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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AND TO: **Intervenors in EB-2012-0451/EB-2012-0333/EB-2013-0074**

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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

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.

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.

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.

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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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;

"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;

"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.

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-DISCRIMINITORY 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 Not withstanding 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

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

(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;

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.

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. Not withstanding 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.

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

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).

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^3 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^3, 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

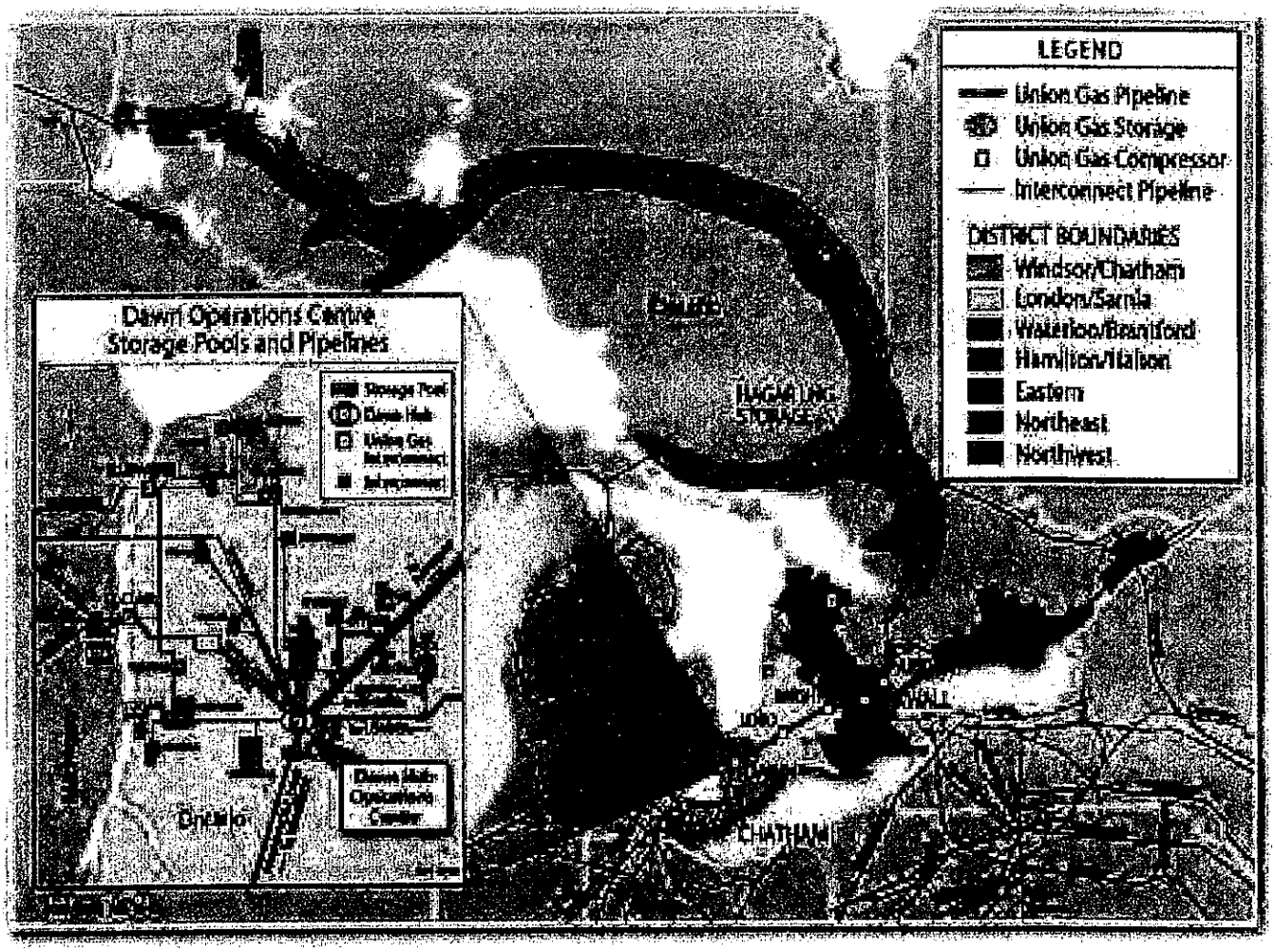
SECTION 3

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



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

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

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

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

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

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

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

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

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

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

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

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

1) access to underground storage;

2) interconnections with upstream pipelines;

3) take away capacity to growth markets;

4) a large number of buyers and sellers of natural gas; and

5) price transparency.

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

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

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

> "The storage facilities are an integral part of what is commonly referred to as the Dawn Hub, which is widely recognized as one of the more important market centres in North America for the trading, transfer and storage of natural gas. In its Natural Gas Forum Report, the Board stated "The large amount of nearby storage, combined with the convergence of pipelines linking the U.S. and Ontario gas markets, have made Dawn the most liquid trading location in Ontario. The Federal Energy Regulatory Commission (FERC), in its assessment of energy markets in the United States in 2004, made similar comments about the significance of Dawn:
>
> > The Dawn Hub is an increasingly important link that integrates gas produced from multiple basins for delivery to customers in the Midwest and Northeast.

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

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

TAB 5

SECTION 4

CHANGING NORTH AMERICAN NATURAL GAS SUPPLY DYNAMICS

North American natural gas markets are experiencing dramatic change. Production from mature North American natural gas basins is in decline while new production basins have emerged. It is noted that while natural gas reserves still exist in mature natural gas basins, the economics of natural gas production favours new emerging production basins. This shift in terms of where natural gas is being produced is changing the way natural gas has been traditionally transported in North America, impacting the flow of natural gas on the pipeline grid.

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).

Declining Western Canadian Sedimentary Basin Supply

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

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

Over the past ten years, two key trends have been occurring in Alberta: i) Alberta production has matured and is in decline; and ii) domestic use of natural gas in Alberta has increased. An independent government review completed by Alberta's Energy Research and Conservation Board ("ERCB"), focusing on mature Alberta production, forecasts that as a result of these trends, Alberta currently has less than 5 Bcf/d available to sell outside of the province of Alberta to other markets. The ERCB forecasts that by 2021, Alberta will have less than 2 Bcf/d available to sell to markets outside of Alberta (EB-2012-0433, Section 4, Figure 4-4, page 20). The major pipelines that export natural gas to markets outside of Alberta, including the TCPL Mainline, the Alliance Pipeline and the Foothills Pipeline, compete to move Alberta supply to eastern, western and southern markets and have a combined capacity of approximately 13.4 Bcf/d.

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

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

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

Emerging Shale Gas Supply

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

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

The Appalachian basin has been one of the most prolific natural gas supply growth areas in North America. This emerging and abundant supply is located within the Great Lakes region in close proximity to Ontario and other eastern North American consuming markets. Appalachian shale gas is produced mainly from the Marcellus formation in Pennsylvania, Ohio and West Virginia and more recently from the Utica formation in eastern Ohio and Western Pennsylvania (EB-2012-0433, Section 4, Figures 4-9 and 4-10, page 28). Marcellus shale gas is widely described as "the game changer" and includes both dry gas and wet gas production areas. The dry gas areas in north-central Pennsylvania were brought to market quickly due to the quality of gas produced (no significant processing facilities required) and proximity to existing pipeline systems. The liquids-rich regions in southwest Pennsylvania and West Virginia, along with the liquids-rich Utica in southeastern Ohio, have taken longer to develop given the requirement to separate and process the natural gas and natural gas liquids. The liquids-rich regions have the economic benefit of producing both natural gas (methane) and high value natural gas liquids, such as condensates, ethane, butane and propane, from the same well. Supply from the Marcellus and Utica is expected to continue to increase as midstream infrastructure continues to be built to gather, separate and process the

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

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

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

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

[1] NYMEX is priced at Henry Hub, making Henry Hub the primary natural gas pricing reference point in North America.

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

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

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

ICF International Report on Changing Gas Supply Dynamics

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

The main conclusions of the ICF International report are:

1) Natural gas consumption in Ontario is expected to grow, led by expanding use in the power sector;

2) The decline in Ontario's natural gas availability from Western Canada is expected to continue in the future due to a combination of declines in conventional WCSB natural gas production and growth in Western Canadian demand (led by LNG exports and Alberta oil sands development);

3) Growth in LNG exports and natural gas consumption from oil sands production, which use natural gas in the production process, will create significant requirements for natural gas produced in Western Canada. This growth creates new consumption options closer to production for natural gas use, which lessens the amount of natural gas available to move to markets in the east;

4) ICF International is projecting continued growth in U.S. supplies of natural gas into Ontario to meet growth in Ontario and Québec demand, as well as to replace declines in natural gas supply from the WCSB;

5) Policies and regulatory approval for the development of infrastructure to access unconventional natural gas supplies from the Marcellus and Utica formations offer the potential to lower delivered natural gas costs for households and businesses in Ontario; and,

6) Ontario's ability to expand its access to U.S. shale supplies remains a serious concern.

TAB 6

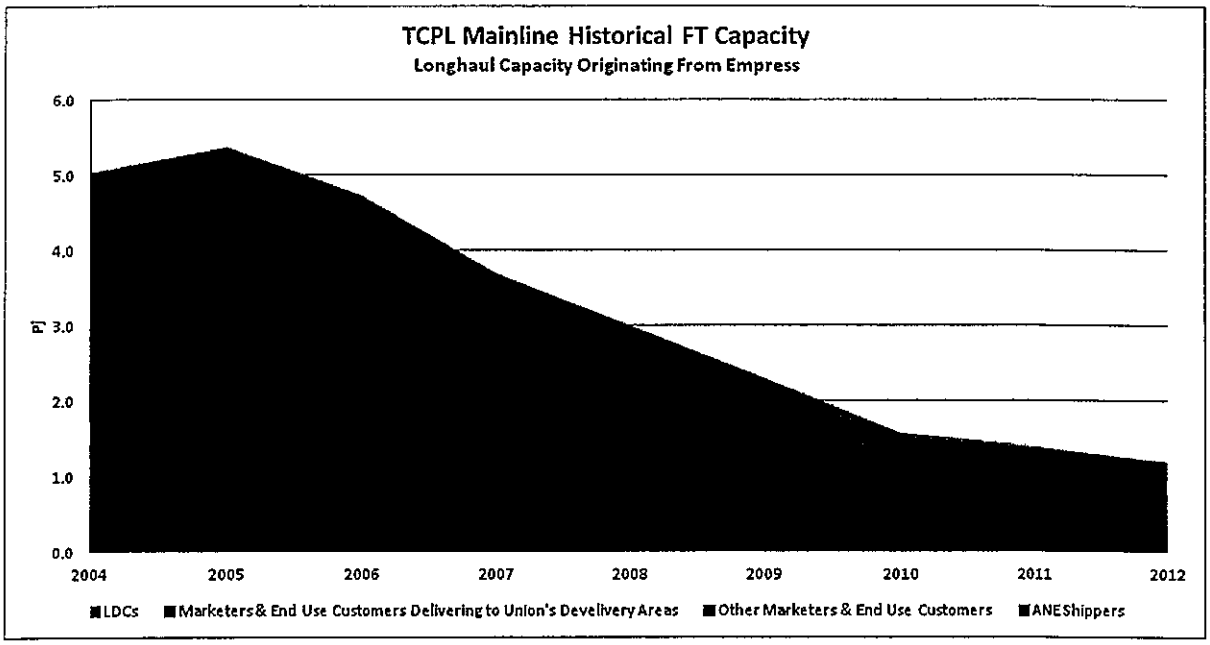
SECTION 5

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.

Gaz Métro

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

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

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

1) Continuing to purchase natural gas supply at Empress would leave Gaz Métro's customers captive to TCPL's long haul firm transportation tolls whereas supply purchased at the Dawn Hub would require Gaz Métro's customers to hold less 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),

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

Enbridge

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

1) alter its natural gas supply portfolio to access new supplies from Dawn and Niagara, reducing reliance on less secure peaking supplies that currently utilize short-term firm (STFT) and interruptible (IT) long haul transportation contracts on the TCPL Mainline;

2) potentially provide Enbridge direct purchase customers with the option to deliver gas at Dawn for transportation to Parkway; and

3) access new supplies at Dawn and Niagara to reduce distance of haul from purchase point to serve the peak demands of its heat sensitive customers (EB-2012-0451, Exhibit A, Tab 3, Schedule 5, pages 17 and 18).

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

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

Centra Manitoba

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

Union Gas

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

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

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

TAB 7

SECTION 6

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.

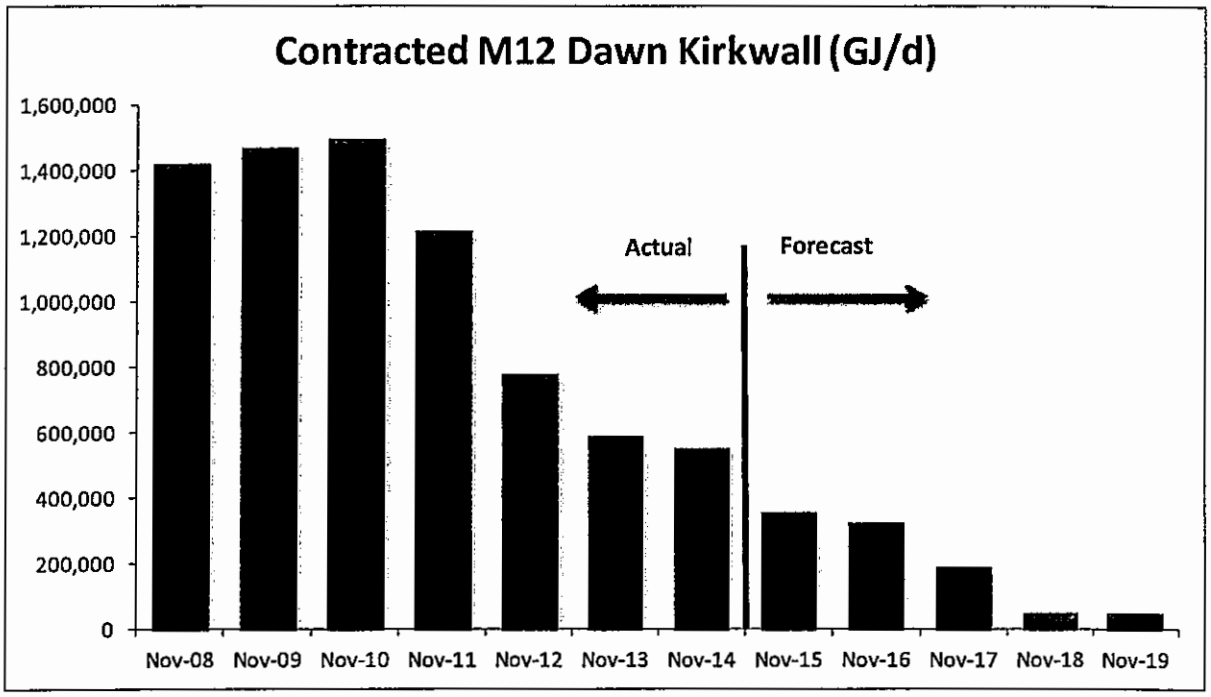
Declining Deliveries at Kirkwall

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.

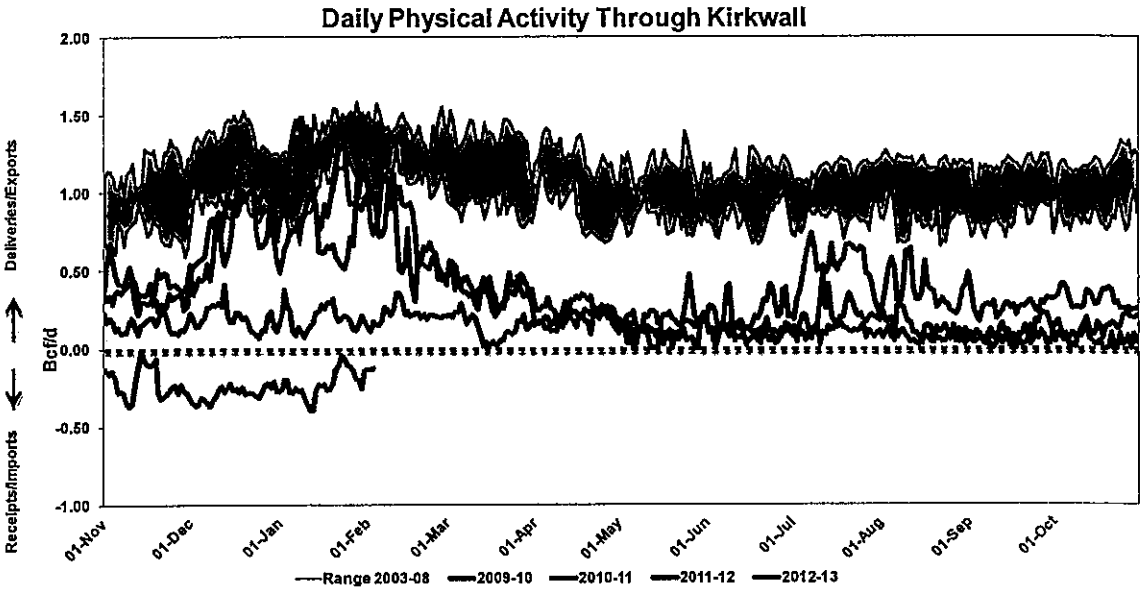
Figure 6-1



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.

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

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

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

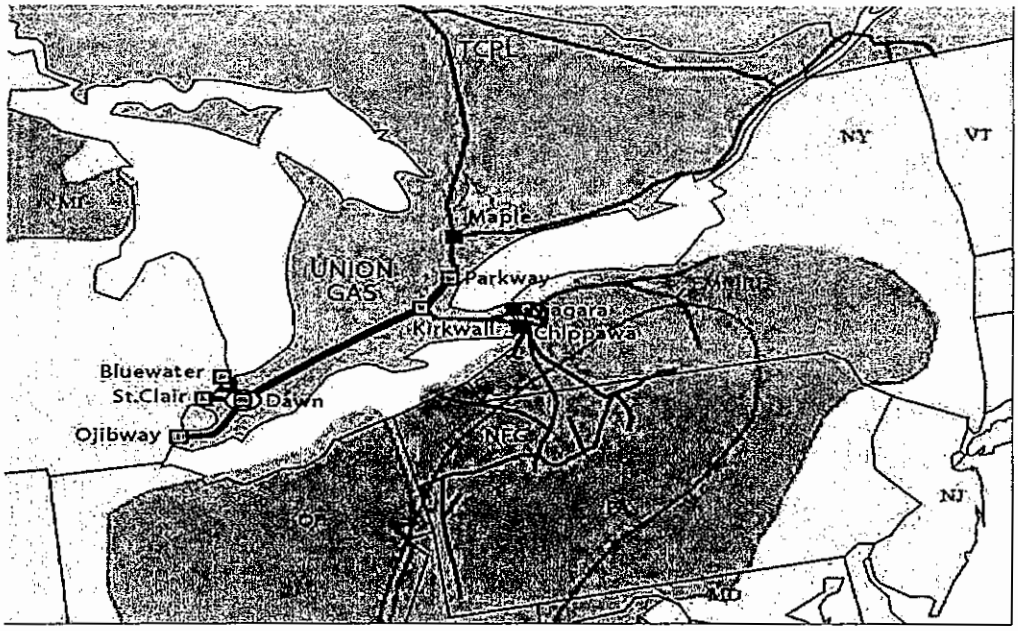
1) transportation on the TCPL Mainline from Niagara or Chippawa to Kirkwall;

2) transportation on Union's Dawn-Parkway System from Kirkwall to either Dawn or Parkway; and

3) to reach markets in Eastern and Northern Ontario, transportation on the TCPL Mainline downstream of Parkway.

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

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.

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

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

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

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

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

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

Increasing Deliveries at Parkway

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

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

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

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

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

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

1) U.S. Northeast utilities (ANE) and Gaz Métro adjusting natural gas supply portfolios, increasing Dawn-Parkway transportation capacity; and

2) incremental Dawn-Parkway transportation capacity contracted by Ontario gas-fired power generators and interconnecting pipelines.

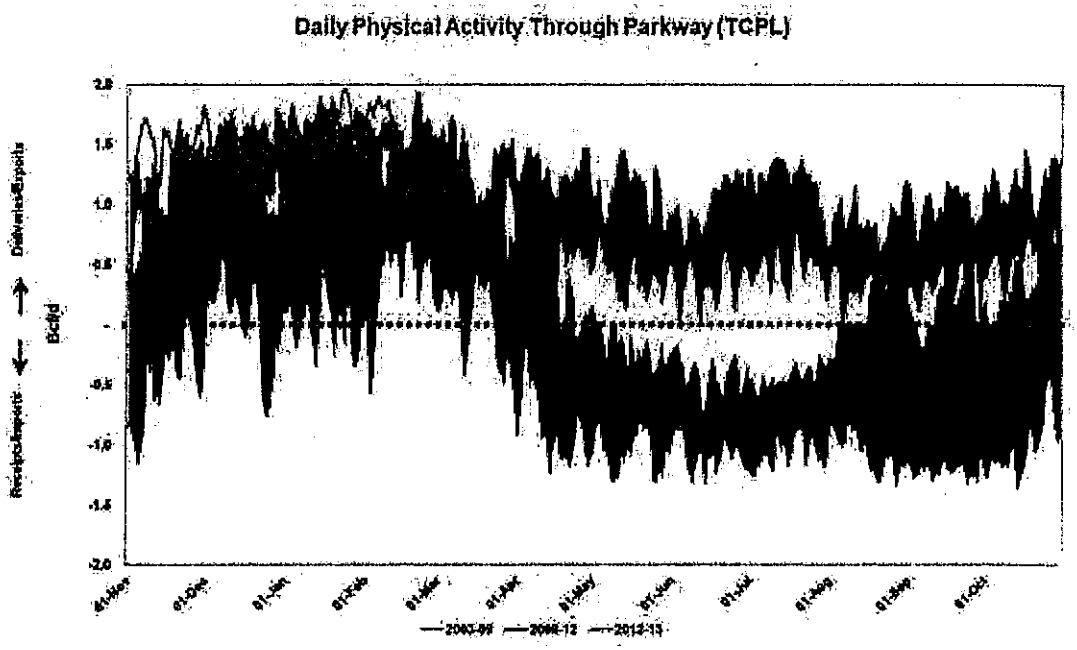
As a result, flow east through the Parkway interconnection with the TCPL Mainline has significantly increased since 2005. For winter 2014/2015, Union forecasts flow east through the Parkway interconnection with the TCPL Mainline to be 2.3 PJ/d on a design day, growing to 3.3 PJ/d for winter 2015/2016,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

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

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

[2] 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

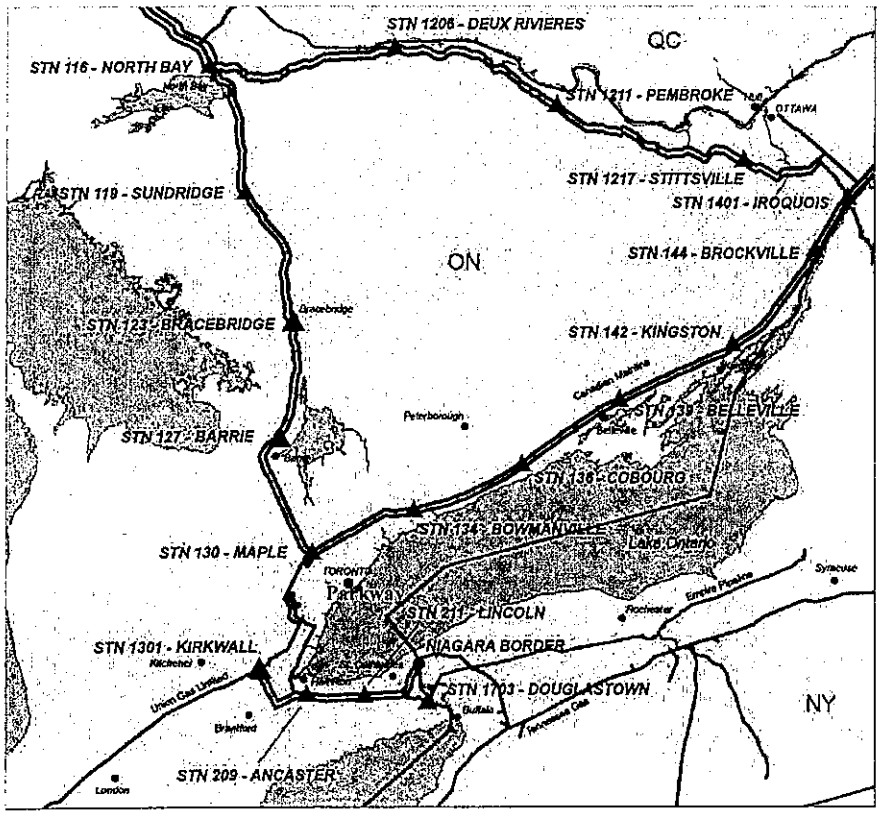


This change in throughput at Parkway has increased Union's reliance on Parkway compression to provide firm deliveries into the TCPL Mainline for Ontario, Québec and U.S. Northeast customers. By winter 2015/2016, Parkway will be the second largest point of natural gas throughput in Ontario next to the 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

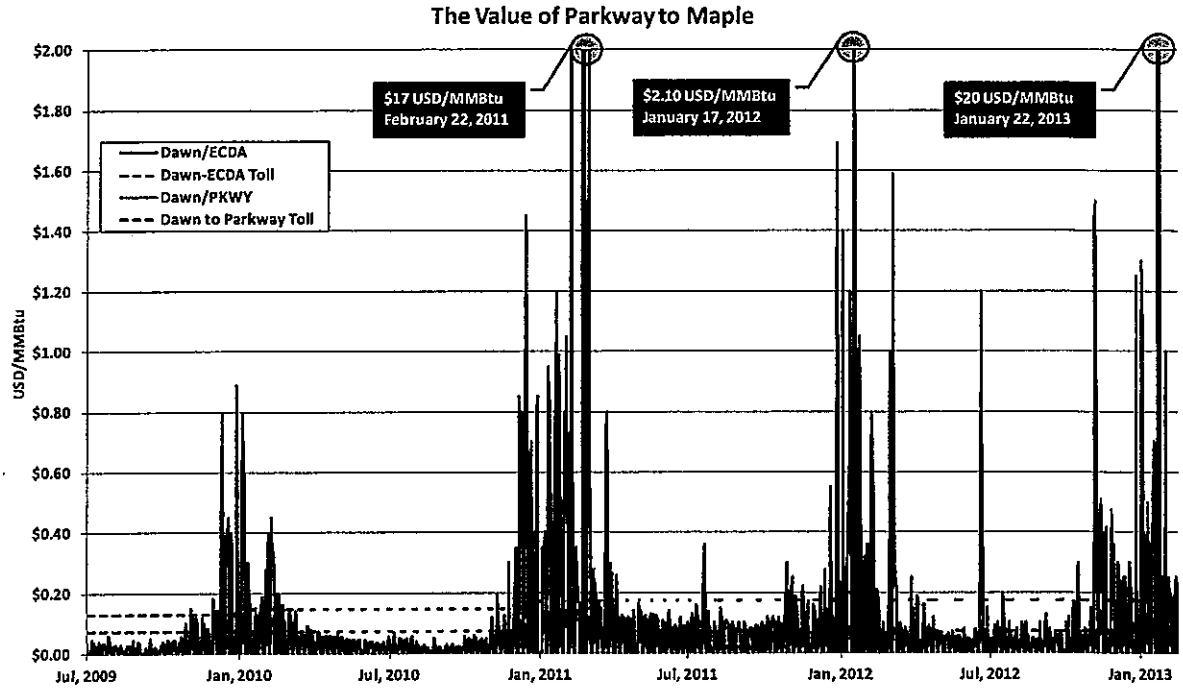
3) growing demand in central, eastern and northern Ontario as well as Québec and the U.S. Northeast.

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.

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

Binding Open Season

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

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

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

1) a description of Union's transportation offering;

2) a description of the Open Season process;

3) a link to the M12 Rate Schedule, General Term and Conditions M12 Standard Contract, Pro-forma Precedent Agreement and a Pro-forma Financial Backstopping Agreement; and

4) a transportation bid form.

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

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

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

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

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.

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

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

Reverse Open Season

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

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

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

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

Shipper	Start Date	Term (years)	Path	Awarded Quantity (GJ/d)
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	70,157
Total				**736,041**

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.

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

According to information submitted by TCPL in EB-2011-0210, the TCPL open season held concurrently with the Union Open Season resulted in TCPL receiving bids for service in excess of 0.5 PJ/d (EB-2011-0210, Exhibit K9.4, Union-TCPL 3). Union entered into this TCPL open season for transportation starting November 1, 2014 to support natural gas deliveries to Union North. Union expects that TCPL will expand capacity between Parkway and Maple to serve this incremental interest. 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 TCPL open season. TCPL informed open season participants that this incremental capacity would be available November 1, 2015.

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

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

2) share usage of the segment from the TCPL connection point to Enbridge's Albion Road Station with TCPL; and

3) will increase the pipe size in that segment from NPS36 to NPS42.

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

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

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

Enbridge Capacity

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

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

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

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

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

Gaz Métro Capacity

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

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

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

Vermont Gas Capacity

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

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

Union Capacity

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

Long Term Expectations for Dawn-Parkway System

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

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[3] 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

SECTION 9

PROJECT COSTS, ECONOMICS AND BENEFITS

Project Costs

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

1) The proposed Brantford-Kirkwall pipeline at an estimated capital cost of $96 million (see Schedule 9-1).

2) Proposed Parkway D Compressor Station at an estimated capital cost of $108 million (see Schedule 9-2).

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

Project Economics

Economic Feasibility Tests

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

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

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

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

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

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

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

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

1 **Figure 9-1**

2 **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	The cost of this project is $204 million. 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. The combined impact of this project and the conversion of long haul contracts is discussed in Section 10 and 11. 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).	Section 10 Section 11
	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.	Section 4, Section 5

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).

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

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

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

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

Stage 2 – Benefit/Cost Analysis

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

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

Stage 3 – Other Public Interest Considerations

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

Enhanced Security

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

Competitive Market Impacts

Construction of the proposed facilities will enhance and improve the competitive market. 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.

Environmental Effects

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

Employment

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

Utility Taxes

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

Employer Health Taxes

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

Additional Project Benefits

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

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

2) Cost benefits for Union South and Union North - Allocating the costs of the proposed facilities using the Board-approved allocation of Dawn to Parkway costs, adjusted to include the increase in Union North and M12 demands, results in a cost reduction of approximately $1.7 million for Union South in-franchise rate classes. For Union North in-franchise rate classes, there is a cost increase of approximately $1.6 million associated with the proposed facilities. However, for Union North sales service and bundled direct purchase customers in all zones the cost increases resulting for the proposed facilities are more than offset by the $18 million to $28 million in gas cost savings that are expected to accrue to these customers as a result of Union's long-term TCPL contracting proposal.

3) Enbridge and Gaz Métro customers benefit - Enbridge and Gaz Métro's customers will also benefit from the competitive supplies available at Dawn delivered in part by the proposed expansion facilities of the Project. Annual savings are estimated to be up to $51 million and $120 million, respectively. Combined with the estimated gas cost savings of up to $28 million for Union North customers, results in savings for Ontario and Québec energy consumers of approximately $200 million per year, or $2.0 billion between 2015 and 2025. These savings are also contingent upon the completion of Enbridge's GTA project and TCPL's Eastern Canadian Mainline Expansion in 2015.

4) Diversity and security of supply – Gaining access to Dawn provides customers in Union North, Enbridge's franchise, Québec and the U.S. Northeast long-term

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

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

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

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

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

TAB 10

SECTION 11

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

Introduction

The purpose of this evidence is to request pre-approval of the cost consequences of two long-term transportation contacts 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

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

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

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. Union applies its long-standing gas supply planning principles, ensuring a reliable, secure supply for its customers at a reasonable cost. The Contracts will result in projected gas cost savings of $18 million to $28 million per year for Union North customers based on proposed 2013 TCPL tolls and approved 2012 TCPL tolls, respectively. As detailed in Section 11.5, Union has also assessed the potential long haul de-contracting impact on TCPL, and, while the gas cost savings are decreased slightly as a result of de-contracting, the overall benefit remains significant.

The Guidelines

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

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

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

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

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

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

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

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

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

The Guidelines Apply to this Application

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

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

Specifically, the Guidelines apply because:

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

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

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

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

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

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

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

1. Union Gas Upstream Transportation Portfolio for Union South and Union North
2. TCPL Contracting Process and Implications for Union's System
3. Infrastructure Investment
4. Rationale for the Contracts (Benefits and Risk Assessment)
    a) Enhanced Security of Supply
    b) Diversity of Supply
    c) Economic Benefits
    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

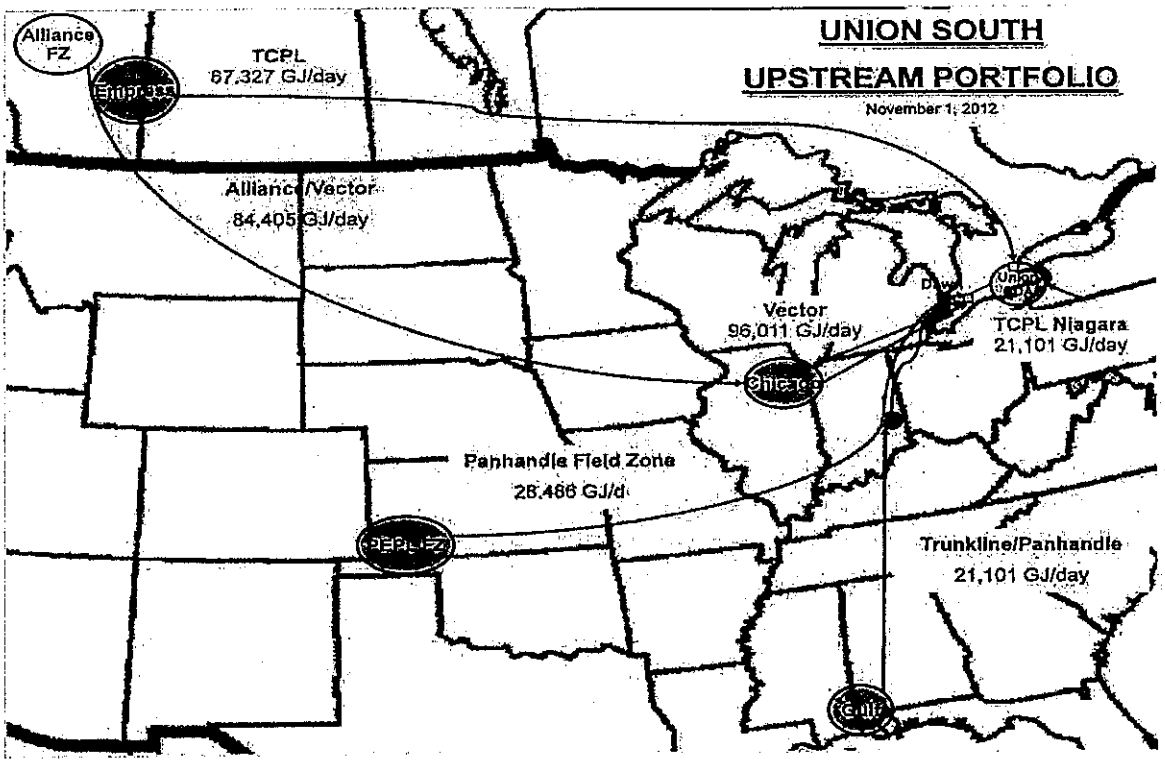
Union South includes customers located west of Mississauga and south of Georgian Bay (Windsor/Chatham, London/Sarnia, Waterloo/Brantford and Hamilton/Halton Districts). Today, the Union South gas supply portfolio relies on the WCSB for less than 40% of its annual supply needs.

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

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")

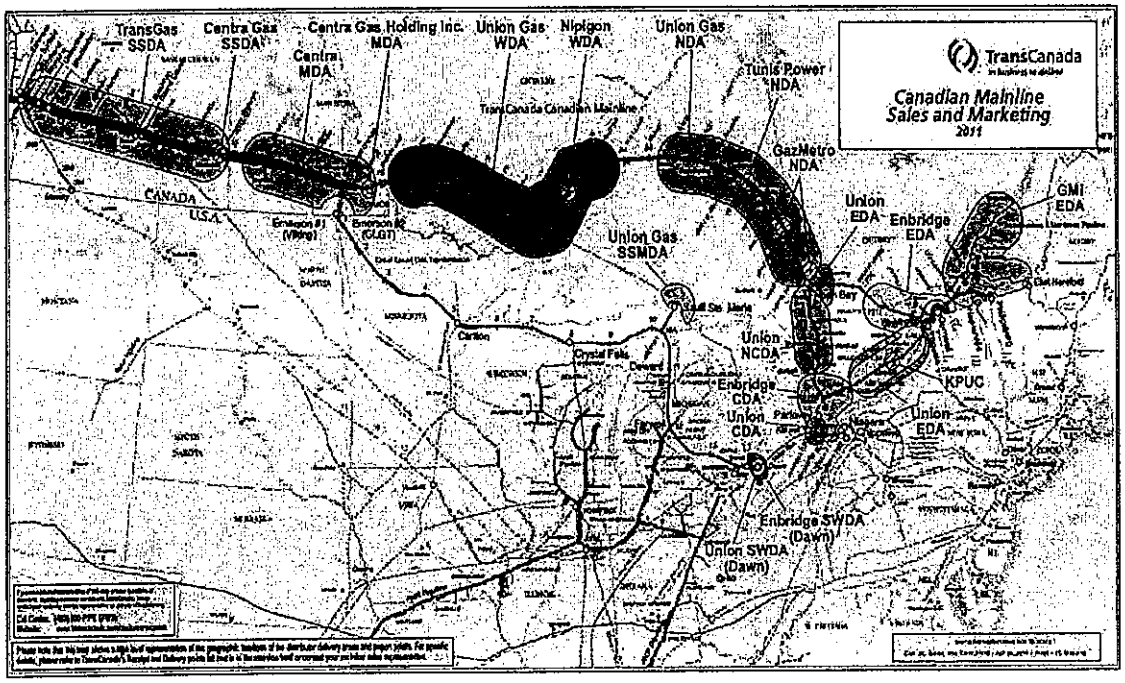
(d) Union Sault Ste. Marie Delivery Area (" Union SSMDA")

(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

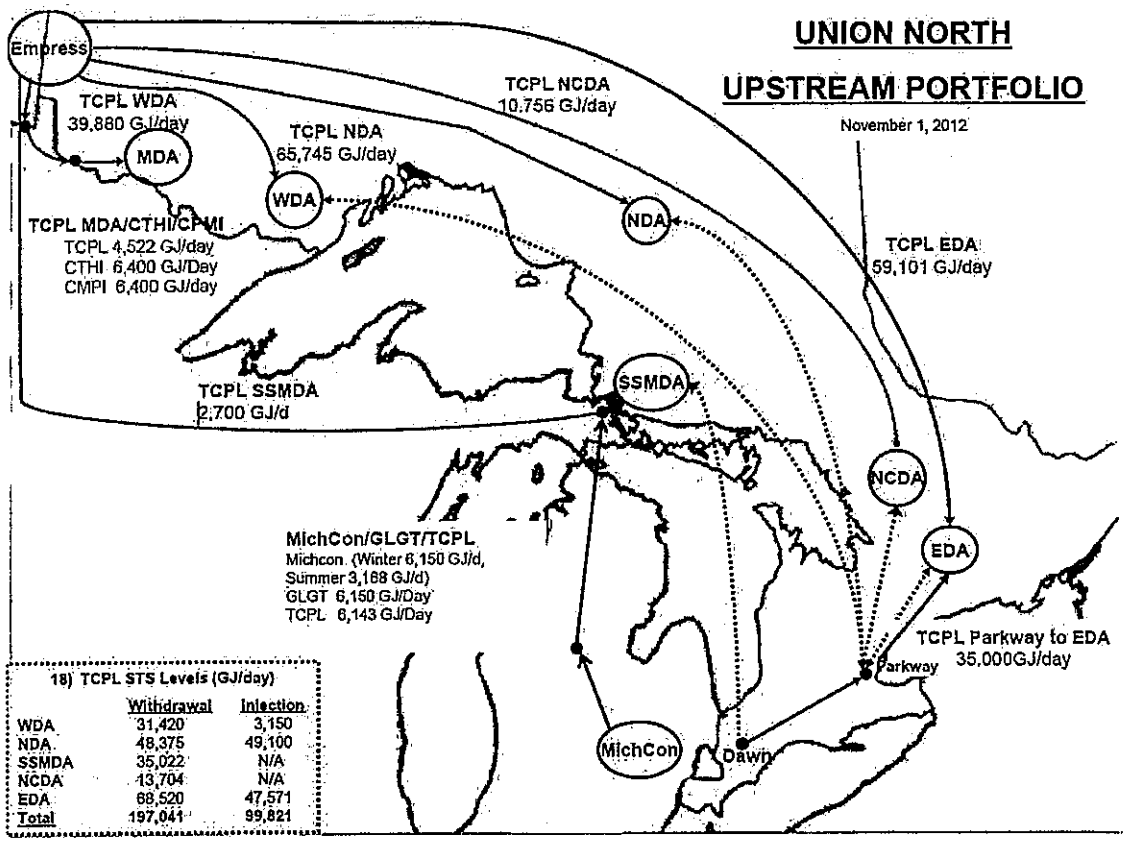


All of the customers in Union North are served directly from TCPL interconnects and the vast majority are served almost exclusively from the WCSB. As is shown in Figure 11-3 below, Union utilizes a portfolio of contracted firm assets including TCPL long haul firm transportation, TCPL short haul firm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

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

delivery areas in Union North where gas is required.

Figure 11-3



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

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

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

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

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. TCPL Contracting Process and Implications on Union's System

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

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

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

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

The parameters for the Contracts are set out below:

Contract for: Union Parkway Belt to Union EDA

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

Contract for: Union Parkway Belt to Union NDA

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

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

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

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

[4] Union will file contracts for Parkway to Union EDA and Parkway to Union NDA firm transportation services once executed.

Union EDA are summarized in Figure 11-5.

Figure 11-5

TCPL Capacity Changes (GJ/d)

	Current	Required Nov 1, 2015	Proposed Change
Union EDA			
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)
Union NDA			
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)

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

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

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

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

3. Significant Infrastructure Investment Required

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

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

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

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

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

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

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

- Conventional WCSB supply is in decline, while intra-Alberta consumption is increasing. This decreases the amount of gas supply available to be exported east to Ontario (EB-2012-0433 pages 19 through 21, and Figure 4-4).

- Although Western shale production in British Columbia and the development of shale gas resources in Alberta may help stabilize WCSB production levels it is unclear which national, continental or international markets will access this emerging Western Canadian shale gas. For example there are multiple Liquefied Natural Gas facilities being proposed for coastal British Columbia all vying for these new shale supplies. This creates uncertainty around the availability of WCSB supplies to serve traditional markets (EB-2012-0433 pages 21 through 22 and Figure 4-5).

- Declining supplies have reduced volumetric throughput on TCPL resulting in significant increases in TCPL long haul transportation tolls (EB-2012-0433 page 22).

- New shale supplies in the U.S. have emerged. One of the most prolific gas supply growth areas in North America has been in the Appalachian basin. Appalachian shale gas is produced mainly from the Marcellus in Pennsylvania, Ohio and West Virginia and more recently from the Utica in eastern Ohio and Western Pennsylvania. Marcellus shale gas production alone has increased nearly 7 PJ/d since the beginning of 2007. It is located within the Great Lakes region in close proximity to Ontario and other eastern North American consuming markets. Supplies from this area are expected to more than triple by 2035. To put this into perspective, Ontario natural gas demand averages just less than 3 Bcf/d (EB-2012-0433, pages 26 through 30).

- The rapid increase in natural gas supplies has put downward pressure on North American natural gas prices and reduced pricing volatility. It has also changed the relative price differences between regions across North America. The change in the regional pricing of natural gas has impacted market behavior and has allowed eastern North American customers access to supplies that are in close proximity to their markets this has decreased the supplies from traditional supply basins requiring long haul transportation (Section 5).

- With less Western Canadian supply available to move east, many eastern North American customers have already rebalanced their supply portfolio in order to access supplies in closer proximity via short haul transportation and de-contracting supplies on 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

(a) Enhanced Security of Supply

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

As described in Section 4, pages 1-3, 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. Natural gas supplies available to be exported out of Alberta have declined from approximately 10 PJ/d in 2001 to approximately 6.5 PJ/d in 2011 and are forecast to decline to 2 PJ/d by 2021[5]. TCPL receipts at Empress have declined from 5.5 Bcf/d in 2005 to about 2.1 Bcf/d today.

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

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

[5] 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).

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

(b) Diversity of Supply

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

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

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

> "The Dawn Hub is an increasingly important link that integrates gas produced from multiple basins for delivery to customers in the Midwest and Northeast.
>
> ...Dawn has many of the attributes that customers seek as they structure gas transactions at the Chicago Hub: access to diverse sources of gas production; interconnection to multiple pipelines; proximity to market area storage; choice of seasonal and daily park and loan services; liquid trade markets; and opportunities to reduce long haul pipeline capacity ownership by purchasing gas at downstream liquid hubs."

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

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

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

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

(c) Economic Benefits

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

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

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

[6] 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.

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

Figure 11-6

TCPL Toll Scenarios

	Base Case	
100 % LF Tolls ($/GJ/d)	**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

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

Calculation of Overall Projected Gas Cost Savings Using SENDOUT

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

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

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

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

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

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

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

Figure 11-7 below provides a summary of the overall projected gas cost savings as a result of the 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)
		29.8
Storage - STS and Related Services		1.1
		30.9
Union Dawn-Parkway		(2.7)
Union North - Average Annual Savings		**28.2**

(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

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

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

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

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)
Union North - Average Annual Savings		**18.1**

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

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

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

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

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)

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

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

ICF International Analysis

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

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

(d) Risks and Mitigation Measures

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

(i) WCSB Supply Risk

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

(ii) Shale Basin Supply Risk

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

(iii) *Forecast Risk*

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

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

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

(iv) *Annual Demand Charge Exposure*

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

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

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

(v) TCPL Toll Volatility Risk

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

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

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

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

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

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

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

(vii) *TCPL toll impact*

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

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

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

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

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

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

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

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

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

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

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

6. Cost Allocation, Rate Design, and Rate Impacts

This following evidence describes:

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

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

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

(d) future cost allocation and rate design considerations.

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

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

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

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

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

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

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

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

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

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

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

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

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

Firm Transportation Demand and Diversion Costs

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

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

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

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

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

Firm Transportation Commodity Costs

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

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

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

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

Dawn Storage and Dawn-Parkway Transmission Demand and Commodity Costs

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

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

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

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

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

Gas Supply Transportation Rates

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

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

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

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

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

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

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

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

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

Storage Rates

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

A portion of Union North storage rates are common to all customers in each zone and a portion of storage rates are based on west to east TCPL zonal differentials (i.e. zonal or distance-based). The calculation of 2013 Board-approved Rate 01 storage rates by zone is also provided at Schedule 11-7, column (b).

(c) Rate and Bill Impacts

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

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

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

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

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

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

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

Figure 11-10

Estimated Bill Impact

Average Rate 01 Sales Service Residential Customer by Zone

Includes Brantford to Kirkwall and Parkway D Compressor Project

And Long Term Contracting Proposal

Rate 01 Zone	**EB-2011-0210 Current Approved Bill ($)**	**EB-2013-0074 Estimated Bill ($)**	**Bill Impact ($)**	**Bill Impact (%)**
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)

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

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

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

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

2,200 m^3 per year, the bill impact is a reduction of approximately ($1.90) per year.

Figure 11-11

Estimated Bill Impact

Average Rate 01 Sales Service Residential Customer by Zone

Includes Brantford to Kirkwall and Parkway D Compressor Project,

Parkway West Project with Gas Supply and Long Term Contracting Proposal

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)

(d) Future Cost Allocation and Rate Design Considerations

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

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

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

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

7. Summary

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

TAB 11

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*.

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

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-003-2011decision 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

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

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/

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.

Filed: 2013-06-07
EB-2012-0451/EB-2012-0433/EB-2013-0074
Exhibit I.A1.UGL.Staff.1
Page 7 of 16

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

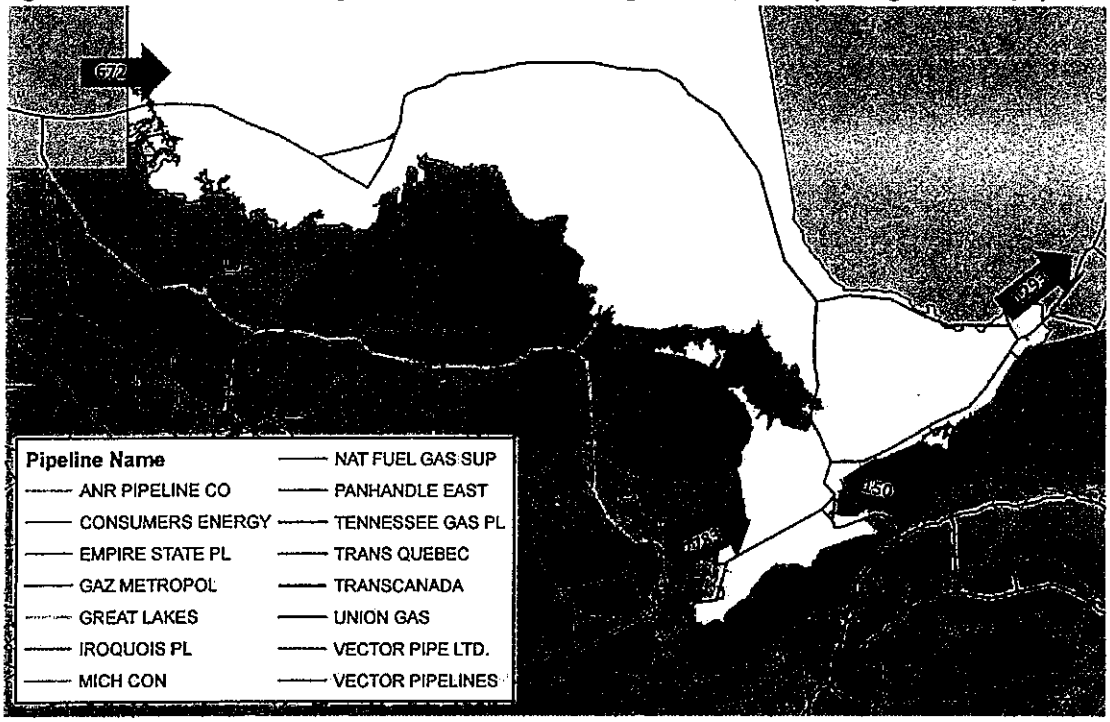
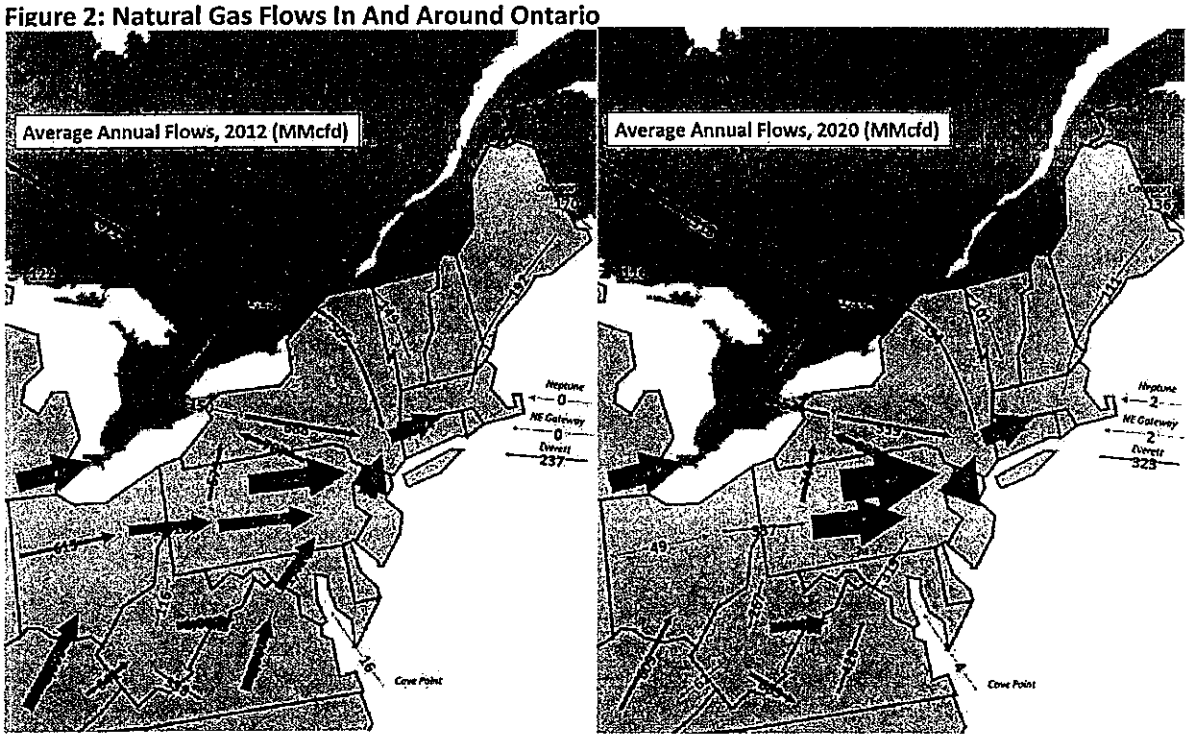
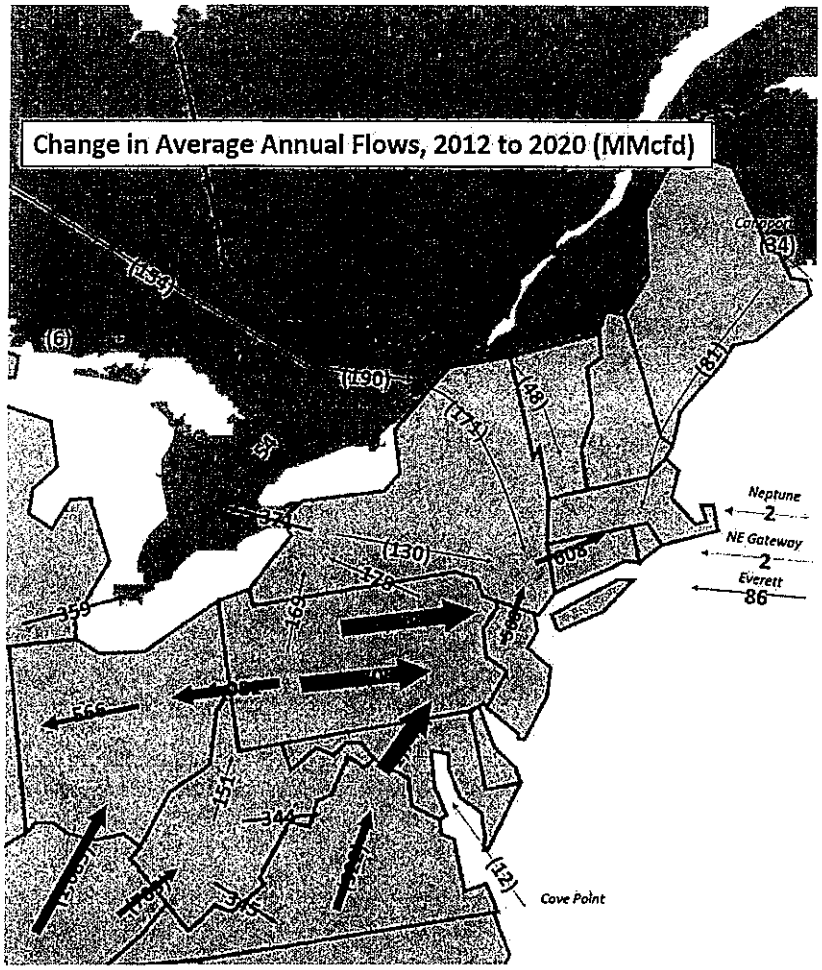


Figure 2: Natural Gas Flows In And Around Ontario

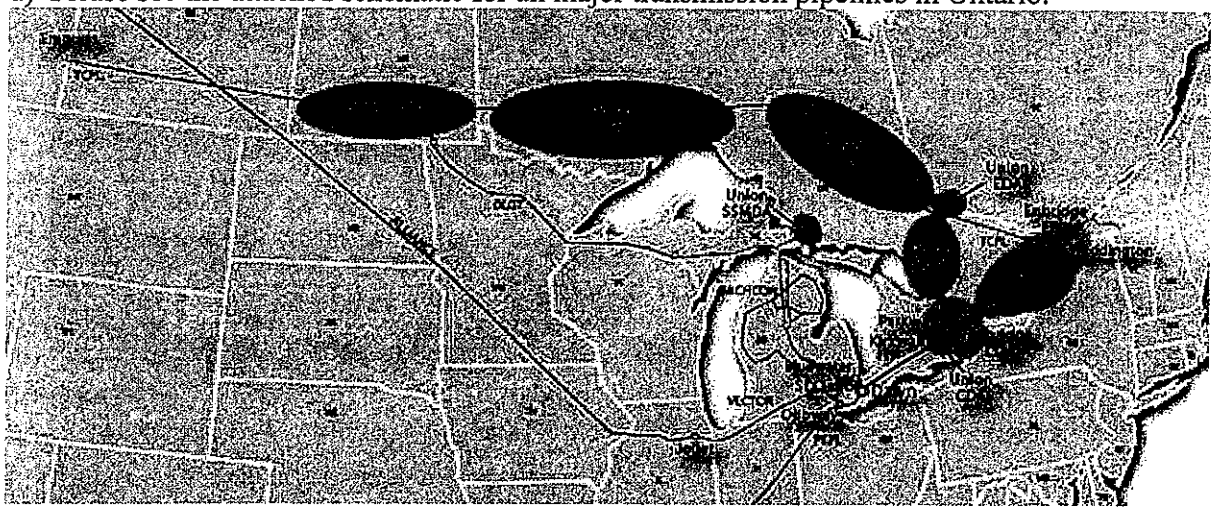




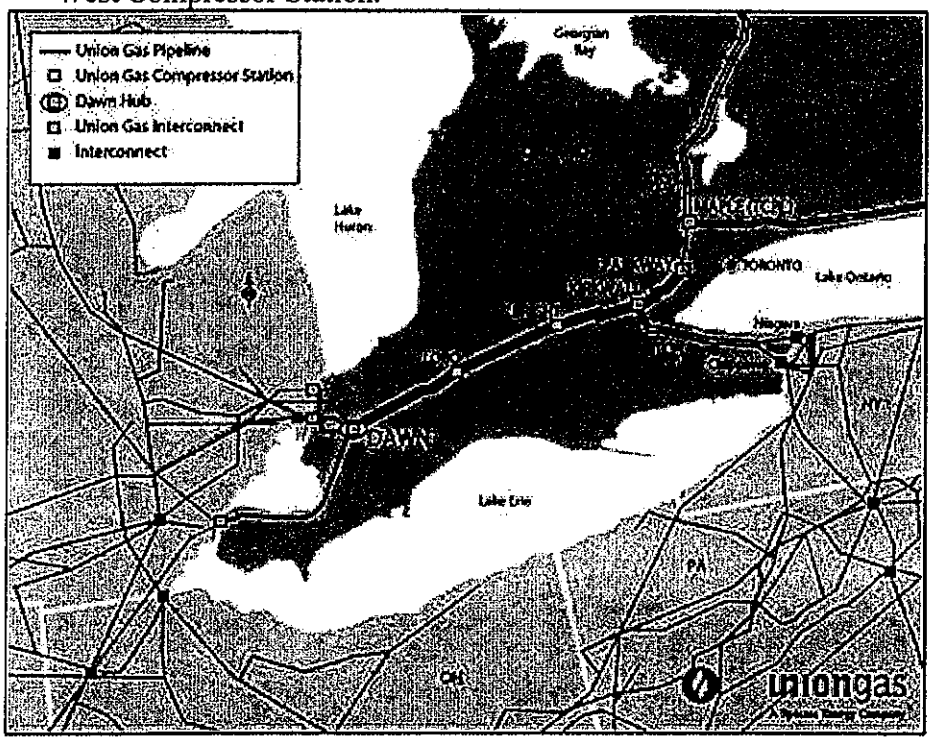
Natural gas from the WCSB will continue to be imported into Ontario from Manitoba via the TCPL mainline as well as from Michigan via Emerson and the GLGT and Vector Pipeline. The allocation of flows on the Northern and Southern routes of the TCPL system will depend to a significant degree on the operational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

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

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

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.

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

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

g) and h)

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

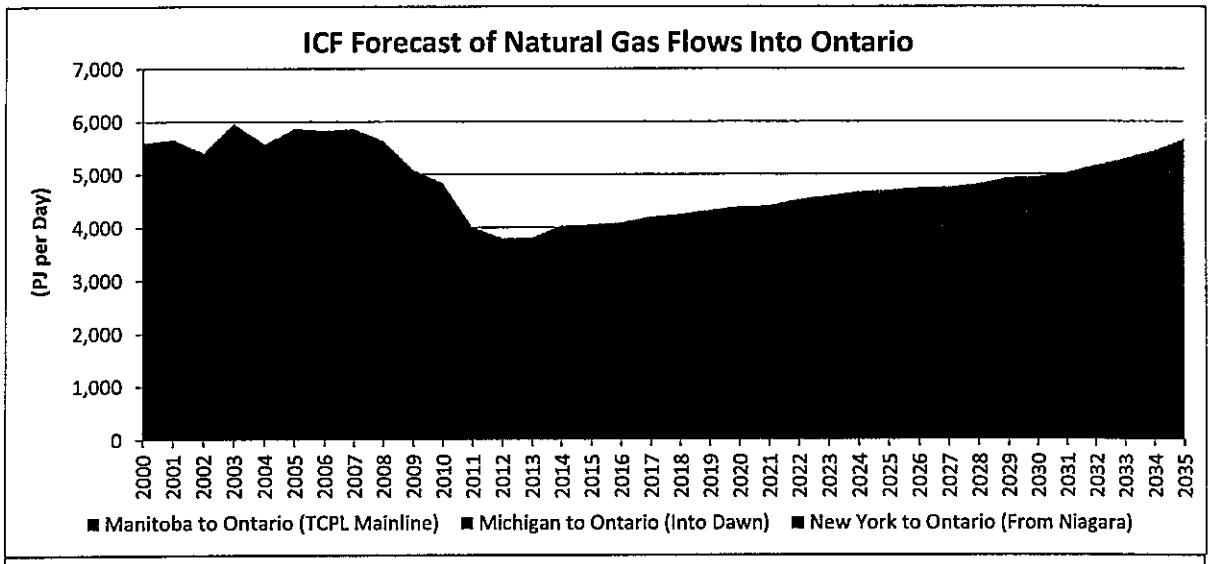
Total Annual Receipts at Dawn (PJ)

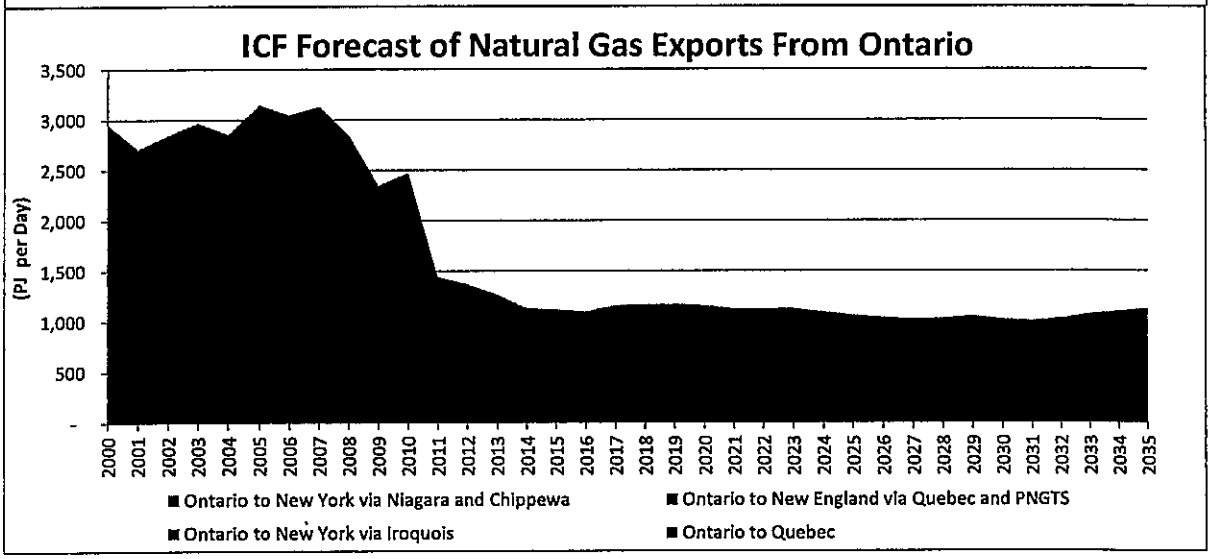
Year	PJ
2003	962
2004	940
2005	863
2006	811
2007	1,000
2008	1,010
2009	1,000
2010	1,104
2011	1,003
2012	904

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.


ICF Forecast of Natural Gas Flows Into Ontario
(PJ per Day)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035
Manitoba to Ontario (TCPL Mainline)
Michigan to Ontario (Into Dawn)
New York to Ontario (From Niagara)


ICF Forecast of Natural Gas Exports From Ontario
(PJ per Day)
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035
Ontario to New York via Niagara and Chippewa
Ontario to New England via Quebec and PNGTS
Ontario to New York via Iroquois
Ontario to Quebec

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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

Filed: 2013-06-07
EB-2012-0451/EB-2012-0433/EB-2013-0074
Exhibit I.A1.UGL.Staff.1.Attachment 1
Page 2 of 20

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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

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 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

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 and other reports filed by TransCanada with Canadian securities regulators and with the U.S. Securities and Exchange Commission.

- 30 -

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

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:

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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

TransCanada
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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

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

TransCanada's Canadian Mainline Capacity Management Open Season

TransCanada
In business to deliver

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

TransCanada
In business to deliver

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

TransCanada
In business to deliver

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

TransCanada
In business to deliver

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;

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

TransCanada
In business to deliver

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

TransCanada
In business to deliver

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 [1]

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

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

Napierville	0	123,000 [5]
Philipsburg	0	7,600 [5]
East Hereford (July 1, 2013 Start Date) [6]	0	78,101 [5]

Table 2: Available Existing Capacity [1]

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

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

Table 3: Available Existing Capacity [1]

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

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

[1] TransCanada is not accepting bids for firm service from all export points unless otherwise listed in the table above.
[2] Bayhurst 1, Grand Coulee, Herbert, Liebenthal, Richmound, Shackleton, Steelman, Success, Suffield 2, and Welwyn are also valid receipt points for the delivery points listed in Table 1.
[3] 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.
[4] Capacity available to Enbridge EDA, Union EDA, and Cornwall only.
[5] Capacity available between June 1, 2013 and October 31, 2015.
[6] 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.

Calgary

Gordon Betts
Phone: 1.403.920.6834
Email: gordon_betts@transcanada.com

Michael Mazier
Phone: 1.403.920.2651
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Toronto

Amelia Cheung
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Lisa DeAbreu
Phone: 1.416.869.2171
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Reena Mistry
Phone: 1.416.869.2159
Email: reena_mistry@transcanada.com

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

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/gnrl/txbl/trnsprttn/menu-eng.html

For more information on TransCanada's GST/HST practices, contact Mainline_Contracting@transcanada.com.

TAB 12

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.

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

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

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

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[1] 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

[1] Or NPS 36. Further detail is provided at Exhibit E, Tab 1, Schedule 2.

- 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.

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[2]. 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.

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

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.

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.

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.

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).

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[3];
    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

[3] The major XHP supply lines include the NPS 36 Parkway North, NPS 36 MSL, NPS 30 Don Valley, and NPS 26 lines.

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.

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

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

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.

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[1]. 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[2]. 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

[1] EB-2012-0433, Section 11, page 96 of 121.
[2] 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) Curtailable Load

A correction was made to Figure 1 in Exhibit A, Tab 3, Schedule 7 to address a typo. Total curtailable load is measured in m^3/day (not m^3/hour as originally noted).

6. A summary of the changes in the evidence is provided on the following pages.

Exhibit	Tab	Schedule	Contents	Update No. 1 (Feb 12, 2013)	Update No. 2 (Apr 15, 2013)	Update No. 3 (May 15, 2013)	Update No. 4 (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		✓		

Exhibit	Tab	Schedule	Contents	Update No. 1 (Feb 12, 2013)	Update No. 2 (Apr 15, 2013)	Update No. 3 (May 15, 2013)	Update No. 4 (June 3, 2013)
B	1	1	Preferred Route Description	✓			
		2	Alternative Route Description				
	2	1	Environmental Report and Archaeological Assessment	✓	✓		
		2	Environmental Implementation Plan				
C	1	1	Design Specifications		✓		
		2	Hydrostatic Test Procedure		✓		
	2	1	Estimated Project Costs		✓		
		2	Proposed Construction Schedule		✓		
		3	Project Management Framework				
D	1	1	Land Requirements	✓			✓
		2	Negotiations to Date				✓
		3	Permits Required		✓		
		4	Affidavit				
E	1	1	Project Benefits and Economics		✓	✓	✓
		2	Arrangement with TransCanada		New Schedule		
F	1	1	Aboriginal Consultations		✓		

TAB 15

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;

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.

Table 1: Summary of Purpose and Needs Benefits

	Segment A Bram West Interconnect to Albion[1]	Segment A Parkway West Gate Station[2]	Segment B[3]	GTA Project[4]
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.

[1] Segment A – Bram West Interconnect to Albion considered in isolation from other aspects of the GTA Project.
[2] 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.
[3] Segment B considered in isolation from other aspects of the GTA Project.
[4] GTA Project – The relative benefit of the completion of the entirety of the GTA Project as compared to the individual segments.

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

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)

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.

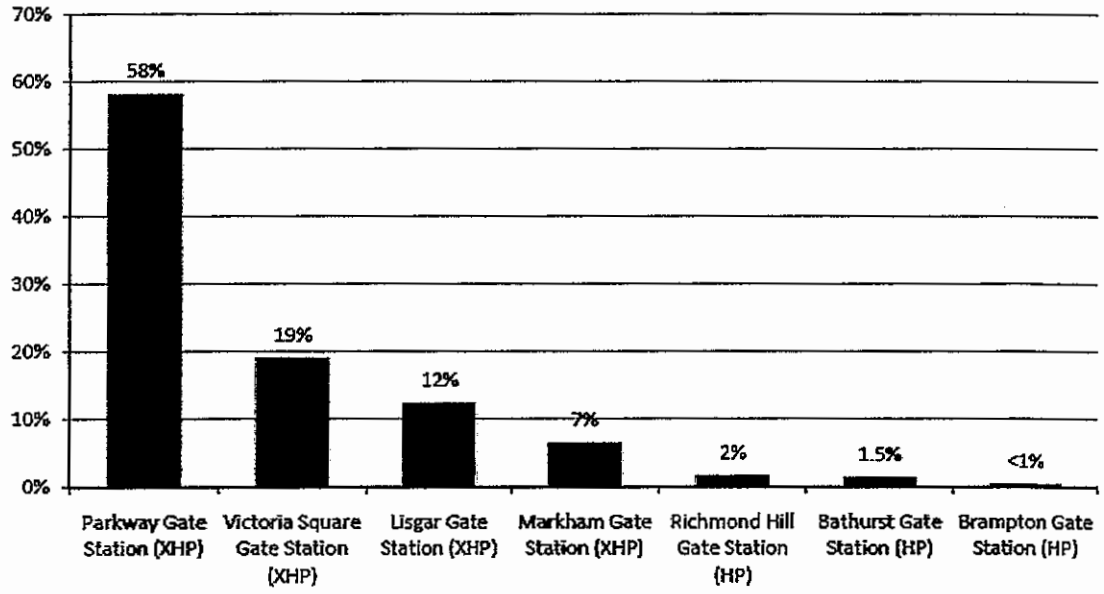
Entry Point Diversification

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

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[5]: 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

[5] 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.

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.

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[6]. These changes will affect the availability of discretionary transport relative to firm transport. Converting long haul discretionary transport to year round long haul firm

[6] Source: Evidentiary record in National Energy Board proceeding in RH-003-2011

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;

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

and transmission infrastructure, thus providing benefits to Enbridge's customers and TransCanada's shippers.

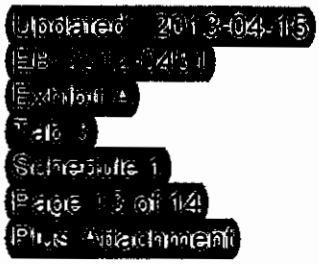
33. Based on anticipated market demand and operating requirements, TransCanada and Enbridge are continuing dialogue regarding the details of shared use of the pipeline segment from the Bram West Interconnect to Albion. The proposed shared usage will meet Enbridge's identified needs, provide economies 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.



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.

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.

TAB 16

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

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.

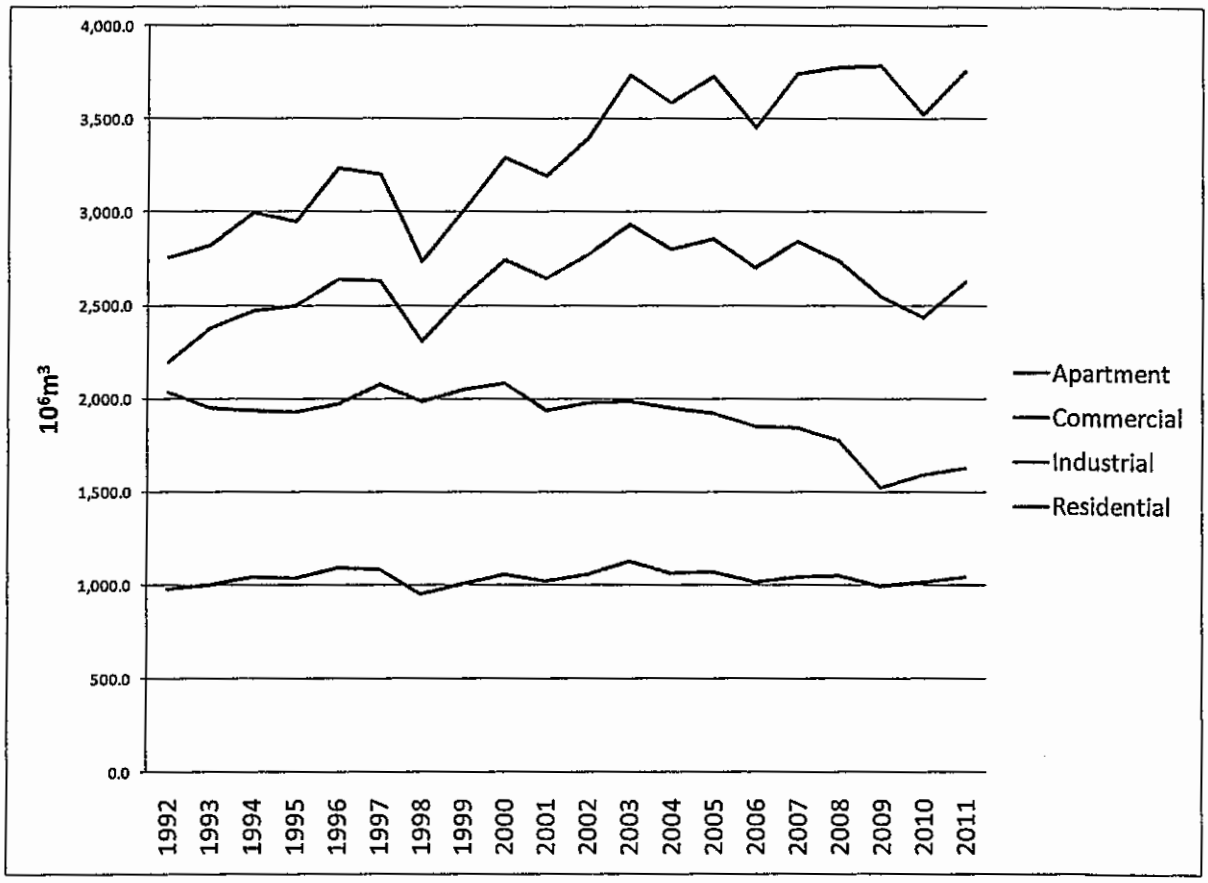
5. Over time changes and trends in these variables will impact the total amount of natural gas demand each year as well as the shape of the demand profile within any particular year or day.

Trends in Annual Demand[1]

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[2].

[1] 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.
[2] Data presented in Figure 1 are un-normalized volumes.

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.

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

(000's)	Apartment	Commercial	Industrial	Residential	Total
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.

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[3].

[3] 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.

Figure 2: Normalized Peak Day Demand – Central Weather Zone (PJs)

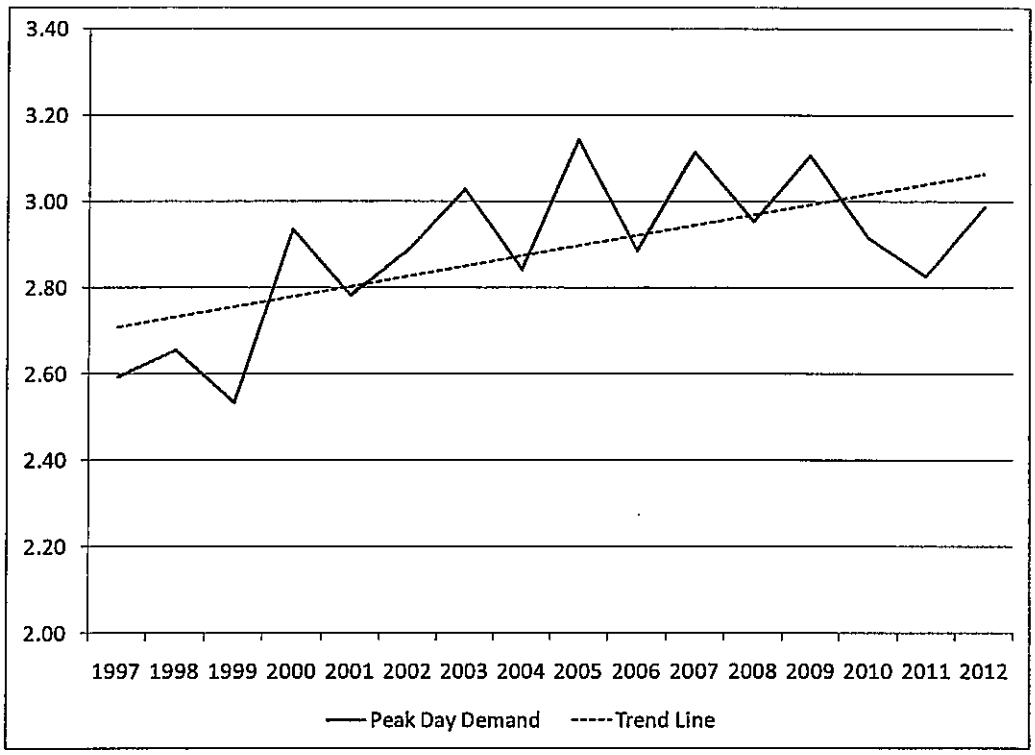
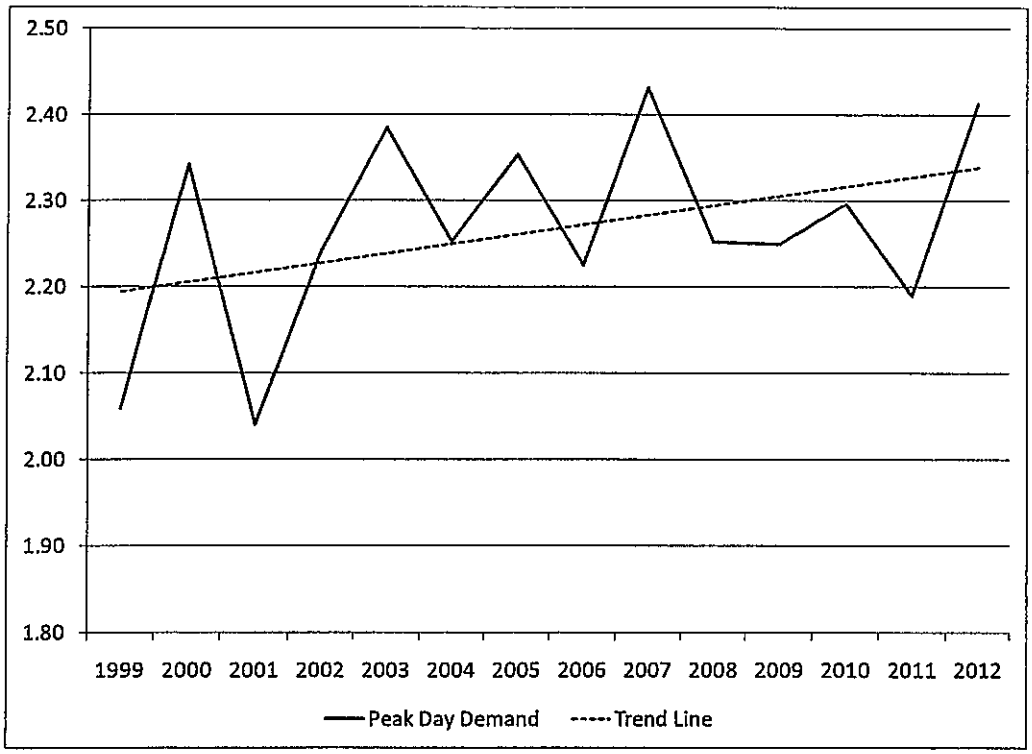


Figure 3: Normalized Peak Day Demand – GTA Project Influence Area (PJs)



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[4].

[4] 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.

Figure 4: Ratio of Peak Day Demand to Average Day Demand – Central Weather Zone

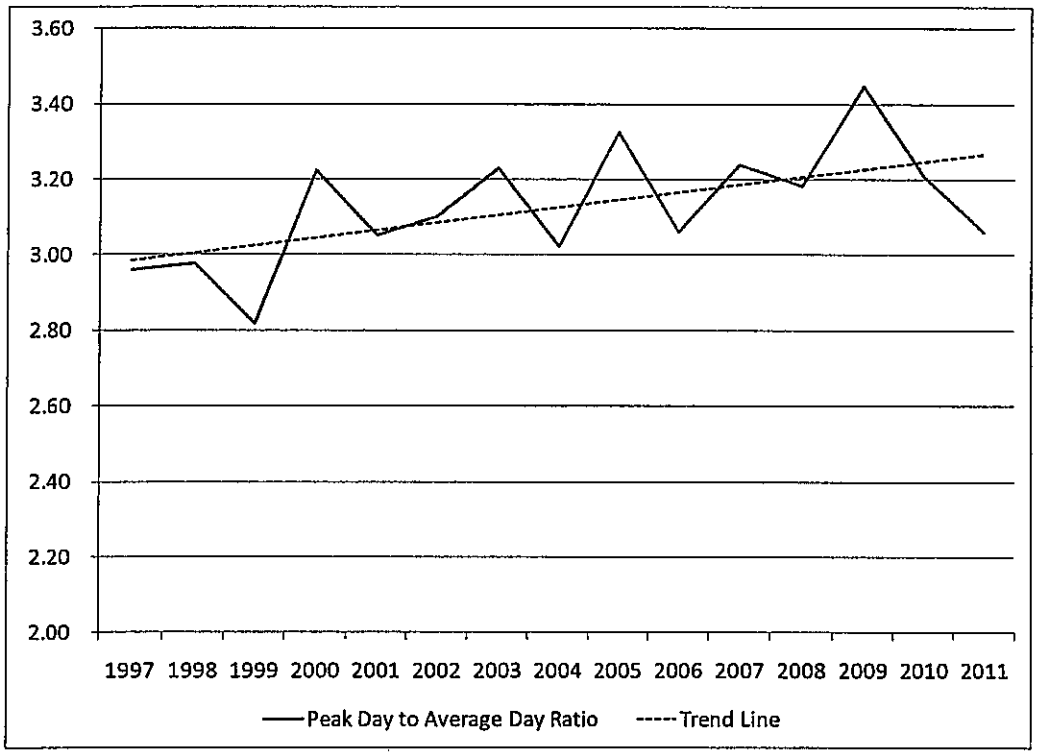
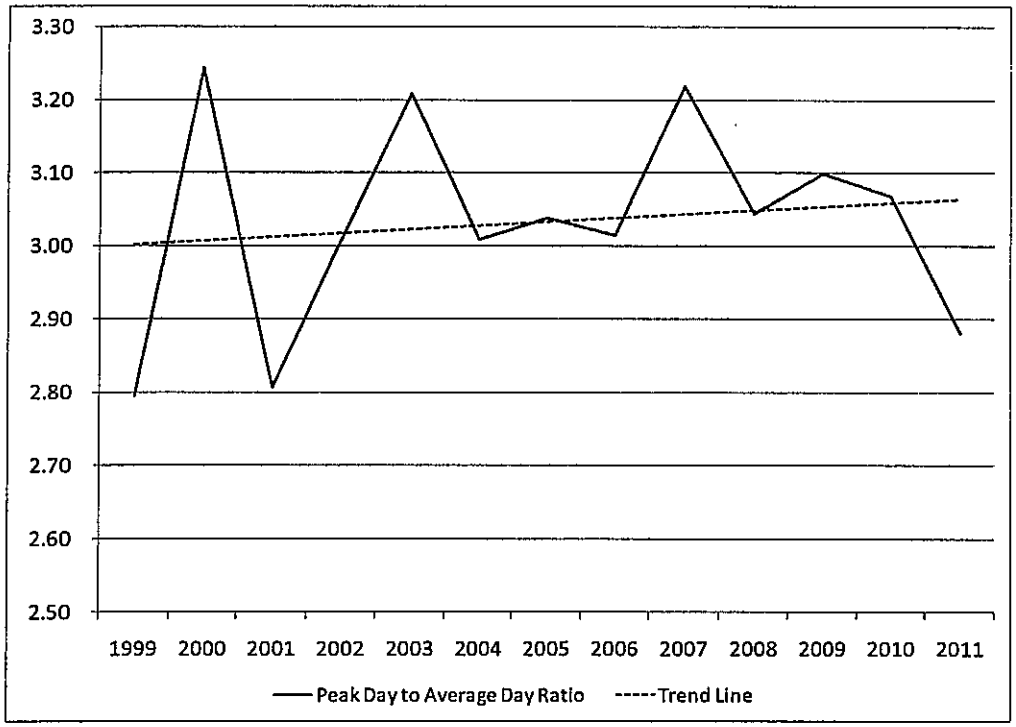


Figure 5:Ratio of Peak Day Demand to Average Day Demand – GTA Project Influence Area



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

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[5].

[5] 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.

Table 2: Peak Day Supply/Demand Balances for 2002& 2014 (TJ/d)

	2002	2014
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.

24. Contracted TransCanadafirm 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.[6]

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.[7]

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

[6] See amended evidence filed with Update No. 3 starting on page 21 of this exhibit.
[7] See amended evidence filed with Update No. 3 starting on page 21 of this exhibit.

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. [8]

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.

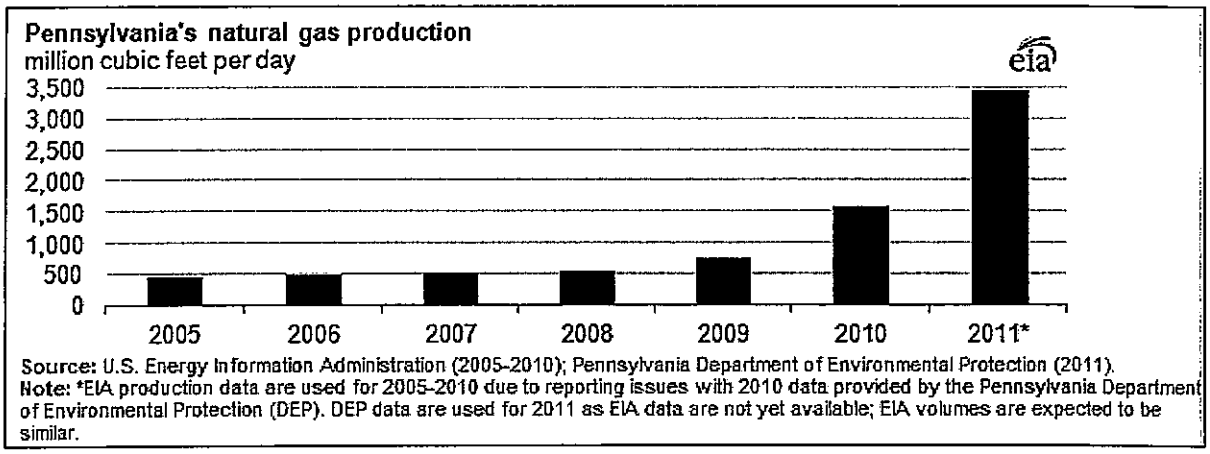
29. Through recent facilities upgrades by Tennessee Gas Pipeline ("TGP"), National Fuel Gas Supply Corp. ("NFG") and TransCanada gas produced from the Marcellus formation can now be transported north to the US/Canada border to an interconnect with TransCanada and onwards to the Ontario market. Marcellus 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

[8] See amended evidence filed with Update No. 3 starting on page 21 of this exhibit.

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[9].

Figure 6: Pennsylvania's Natural Gas Production



Source: U.S. Energy Information Administration (2005-2010); Pennsylvania Department of Environmental Protection (2011).
Note: *EIA production data are used for 2005-2010 due to reporting issues with 2010 data provided by the Pennsylvania Department of Environmental Protection (DEP). DEP data are used for 2011 as EIA data are not yet available; EIA volumes are expected to be similar.

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[10] to increase from about 1.5 tcf (4.2 bcf/d) in 2010 to approximately 5.4 tcf (14.7 bcf/d) in 2035[11]. 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,

[9] Energy Information Administration, Today in Energy, "Horizontal drilling boosts Pennsylvania's natural gas production", May 23, 2012.
[10] The US Northeast production region includes the Marcellus and Utica shale formations.
[11] DOE/EIA-0383(2012) Annual Energy Outlook 2012 with Projections to 2035, June 2012.

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)

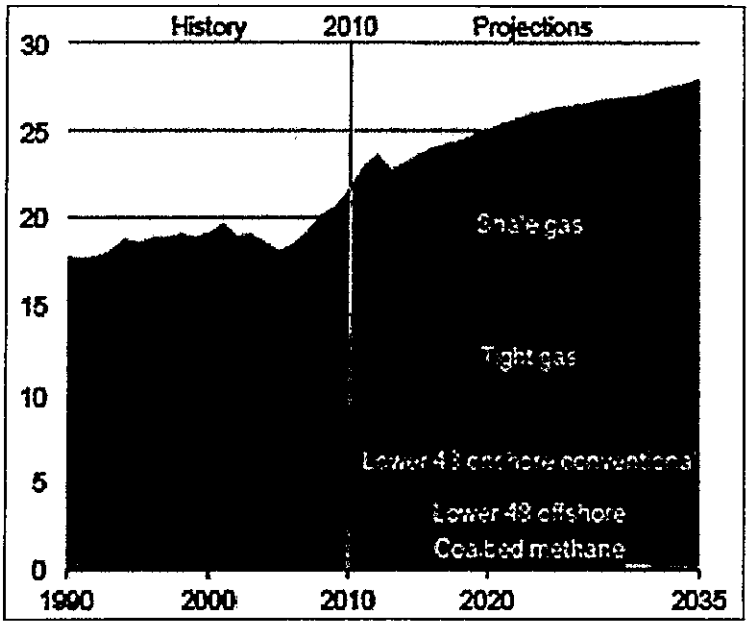
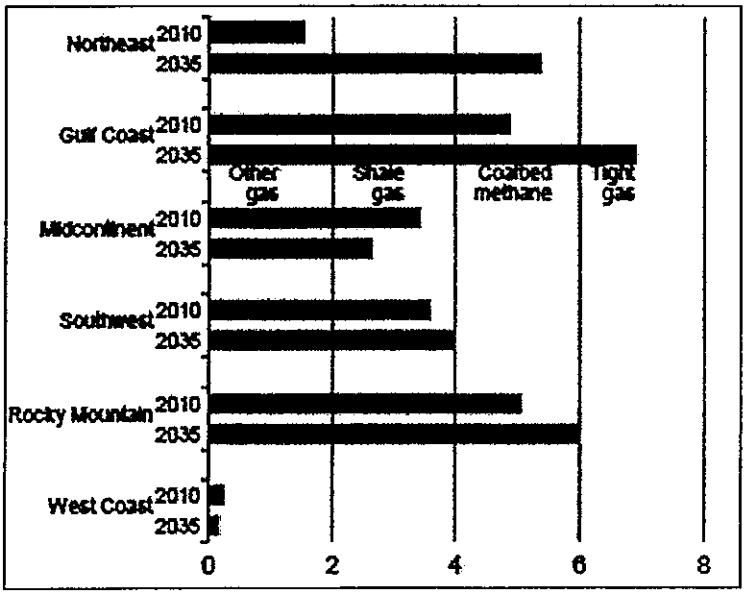
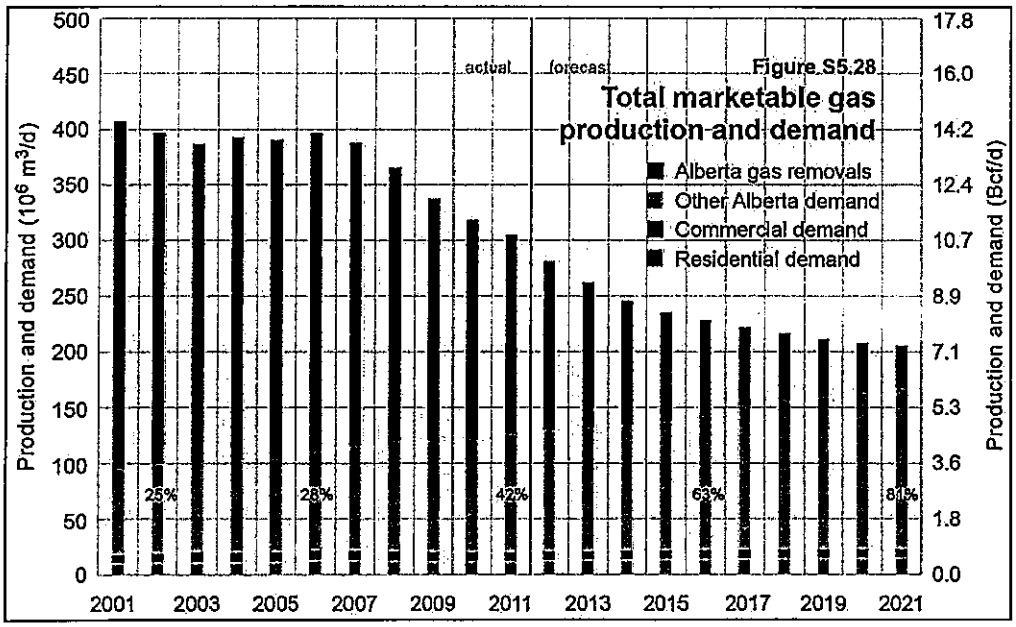


Figure 8: Lower 48 Onshore Natural Gas Production by Region 2010 & 2035 (tcf)



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[12]. 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



[12] ERCB ST98-2012 Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021.

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.

36. The Company continues to be concerned about its reliance on unsecured supplies[13], 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

[13] Unsecured supplies include Curtailment, Peaking Supplies and Direct Purchase Delivered Supplies.

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[14] and consequently is basing the benefits calculations on the expected gas supply portfolio for 2014.

42. The Attachment [15] 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.

[14] Peak day requirements for 2015 will be provided when the Company applies for 2015 rates.
[15] 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.

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[16] 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[17]. 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.

[16] Deliveries to the Enbridge CDA are assumed to be procured at Dawn.
[17] 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.

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[18];
- The creation by TransCanada of a new single point distributor delivery area called Parkway Enbridge CDA;

[18] Contract is contemplated in conjunction with all necessary regulatory approvals for required facilities.

- An Enbridge contract for 200,000 GJ/d of capacity on the TransCanada Mainline from Niagara Falls to Parkway Enbridge CDA[19];
- 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[20];
- 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.

[19] Contract is contemplated in conjunction with all necessary regulatory approvals for required facilities.
[20] Union Gas Limited's Brantford-Kirkwall/Parkway D Project application.

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."*[21]

48. TransCanada recently held an Existing Capacity Open Season for non-renewable service on various Mainline paths with service terminating in October 2015[22]. 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[23]. The Energy East Pipeline involves converting approximately

[21] National Energy Board, Reasons for Decision, TransCanada Pipelines Limited, Nova Gas Transmission Ltd., and Foothills Pipe Lines Ltd. RH-003-2011, page 127.
[22] 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.
[23] The Energy East Pipeline Open Season, April 15, 2013 – June 17, 2013 http://www.transcanada.com/6280.html

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[24] 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

[24] TransCanada's Canadian Mainline Capacity Management Open Season, May 13, 2013 – June 13, 2013, http://www.transcanada.com/customerexpress/2802.html.

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

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

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

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)

	Status Quo Scenario	Long Haul Scenario	GTA Project Scenario
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.

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

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

Filed: 2013-04-15
EB-2012-0451
Exhibit E
Tab 1
Schedule 2
Page 1 of 4
Plus Attachments

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.

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.

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

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

ONTARIO ENERGY BOARD

FILE NO.: **EB-2012-0433**
EB 2012-0451
EB-2013-0074

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 PASCALE DUGAY KHALIL VIRANEY JOSH WASYLYK	Board Staff
FRED CASS SCOTT STOLL EDITH CHIN	Enbridge Gas Distribution Ltd.
CRAWFORD SMITH MARK KITCHEN KAREN HOCKIN	Union Gas
JOHN WOLNIK	Association of Power Producers of Ontario (APPrO)
TOM BRETT	Building Owners and Managers Association (BOMA)
JULIE GIRVAN MARK GARNER	Consumers Council of Canada (CCC)
VINCE DeROSE	Canadian Manufacturers & Exporters (CME)
ROGER HIGGIN	Energy Probe Research Foundation
KENT ELSON JACK GIBBONS	Environmental Defence
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
DAVE RHEAUME AUDRY BAZINET	Gaz Métropolitain

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 LISA DeABREU	TransCanada Pipeline Ltd.
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

supply.

MR. FERNANDES: Craig Fernandes, senior manager regulatory for the GTA project.

MS. SUAREZ: Margarita Suarez, manager for economic and market analysis.

ENBRIDGE GAS DISTRIBUTION - PANEL 1

Margarita Suarez

Craig Fernandes

Malini Giridhar

Nick Thalassinos

Joel Denomy

MR. CASS: So that's it, Mike. The questions can proceed.

MR. MILLAR: Thank you very much. We had some general discussions on an order. I think Staff had agreed to go first with this panel. Then I understand Mr. Smith actually had some questions on behalf of Union, and then we'll fill in as we can. So I'll begin.

QUESTIONS BY MR. MILLAR:

Good afternoon, panel. My questions are chiefly in regard to Interrogatory No. 7. That is Enbridge response to Board Staff Interrogatory No. 7, which I guess is I.A1 EGD Staff 7.

You'll see that it's not a lengthy question or response. You'll see there we asked the company some questions about the extent to which your GTA project, A and B, are dependent on the Parkway-Maple line being built.

If you flip to page 2 of the response, in fact the

only response, the response to (a) is: The GTA project is not dependent on TransCanada expanding facilities from Parkway-to-Maple.

So I just wanted to follow up on that a little bit. The answer certainly answers the specific question, but if I could broaden it a little bit, can I ask you to what extent the GTA project, either segment A or segment B, is dependent on Union's Brantford-to-Kirkwall pipeline being built?

MS. GIRIDHAR: My understanding is that the Brantford-to-Kirkwall loop is a function of composite demand on the Union pipeline, and it consists of demand from the GTA project in addition to demand from other shippers.

So Enbridge is not able to definitely answer the Brantford-to-Kirkwall loop is required to meet the GTA project demand. My understanding was that it was a function of total demand, total incremental demand.

MR. MILLAR: So who would know the answer to that? Union?

MS. GIRIDHAR: Union.

MR. MILLAR: So I can ask Union?

MS. GIRIDHAR: Yes.

MR. MILLAR: Maybe this is the same question; maybe it's not. Part of the Brantford-to-Kirkwall project, it includes a compressor. You're aware of that?

MS. GIRIDHAR: Yes. I should have spoken more clearly. I understood Union's growth projects to include two things. One was a pipeline loop from Brantford-to-

Kirkwall, and the other one was growth compression at the Parkway West facility. And the latter is required for the GTA project.

MR. MILLAR: I'm sorry, the Parkway West compressor?

MS. GIRIDHAR: Yes, the growth compressor, Parkway D.

MR. MILLAR: Yes, I think we're on the same page. That is required for the GTA project?

MS. GIRIDHAR: For the incremental volumes that will flow on the GTA project.

MR. MILLAR: If that is not built, you couldn't go ahead with GTA A or B; is that correct?

MR. FERNANDES: Actually, the growth compressor is required for the volumes that flow on segment A. All remaining items of the project could still be put into place --

MR. MILLAR: Is it fair to say --

MR. FERNANDES: -- under the assumption the Parkway West site was still built. So we have three segregated sets of facilities. Grouped together are Parkway West Gate Station, along with a tie-in section and the Parkway regulation bypass. That group of facilities acts as a back-up to Parkway, and it is dependent on the Parkway West facility, but not on the growth compressor.

The segment A pipeline is dependent on the growth compressor, which does somewhat assume that you need the Parkway West facility. But the segment B and associated facilities with it does not have any dependency at all with either of Union's applications.

MR. MILLAR: Just to break that down a little, do I understand that segment B is pretty much independent of anything, and you would build that irrespective of anything else happening?

MR. FERNANDES: It's completely contained within our distribution system. It has no dependency on any other project.

MR. MILLAR: So you could build that without anything else being changed on the system?

MR. FERNANDES: Correct.

MR. MILLAR: And for A, you do need the growth compressor to go forward with segment A?

MR. FERNANDES: Segment A is taking compressed volumes; therefore it needs compressor -- our understanding is the compression at Parkway is full and, therefore, it requires incremental compression.

MR. MILLAR: In terms of -- you spoke of a third segment, and that's the work you are doing at the Parkway West Gate Station?

MR. FERNANDES: Correct.

THE COURT: That's not actually physically connected to segment A; is that correct?

MR. FERNANDES: In our initial application it was, but since we've moved the initiation point of segment A to the Bram West interconnect with TransCanada, those facilities are now still contained at the Parkway West site or the immediate vicinity.

MR. MILLAR: Is there additional work being done

between the Parkway West Gate Station and the Bram West interconnect? Aside from these facilities you are building right at Parkway West, has there been any upgrade to that line, for example?

MR. FERNANDES: No. The shortening of segment A is dependent on us using TransCanada's existing facilities from Parkway to Bram West.

MR. MILLAR: So they don't have to expand those facilities and -- they don't have to do anything?

MR. FERNANDES: Correct.

MR. MILLAR: And you can get enough gas through that line to serve your needs?

MR. FERNANDES: We need the actual interconnect, but there is no in-between point, no upgrade required, is our understanding.

MR. MILLAR: And you are building the interconnect, not TCPL?

MR. FERNANDES: TCPL has to tie in to their line, but it's a tie-in and we're building segment A.

MR. MILLAR: We'll get to some more questions about TCPL, but there's been some discussion that the Parkway-Maple project may be on hold. Is anything that -- had there been any changes of plans from TCPL, for example, that would affect that Parkway West gate station, your interconnect there?

MR. FERNANDES: The Parkway West gate station has no connection to any negotiations or anything with TCPL.

MR. MILLAR: So you don't need them?

MR. FERNANDES: No.

MR. MILLAR: You may have already answered this, but just to make sure the record is clear, other than the facilities we've just discussed -- for example, the Parkway West gate station and the growth compressor -- are there any other infrastructure requirements that have to be built that will provide the required gas for either segment A or segment B? So you have to build anything else?

MR. FERNANDES: No.

MR. MILLAR: Does anything else have to build anything else?

MR. FERNANDES: No.

MS. GIRIDHAR: The supply source for the GTA project comes from two sources.

One is Dawn, and that is linked to Union's application.

The other is sourcing supply at Niagara up TransCanada's Hamilton line, and we're not completely aware as to what the nature of the upgrades might be, but it is our understanding, based on a presentation from TransCanada, that they might have to do some minor upgrades to allow us to receive gas from Marcellus up their Hamilton line into our Parkway facility.

MR. MILLAR: Do you have an idea what those improvements might be? Are we talking expanded pipeline facilities, or increased pressures, or we're dealing --

MS. GIRIDHAR: My understanding is that it consists of yard piping.

MR. FERNANDES: Yard piping and maybe some valves.

MR. MILLAR: Do you have any indication that that might be delayed or that TCPL may be having second thoughts about building that infrastructure?

MS. GIRIDHAR: The MOU contemplates TransCanada having an open season and Enbridge bidding for capacity on that line as a result. And we are not aware that TransCanada has changed its plans in that regard, so we assume that it will go ahead.

MR. MILLAR: TransCanada -- forgive me if this is already part of the application, but there have been some changes to the evidence and I may have missed a few things.

I understand that segment A is being done with TCPL; is that right? Or TCPL is involved with your segment A? It's a joint venture of some type?

MS. GIRIDHAR: The memorandum of understanding, which is filed at CME 7, I believe, does talk about joint ownership of segment A. However, the two parties were unable to agree on a term sheet for ownership, and TCPL conveyed to us their intent that we should proceed with a transportation service arrangement such that Enbridge owns segment A and TransCanada takes a service on that line.

So segment A will be wholly owned by Enbridge and operated by Enbridge.

MR. MILLAR: And TCPL would just be a customer?

MS. GIRIDHAR: Correct.

MR. MILLAR: That's the current plan?

MS. GIRIDHAR: Correct.

MR. MILLAR: I think there will probably be some questions on the MOU from, probably, on Mr. DeRose and Mr. Smith, as well, so I'll leave that for them.

Thank you panel. Those are my questions.

Mr. Smith, are you prepared to go?

QUESTIONS BY MR. SMITH:

MR. SMITH: Yes. Thank you. These questions will be in relation to the memorandum of understanding. My understanding is that that's filed at CME 6 as attachments 3 and following.

Just so I'm clear, am I right that there -- the memorandum of understanding itself is made as of the 28th of January, 2013, and there have been two amendments to that agreement?

MS. GIRIDHAR: Correct.

MR. SMITH: And the most agreement amendment was dated May 21st.

And this picks up on what you just indicated, but my understanding is that TCPL has given notice pursuant to the MOU as amended, electing election number 2; is that correct?

And the parties have failed to agree on a term sheet and failed to agree by the term sheet date; is that correct?

MS. GIRIDHAR: Correct.

MR. SMITH: And that it is the intention that Enbridge will own and operate the Enbridge pipeline?

MS. GIRIDHAR: Correct.

MR. SMITH: And by Enbridge pipeline, that's segment A?

MS. GIRIDHAR: Correct.

MR. SMITH: Am I further correct that under the MOU as amended, Enbridge will have for its use 800,000 gJs of capacity per day?

MS. GIRIDHAR: Correct.

MR. SMITH: And that capacity above that will be for TransCanada's use?

MS. GIRIDHAR: Correct.

MR. SMITH: And am I correct that schedule D sets out the primary commercial terms of the TBO agreement?

MS. GIRIDHAR: Correct.

MR. SMITH: And that's transportation by others?

MS. GIRIDHAR: Correct.

MR. SMITH: And that, I think we've just confirmed that, but that provides that TCPL shall be entitled to the balance of the capacity on the Enbridge pipeline?

MS. GIRIDHAR: Correct.

MR. SMITH: And can you tell me whether the Enbridge board has given the approvals contemplated in the MOU at section 2.6A, Roman numeral V?

MS. GIRIDHAR: Yes, it has.

MR. SMITH: Okay. And am I correct, then, that even if the MOU is terminated, then sections 15 and 16 of schedule B survive?

MS. GIRIDHAR: Let me just go back. I think that --

MR. SMITH: I think you'll find that at section 2.7.

MS. GIRIDHAR: Yes. Under election 2, sections 15 and 16 survive.

MR. SMITH: Am I right that even if TransCanada does not build from Albion to Maple, TransCanada has, for its own use, capacity on the Enbridge line for at least 10 years?

MS. GIRIDHAR: Could you repeat that, please?

MR. SMITH: Am I right that even if TransCanada does not build from Albion to Maple, that TransCanada has, for its own use, capacity on the Enbridge pipeline?

MS. GIRIDHAR: Under election 2, TransCanada has the option to exercise by November 1 of 2014 the option to take capacity on the Enbridge pipeline, and the option expires at that point.

In the event -- I'm presuming you are asking the question if TransCanada exercised the option?

MR. SMITH: Yes.

MS. GIRIDHAR: Yes. They would have had the capacity for 10 years. I would presume if they exercise the option that they would also build from Albion to Maple. That is certainly the understanding.

MR. SMITH: But there is no requirement that they do so?

MS. GIRIDHAR: I would have to get back to you on that.

MR. SMITH: If you would.

MS. GIRIDHAR: I would not view that as being in the spirit of the MOU.

MR. MILLAR: You would like an understanding, Mr. Smith?

MR. SMITH: Yes, I would.

MR. MILLAR: Why don't you repeat the...

MR. SMITH: That there is no obligation on TransCanada to build, under the MOU, no obligation to build from Albion to Maple in order to retain capacity to Enbridge pipeline.

MR. MILLAR: That will be Undertaking JT1.1.

UNDERTAKING NO. JT1.1: TO CONFIRM WHETHER TRANSCANADA IS OBLIGATED UNDER THE MOU TO BUILD FROM ALBION TO MAPLE IN ORDER TO RETAIN CAPACITY TO ENBRIDGE PIPELINE.

MR. SMITH: Does Enbridge agree that the Board storage and transportation access rule applies to the Enbridge pipeline?

MS. GIRIDHAR: Enbridge has taken a different approach to this pipeline. And it has stemmed from the Ontario Energy Board's directive in Union's 2013 case for the three parties to work together.

And therefore the approach that Enbridge has taken is actually outlined in the MOU. The intent of the MOU is for both Enbridge and TransCanada to provide -- well, they are outlined in 2.1. And so the extent of the MOU really is for both parties to work on an efficient plan to use existing infrastructure, but also coordinate the future growth of infrastructure through the corridor.

And the discussions have been around -- as you can see in the MOU, around joint ownership of the pipeline, but

also allowing for transportation by other service by TransCanada.

Given that a party taking capacity on the Enbridge pipeline necessarily would require downstream infrastructure from the Enbridge pipeline, the view was that this could be exempt under STAR.

MR. SMITH: Which provisions of STAR? do you rely on in respect of the assertion that STAR does not apply?

MS. GIRIDHAR: I don't have a specific provision that I can attest to at this point in time.

MR. SMITH: Well, will you give me an undertaking to tell me which section of STAR provides for the exemption that you've outlined?

MR. MILLAR: JT1.2.

UNDERTAKING NO. JT1.2: TO PROVIDE THE SECTION OF STAR WHICH PROVIDES EXEMPTION.

MR. SMITH: Obviously Union is not a party to the memorandum of understanding; that's correct?

MS. GIRIDHAR: Correct.

MR. SMITH: Did Enbridge hold an open season in respect of the capacity on the Enbridge pipeline?

MS. GIRIDHAR: It did not.

MR. SMITH: Does Enbridge intend to hold such an open season?

MS. GIRIDHAR: Well, under the election that TransCanada has made - I believe it's section 15 and 16, ought to be viewed in context - Enbridge is -- one of the obligations that survives the termination of the -- or the

termination of the MOU is that Enbridge will use the Enbridge pipeline to meet the distribution needs of its customers.

MR. SMITH: Not quite my question. My question is: Does Enbridge intend to hold an open season in respect of at least the 800,000 gJs of capacity beyond the 800,000 which Enbridge has reserved for itself?

MS. GIRIDHAR: My understanding is it would require an amendment of the MOU for Enbridge to be able to hold that open season.

MR. SMITH: So I take from that that under the memorandum of understanding not only is Enbridge not intending to hold an open season, but it is precluded by the memorandum of understanding from doing so?

MS. GIRIDHAR: Yes. I should also point out that the spirit of the memorandum of understanding is outlined in Board Staff 48, and certainly it contemplates the coordinated build of infrastructure for both Enbridge's customers, as well as TransCanada's shippers. So the intent of the MOU certainly is -- there's at least two surviving obligations for TransCanada.

One is that TransCanada will respond to any service requests from Enbridge for future service from the Parkway -- on the Parkway-to-Maple path for its customers. There's also surviving obligation that TransCanada will work with the eastern LDCs to expand the short haul path under commercially reasonable terms.

MR. SMITH: Of course when the memorandum of

understanding was first entered into in January, my understanding is that the intention of TransCanada was to build from Parkway-to-Maple for an in-service date of November 15; correct?

MS. GIRIDHAR: Correct.

MR. SMITH: And that date has changed to now November '17, correct, November 2017, not 2015?

MS. GIRIDHAR: The election that was made by TransCanada and the accompanying letter outlines their intentions. If you could just give me a second, I'll find it. It's an attachment 5, CME 6, and the second paragraph states that:

> "TransCanada will however continue to pursue the project keeping to go a November 1, 2015 in-service date."

MR. SMITH: Well, but by "project", we're talking about the Enbridge pipeline?

MS. GIRIDHAR: I believe TransCanada is referring to their project to connect from Albion to Maple?

MR. SMITH: Your understanding is TransCanada intends to build from Parkway-to-Maple by November 15, 2015?

MS. GIRIDHAR: Correct.

MR. SMITH: On what is that based?

MS. GIRIDHAR: Sorry?

MR. SMITH: On what is that based?

MS. GIRIDHAR: That is based on -- as explained in Board Staff 48, again, that is based on their current intent to replace backhaul capacity on the Great Lakes

system with forward haul capacity in order to meet their system requirements.

MR. SMITH: It is your understanding that that capacity is in respect of existing demand on the TransCanada system or new incremental demand?

MS. GIRIDHAR: That is existing demand on the TransCanada system.

MR. SMITH: So not incremental demand?

MS. GIRIDHAR: Correct.

MR. SMITH: I see. Just while we're talking about existing demand, are you aware of the volume shipped by TransCanada backhaul on the Great Lakes gas transmission system from Manitoba back to Toronto?

MS. GIRIDHAR: Is it my understanding it is approximately half a BCF of capacity. It could be 500 tJs. I get confused between the measurement.

MR. SMITH: Can I ask you, is Enbridge prepared to provide capacity to Union for its needs and those of its customers on the Enbridge pipeline?

MS. GIRIDHAR: As I explained a few minutes ago, the provisions of the MOU do not allow us to do so as a result of clause 15, I believe.

MR. SMITH: Are you aware the memorandum of understanding refers to a new capacity open season held by TransCanada? You're aware of that?

MS. GIRIDHAR: Correct.

MR. SMITH: Are you aware Union bid into that new capacity open season?

MS. GIRIDHAR: Correct.

MR. SMITH: Can I ask you to turn to attachment 4, please, of CME 6?

Maybe before we go to that, can I ask you to turn to attachment 5. Do you have that?

MS. GIRIDHAR: Yes.

MR. SMITH: Can I ask you to look at recital C?

MS. GIRIDHAR: Yes.

MR. SMITH: Recital C says:

> "Due to the impacts of the NEB decision in the RH-003-2011 decision, the current intent of TransCanada's utilization of the Enbridge pipeline has changed."

Do you agree with me that what is being referred to there is what we just discussed, that the Enbridge pipeline will be used for existing TransCanada demands, but not incremental demand?

MS. GIRIDHAR: At this point in time, that is correct.

MR. SMITH: Am I correct that TransCanada's application to review and vary that decision was dismissed by decision of the NEB yesterday?

MS. GIRIDHAR: Correct.

MR. SMITH: Can I ask you to turn to attachment 4, please?

MS. GIRIDHAR: Could I maybe just add something to what I just said? I would like to point you to a clause in the same amendment. I'm just trying to find it. Sorry, please give me another minute.