2 as outlined in Schedule B of the MOU.

TransCanada looks forward to working with Enbridge on this project.

If you have any questions please feel free to contact Don Bell at 416-869-2191.

Yours Truly,

**TRANSCANADA PIPELINES LIMITED**

Per: \_\_\_\_\_

Name: Steve Clark

Title: SVP Canadian and Eastern US Pipelines

Per: \_\_\_\_\_

Name: Donald Bell

Title: Director Commercial East

TAB 33



June 13, 2013

TransCanada Pipelines Limited  
 Royal Bank Plaza  
 24th Floor, South Tower  
 200 Bay Street  
 Toronto, Ontario M5J 2J1

Attention: Don Bell

Dear Don:

**Re: Memorandum of Understanding ("MOU") between TransCanada Pipelines Limited and Enbridge Gas Distribution Inc.  
 EB-2012-0451: Exhibit I.A1. EGD.CME.6**

I have had the opportunity to review your letter to Enbridge Gas Distribution Inc. dated May 22, 2013 attaching TCPL's notice electing Election #2 under the MOU between TCPL and Enbridge. Union's review of the MOU itself is ongoing.

Your letter indicates that, "Union has informed TransCanada that it is not in a position to offer the required Union Dawn to Parkway TBO [M12] capacity necessary to convert existing currently contracted GLGT back haul to forward haul until November 1, 2016." Your letter further indicates that this has "come as a surprise to TCPL".

Union has informed TCPL that in order to secure further capacity on the Dawn Parkway system, TCPL would need to acquire that capacity through a binding open season. The capacity referred to in your letter was acquired in precisely that fashion. Union, Enbridge GM and Vermont Gas acquired the capacity through a binding open season held by Union in 2012. As you are aware, TCPL elected not to participate in that open season. It would be inconsistent with the OEB's Storage and Transportation Access Rules (STAR) and Union's contractual commitments and unfair to the parties that participated in Union's open season if it were to now simply re-assign the capacity to TCPL. This cannot come as a "surprise" to TCPL.

Union does intend to hold a further open season for Dawn Parkway capacity commencing in 2016. Your letter recognizes the cost advantage to TCPL of shipping on the Dawn Parkway system rather than back haul on GLGT, a point Union has been trying to make to TCPL for some time. Given this cost advantage, we look forward to TCPL's participation in Union's open season. It is our understanding that TCPL currently ships approximately 500,000 GJ/day back haul on GLGT.

Yours truly,

Mark Isherwood  
 Vice President, Business Development  
 Storage & Transmission

cc: Malini Giridhar (Enbridge)



TAB 34


**TransCanada**
*In business to deliver*

TransCanada Corporation  
450 - 1st Street S.W.  
Calgary, Alberta, Canada T2P 5H1

**tel** 403.920.2089

**fax** 403.920.2411

**email** [karl\\_johannson@transcanada.com](mailto:karl_johannson@transcanada.com)

**web** [www.transcanada.com](http://www.transcanada.com)

**Karl Johannson.**

President  
Natural Gas Pipelines

June 17, 2013

Mrs. Sophie Brochu  
President & CEO  
Gaz Metro  
1717 rue de Havre  
Montreal, QC  
H2K 2X3

Mr. Steve Baker  
President  
Union Gas Limited  
50 Keil Drive North  
Chatham, ON  
N7M 5M1

Mr. Guy Jarvis  
President  
Enbridge Gas Distribution Inc.  
500 Consumers Road  
Toronto, ON  
M2J 1P8

Thank you for attending the meeting on June 4, 2013 with Russ, Steve and myself to discuss your transportation requirements. I thought the meeting was productive and I trust that we all have a better understanding of the constraints each of us is operating under today.

I would take this opportunity to address some of the Eastern LDC's concerns, as outlined in Ms. Brochu's letter of June 7, 2013, and further discuss our views on some of the issues that arose in our meeting.

It is clear that the current NEB toll Decision has made the deployment of new capital challenging. The Decision has set fixed tolls that do not cover the costs of operating our Mainline system. It defers substantial amounts and places TransCanada under a threat of disallowance of some or all of those costs. The primary tool given to TransCanada to bridge this gap is pricing flexibility on discretionary services. It is TransCanada's view that it cannot rely solely on discretionary services to generate the substantial revenues required for it to meet its costs and earn a fair return. The Mainline must incentivize its shippers to contract for the long term in order to maximize revenues, stabilize rates, and position it to seize on new opportunities to reduce its costs or expand its services. When we do build for new opportunities, we must recover the full cost of any new expansion, including a return of and on capital, and any revenue foregone, due for example to switching volumes from long haul to short haul.

It is imperative for the viability of the Mainline that shippers with firm needs contract for long term firm services to meet those needs. This ensures that the costs of the system are being borne by those who rely on it; stabilizes our revenue long term; reduces the amount of discretionary revenue we would otherwise be required to raise to cover our costs; and provides a clearer picture of the capacity and facilities we require to serve existing and new shippers long term, and a clearer

picture of what opportunities are available for new services, cost savings, or redeployment of facilities to reduce costs. This approach is required by the Board's direction. Accordingly, we will be providing an open season for short term shippers on our system that now wish to firm up their service arrangements as well as new markets seeking mainline service. As noted above, however, we must recover the full cost of any new expansion, including a return of and on capital, and recovery of any revenue foregone (due to switching volumes from long haul to short haul or otherwise). TransCanada stands ready to invest in expansions that will meet these objectives.

With regard to your desire for additions in the EOT that would allow shippers to switch to short haul services and displace long haul volumes, the NEB Decision has made it very difficult for TransCanada to facilitate these as it has in the past. Again, the Decision's fixed tolls mean that the revenue deficiency realized from the transfer of services from long haul to short haul are not collectible in the short term and are very uncertain in the long term. Thus, there was no other choice for TransCanada but to cancel the Parkway to Maple expansion as it recently did. The revenue shortfall caused by allowing shippers to switch from long haul to short haul would have been in excess of \$200 million per year. Under the now imminent new rates structure, this deficiency would have accrued as a negative deferral in the Toll Stabilization Adjustment account (TSA), with the risk that these losses could be visited on TransCanada at the end of the tolling period. This one project alone could have created in excess of a \$400 million deferral in the TSA.

Nevertheless, TransCanada does not see the Decision as preventing us entirely from expanding the system to accommodate new volumes, or even to accommodate shippers switching their volumes from Empress to Dawn so long as the objectives to recover the full costs are met as I have described above. In addition to the open season for shippers to "firm up" their services, we are in the process of developing incremental tolls for new incremental short haul and long haul business and will be providing an open season for this purpose also by the end of June.

In order to be efficient in the use of existing infrastructure and the creation of new infrastructure, TransCanada must continue to seek changes to the Mainline tariff renewal provisions to allow it to require long term commitments from shippers in areas of the system that could be utilized to reduce expansions for new service requests, retire, or redeploy facilities (as in the oil conversion). We also feel it is imperative that we have the discretion to deny renewals that are exercised in ways that would have the effect of precluding a more valuable opportunity for the Mainline system from being pursued, without any commitment from existing shippers to contribute to system revenues through long term financial commitments. As you know, the NEB recently required that we refile the changes we continue to seek to the renewal provisions of the tariff. We are doing so today. We understand that these changes make our customers uncomfortable, but it is TransCanada's view that the renewal option is a relic of an old cost of service paradigm that no longer exists. In the new paradigm, long term commitments and a clear view to opportunities for incremental revenue or reduced costs must be given our highest priority.

In our meeting and Ms. Brochu's letter, you raised concerns over the conversion to oil of facilities that provide short haul capacity in the EOT. It is our perspective that these facilities are not

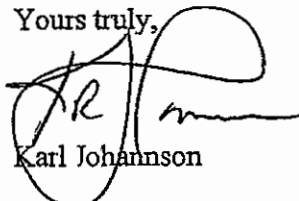
reserved for firm natural gas service in the period the oil project would require them, and shippers have largely resisted committing to this capacity for the long term. In fact, we have offered this capacity to gas shippers through continuous open seasons but current shippers have chosen not to contract for this capacity on a long term firm basis. It is unreasonable to expect TransCanada to keep the existing short haul capacity in the EOT for the exclusive use of gas customers in the EOT pursuant only to short term or interruptible commitments. The proposal to transfer some of the Mainline facilities to oil service essentially has brought forward a long term, long haul market that can recover TransCanada's long-term investment. Given the choice of gas customers to contract only for minimal periods, the oil service market is clearly the highest value market for these assets.

To be economically viable and meet the in-service dates required by the conversion project, however, the full path through the Prairies, NOL and EOT must be made available for conversion. Retention of all existing EOT facilities for continued gas service would have the effect of stranding over two thirds of the system proposed to be used by the oil shippers in the Prairies and NOL. Conversion will benefit Mainline shippers by reducing costs across the Mainline system. To the extent that there is a shortfall of capacity in the EOT that results from the conversion of those facilities, TransCanada is committed to building new facilities to ensure service for existing and incremental long term firm demand in the EOT. We will not foreclose options for customers who are willing to fully compensate the Mainline for its costs and to commit long-term to cost recovery on the system.

The Segmentation proposal we presented to you in our May 17 letter provides a framework to satisfy the LDC's concerns over access to multiple sources of gas, and future capacity in the EOT. This proposal is acceptable to TransCanada because it will allow capital investment in the EOT and ensure the viability of the Mainline system as a whole, while meeting its shippers' needs for flexibility and reliability. We look forward to continuing to work with each of you to mutually advance this proposal. Should we successfully implement an alternative such as the Segmentation proposal, TransCanada is willing to consider replacement (with rolled-in tolls) of any incremental tolling arrangements for new facilities placed into service in the interim.

I will have my Commercial East team contact your offices later this week to schedule meetings to examine the Segmentation model in more detail.

Yours truly,



Karl Johansson

c: Russ Girling  
Steve Clark

TAB 35

Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



EB-2010-0177

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

**AND IN THE MATTER OF** an Application by Enbridge Gas  
Distribution Inc. for approval of its tariff for its Rate 331 for  
transportation services;

**AND IN THE MATTER OF** the Storage and Transportation  
Access Rule.

BEFORE: Paul Sommerville  
Presiding Member

Paula Conboy  
Member

## DECISION

July 12, 2010

### Background

On December 9, 2009 the Ontario Energy Board (the "Board") issued a Notice of Issuance of a New Rule, under section 44(1) of the *Ontario Energy Board Act, 1998* (the "Act"). The new rule, known as the Storage and Transportation Access Rule ("STAR") came into effect on June 16, 2010. All materials related to the STAR are available on the Board's website.

On May 10, 2010, in accordance with sections 2.3.3 and 2.4.3 of the STAR, Enbridge Gas Distribution Inc. ("Enbridge") filed with the Board an application seeking Board approval of the tariff for its Rate 331 transportation services to be effective as of June 16, 2010.

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- 2 -

Section 2.3.3 of the STAR applies to a transmitter that provides transportation services for a shipper while section 2.4.3 applies to a transmitter that provides transportation services for an embedded storage provider. Sections 2.3.3 and 2.4.3 of the STAR read as follows:

*2.3.3 A transmitter shall include in its tariff the terms of service for each of its transportation services. The tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.*

*2.4.3 A transmitter shall include in its tariff the standard terms of service for each of its transportation services. The tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.*

The Board issued a Notice of Application and Procedural Order No. 1 on May 27, 2010, which allowed registered participants in the development of the STAR (EB-2008-0052) and Niagara Gas Transmission Limited ("Niagara Gas"), the only customer using Rate 331 services, to file submissions on Enbridge's application. The Board decided to proceed by way of a written proceeding.

In its application, Enbridge requested that the Board grant approval of its tariff by July 1, 2010 to coincide with implementation of Enbridge's July 1 Quarterly Rate Adjustment Mechanism ("QRAM") Rate Order. Enbridge further requested that, if the approval is not granted by July 1, 2010, the Board extend the implementation date for those sections of the STAR related to the tariff. The Board decided to extend the current tariff for the Rate 331 transportation services until the Board issues a decision in this proceeding.

### **The Proceeding**

On June 11, 2010, the Board received written submissions from the Canadian Manufacturers & Exporters ("CME"); Industrial Gas Users Association ("IGUA"); and Board staff ("Staff").

CME and IGUA supported the proposed Rate 331 tariff changes requested by Enbridge.

Staff submitted that Enbridge: 1) identify which pipelines provide transportation services to shippers as per section 2.3 of the STAR, 2) clarify the meaning of section 4.3 (of the FT Service Schedule), 3) clearly define its first-come, first-served allocation method in

its tariff and the associated rules with this methodology, and 4) include the different levels of priority in its tariff.

On June 25, 2010, the Board received Enbridge's Reply. To address stakeholder concerns, Enbridge made changes to the Rate 331 tariff as follows:

- Confirmed that the two pipelines used to provide Rate 331 Service are the twin NPS-30 pipelines. Also, the map was revised to specifically identify these pipelines, and to identify the other pipelines as gathering lines.
- Clarified that section 4.3 means that Enbridge will conduct open seasons in accordance with the Board's prescribed rules, whether those rules are prescribed in the STAR, or in another manner. Section 4.3 has been revised accordingly.
- Revised section 2.3 of the General Terms and Conditions to state that Enbridge will allocate capacity based upon the order of requests for service received, unless two or more requests are received at the same time, in which case capacity will be awarded proportionally.
- Revised section 7.1 to reflect the three levels of priority of service for Rate 331: 1) FT service for one year or greater, 2) FT service for less than one year, and 3) IT service. Also, an additional provision (sub-section 7.5) was included to provide for rate relief in the event of any curtailment or interruption of firm service.
- Made minor editorial changes.

### **Board Findings**

The Board approves Enbridge's Rate 331 tariff as filed on June 25, 2010. The Board also notes that at this time Enbridge does not provide transportation services for embedded storage providers and therefore, section 2.4.3 of the STAR does not apply.



### Cost Awards

The Board may grant cost awards to eligible intervenors pursuant to its power under section 30 of the *Ontario Energy Board Act, 1998*. The Board will determine such cost awards in accordance with its Practice Direction on Cost Awards. When determining the amounts of the cost awards, the Board will apply the principles set out in section 5 of the Board's Practice Direction on Cost Awards. The maximal hourly rate set out in the Board's Cost Awards Tariff will also be applied. The Board directs the following procedural steps to be followed:

1. Intervenors eligible for a cost award shall file with the Board and forward their respective cost claims for the proceeding to Enbridge no later than 21 days of the issuing of this decision.
2. Enbridge shall file with the Board and deliver to the applicable intervenor any objections to the claimed costs no later than 14 days upon receipt of cost claims.
3. The intervenors shall file with the Board and forward to Enbridge any responses to any objections for cost claims no later than 7 days upon receipt of objection by the Enbridge.

All filings to the Board must quote the file number, EB-2010-0177, be made through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca), and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and email address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca). If the web portal is not available parties may email documents to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

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- 5 -

**DATED** at Toronto, July 12, 2010

*Original signed by*

Paul Sommerville  
Presiding Member

*Original signed by*

Paula Conboy  
Member