June 28, 2013

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Your reference

Our reference
01000241-0066

VIA RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

EB-2012-0451	**Enbridge GTA Project**
EB-2012-0433	**Union Parkway West Project**
EB-2013-0074	**Union Brantford-Kirkwall Parkway D**

Dear Ms. Walli:

In accordance with the Ontario Energy Board's Procedural Order No. 4 issued on June 27, 2013, please find attached Gaz Métro's evidence in the above-mentioned files.

Yours very truly,

Eric Dunberry

ED/jb

c.c.: All parties via RESS

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.

EVIDENCE OF GAZ MÉTRO LIMITED PARTNERSHIP

I- INTRODUCTORY COMMENTS

Firm secure supply of natural gas at competitive prices is one of the cornerstones of success for any gas distributor. One of Gaz Métro's particularities, however, is that the territory it serves is located thousands of kilometres from the quasi-unique production basins that has always served it. The recent emergence of new shale gas reserves near Quebec, and elsewhere in North America, has however shaken up the gas dynamic in Canada.

Most of the classic production basins exploited in Canada and the United States have matured and show significant signs of petering out. On the other hand, non-classic gas that comes particularly from reserves in low-permeability wells and shale gas offer very strong growth perspectives. Already, on a continental basis, their development more than offsets the decline in the production of classic gas. In fact, the exploitation of this non-conventional gas resource is revolutionizing the North American market right now.

As being one of the largest shippers on the TransCanada Mainline, Gaz Métro holds contracts for firm transportation services and is directly impacted by these recent changing supply dynamics. Which is why, the main concern of Gaz Métro is to ensure an access point to secure firm, diverse and affordable natural gas supply. To this end, in the current context, Gaz Métro is considering all possible alternatives, including applying for leave to construct additional facilities to transport gas from Dawn to its franchise.

II- GAZ MÉTRO IN ITS GAS DISTRIBUTION ACTIVITIES

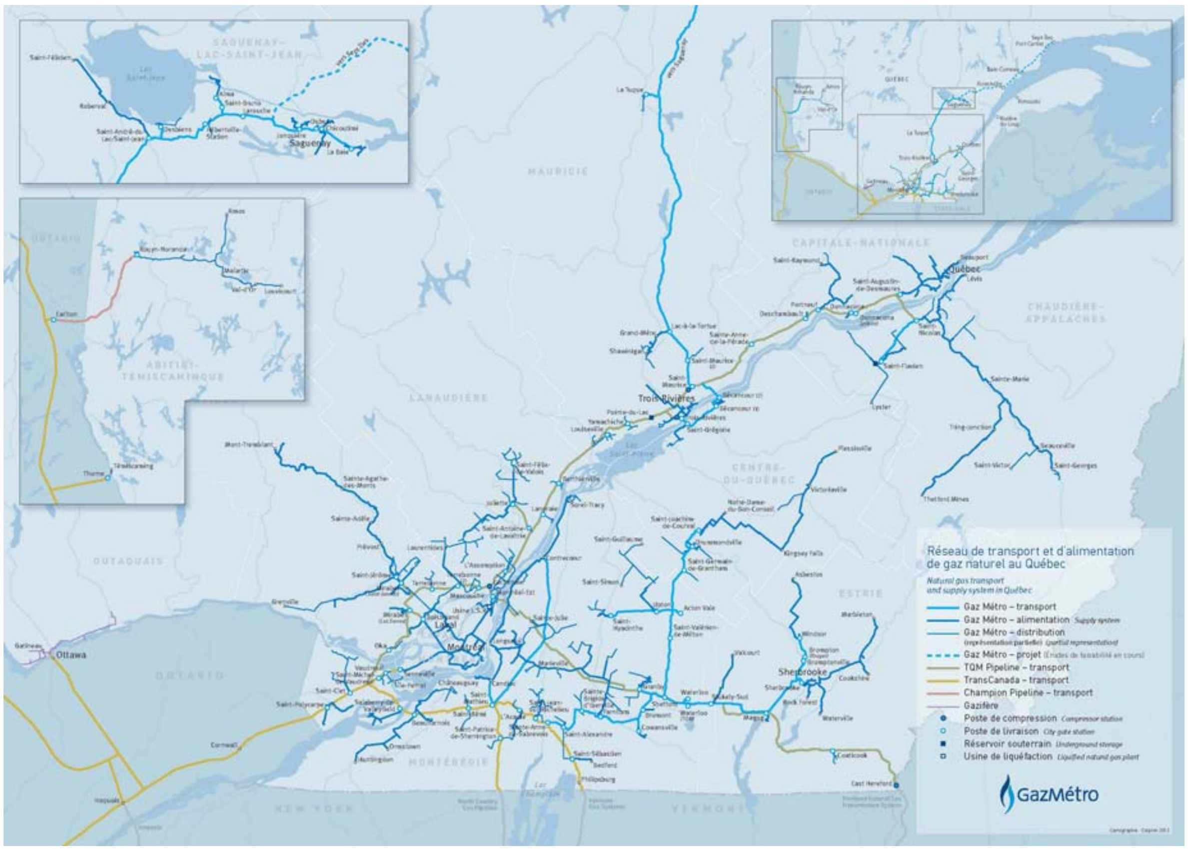
A. PLEASE DESCRIBE GAZ MÉTRO'S FRANCHISE AND ITS DISTRIBUTION SERVICES

Gaz Métro's distribution system serves about 300 municipalities in Québec and is comprised of over 10 000 km of pipeline of various dimensions. The distribution system is divided into two main zones being either, the Northern zone which includes the Abitibi Temiscaminque region and the Southern zone which comprises the remainder of the province of Québec with the exclusion of the Outaouais region. The Southern zone, designated as the GMI Eastern Delivery Area zone (EDA) by TransCanada, is supplied using TransCanada's integrated network including the Gazoduc TQM installations linked through 40 points of interconnection between the TransCanada integrated system and Gaz Métro's installations.

The Northern zone, designated the GMI Northern Delivery Area (NDA), is supplied using the TransCanada system linked through two physical transfer points named Earlton and Thorne.

For both the Northern and Southern Zone, Gaz Métro's distribution network can exclusively be supplied by facilities wholly owned by TransCanada. In addition, a large portion of Gaz Métro's distribution network is only connected to TQM facilities and must absolutely be supplied through the TQM system. Of course, in order to get the gas supply to these locations, it's the integrated system of both TransCanada and TQM that is required. Without new investments allowing Gaz Métro to access new sources of supply , and unless production inside Gaz Métro's franchise becomes sufficient to fully supply all of its customers' demand, Gaz Métro will remain a captive shipper of TransCanada's system.

The map below shows a graphic representation of the Gaz Métro system and its interconnection with TransCanada's integrated system.



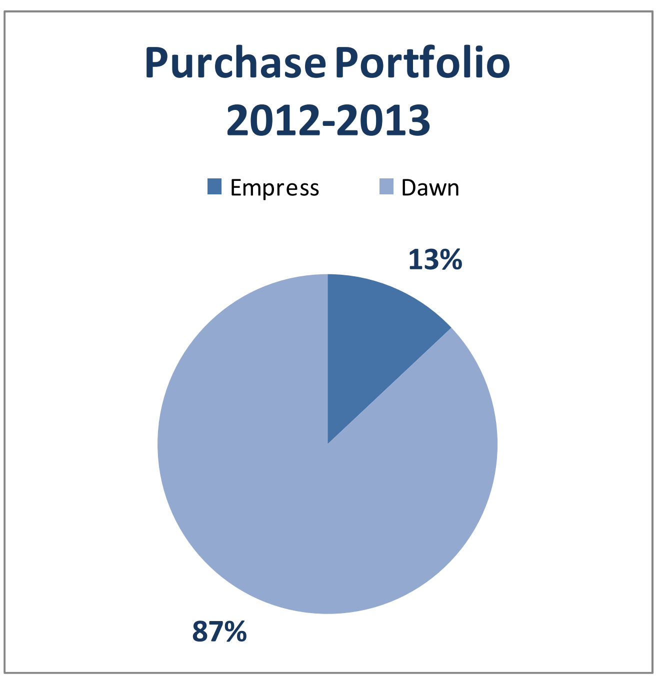
Gaz Métro presently serves approximately 190 000 customers, comprised of over 2 000 industrial customers, over 50 000 commercial customers and more than 130 000 residential customers who consume more than 5 400 million m³ of natural gas per year.

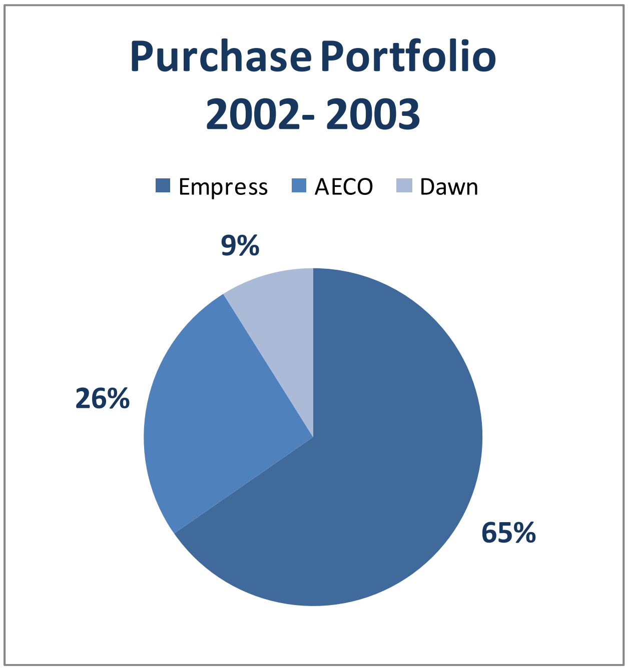
B. <u>PLEASE PROVIDE THE SOURCES OF NATURAL GAS SUPPLY FOR GAZ MÉTRO</u>

Historically Gaz Métro customers have purchased most of their gas supply from the Western Canadian Sedimentary Basin (WCSB). Gaz Métro's rate structure reflects this historical supply structure and Gaz

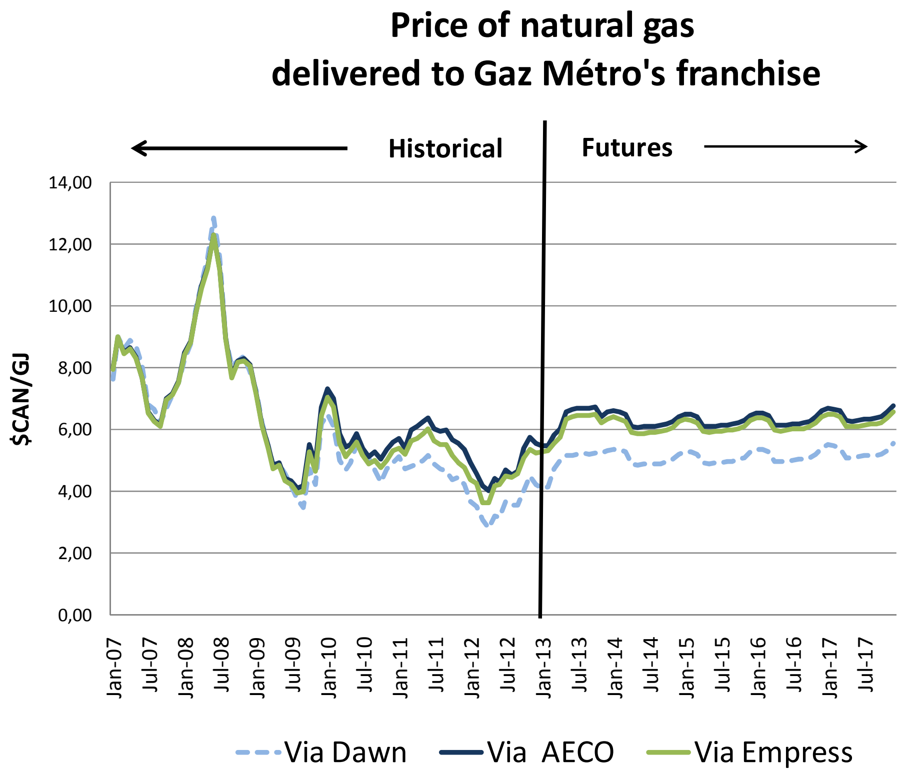
Métro’s posted price for system gas is a price at Empress on the Alberta border. This supply structure reflected the market dynamics at a time when the WCSB was almost the sole supplier of gas to Eastern Canada and to a large extent, to the North-east United-States. Given the lack of local gas supply in the East, it made perfect economic sense to source our gas more than 3,000 kilometers away from our markets. Market dynamics have however evolved and it is necessary to adapt our practices to the new developments in the market.

Gaz Métro has been at the Dawn location for many years given the storage facilities located there and due to the load balancing needs of Gaz Métro’s customers. In the past, Gaz Métro stored gas at Dawn that it had transported by way of its long-haul capacity on TransCanada. With the increase in the cost of storage at Dawn for ex-franchise customers of Union, it became more economical to purchase gas during the winter at Dawn rather than purchasing gas in the summer and storing that gas for the upcoming winter. Gaz Métro adapted to the changing environment and became a buyer of gas at Dawn. Given the current value of gas at Dawn when compared to the value of gas in the WCSB and associated transportation costs, the cost of purchasing gas at Dawn has decreased in the recent years. The following graphs show the relative share of Gaz Métro’s natural gas purchases by geographical location in the 2012- 2013 Purchase Portfolio (forecasted) compared to the 2002-2003 Purchase Portfolio.

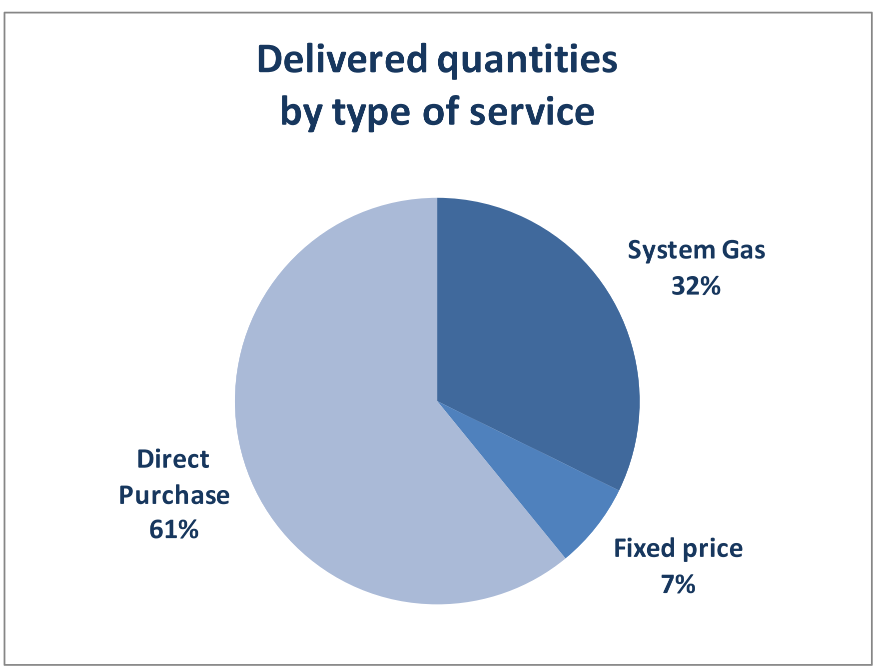




The rapid increase in production of natural gas in the United States had the effect of making gas prices very competitive. In 2012, the price of gas in Canada reached its lowest level of the past 10 years. However, even if the price of gas at AECO in Alberta has followed the same trend and decreased significantly, the current financial market indicates that it is more beneficial to purchase gas directly at Dawn rather than at AECO. The price differential between AECO and Dawn has declined substantially in recent years and the financial market predicts that this trend will pursue with a gap between AECO and Dawn of approximately $ 0.22 to $ 0.38 over the period from May 2013 to December 2017. Even if TransCanada's toll on the Empress to Dawn section of the Mainline was recently established to $ 1.42 / GJ by the NEB in its decision RH-003-2011, it is less expensive to buy directly at Dawn rather than to purchase at AECO and pay transportation tolls added to compression gas. Comparison of gas price delivered to Gaz Métro from AECO, Empress and Dawn is shown in the following graph.



Since 1986, Gaz Métro's customers have the option of choosing their natural gas suppliers leaving that option to Gaz Métro who will contract the capacity required by its customers requesting this service. While the vast majority of Gaz Métro's customers have elected to rely on Gaz Métro to provide all services, system gas customers only represent a portion of the gas consumed within Gaz Métro's service area as shown in the graphic below.



Customers that have chosen to manage their commodity purchases on their own can either deliver the gas to Gaz Métro at Empress, in which case Gaz Métro provides the transportation service for these customers or they can elect to deliver their gas directly to Gaz Métro's territory. Currently, the quantities that customers deliver directly to Gaz Métro's service area represent 8% of the total consumption in the Gaz Métro service area.

Gaz Métro therefore holds significant transportation capacity on the integrated Mainline to transport its customers' gas from Empress to its service area.

In addition to its long-haul transportation capacity with TransCanada, Gaz Métro has contracted for additional transportation services on short-haul paths between the Dawn hub and its service area. These transportation capacities are used to transport gas that was stored at the Dawn storage site and to transport gas that was bought directly at Dawn. Gaz Métro also purchases gas delivered directly to its franchise area. With the current market environment, purchases of gas at Dawn have become the lowest cost option for Gaz Métro customers. However, even with the transfer of gas supplied at Dawn instead of Empress, it is important to note that the relative share of the Quebec gas consumers of the TransCanada cost of service has kept increasing over the same period.

The integrated system of TransCanada is currently the only means of bringing supply to Gaz Métro's service area. Gaz Métro's distribution network was built around the integrated system to the extent that some sections of Gaz Métro's distribution network are not connected to each other by any other means than the integrated system of TransCanada . The existing situation is the result of past decisions that had been taken in relation to the integrated nature of the TransCanada.

C. PLEASE EXPLAIN NEW SALES AND THE EVOLUTION OF DEMAND IN QUEBEC

Since 2005, Gaz Métro has realized between 7000 and 9500 of new sales per year. More than 5000 new residential contracts have been concluded during the 2011 fiscal year. During this period, Gaz Métro has seen an increase in their proportion of market share.

For the commercial market, 2878 new contracts were concluded in 2011 of which 712 contracts represented increases in consumption for existing customers and 2166 were for new customers, representing a significant increase in sales and volumes from previous fiscal years which is explained mainly by large industrial customers converting their oil consumption to natural gas for their energy needs.

As for the industrial market, new contracts have generated total volumes of 560,4 million m³ in 2011 including 358,4 million m³ for interruptible services.

Due to the decrease in the price of supply, natural gas has continued to improve its competitive position with regards to electricity and oil as compared to previous fiscal years, and this, for all markets.

Despite the favourable competitive situation of natural gas presently in Québec, Gaz Métro remains very attentive to the fluctuations in the customer invoice. The highly competitive electricity market, as well as the mandatory contribution to the Fonds vert du gouvernement du Québec for fossil fuels, result in a fragile natural gas market in Québec. Market studies with Gaz Métro customers and non customers clearly show that the natural gas price is the predominant factor for all customers in different markets. This fact is particularly of importance for industrial customers for which the supply and transportation costs represent an important percentage of their invoices.

D. PLEASE DESCRIBE THE REGULATORY ENVIRONMENT FOR NATURAL GAS DISTRIBUTION IN QUEBEC

Transportation, distribution, supply and storage of natural gas delivered by pipeline in Québec are subject to the « Loi sur la Régie de l’énergie (Québec) and the « Loi sur le bâtiment (Québec) and to certain dispositions of the « Loi sur les compagnies de gaz, d’eau et d’électricité (Québec). » Gaz Métro’s distribution activity is regulated by the Régie de l’énergie. The Régie’s primary function is to fix or modify rates and applicable conditions associated with the supply, transportation and delivery of natural gas by a distributor as well as for the storage rates. The Régie also exercises other functions such as: supervise a distributor’s operations, determine its rate of return, authorize investments of more than $1,5 million, examine customer complaints or establish conditions of installation for a distributor’s work in municipalities. As for the cost of natural gas, this is reflected in the rates for supply invoiced to customers resulting from a mechanism calculated monthly which reflects the actual cost incurred for supplying the customers based on a rolling 12 month period.

E. PLEASE EXPLAIN THE RECENT DECISION OF THE RÉGIE DE L'ÉNERGIE ON THE GAZ MÉTRO'S SHIFT FROM WCSB-SOURCED NATURAL GAS TO DAWN-HUB GAS.

In the fall of 2012, Gaz Métro applied to the Régie de l'énergie for approval to shift its supply source for direct purchase customers and to move its structure of supply from Empress to the Dawn Hub (R-3809-2012; D-2012-175). The position defended by Gaz Métro was to ensure secure, diverse and affordable natural gas supply. Furthermore, in its application, Gaz Métro has expressed its main concern surrounding security of supply with the declining availability of gas coming from the WSCB and the increasing tolls on the TransCanada's Mainline. In December 2012, the Régie made its decision and approved Gaz Métro's shift of natural gas supply from Empress to Dawn. The reasons alleged by the Régie were: (1) Gaz Métro's customers would remain captive to TransCanada's long-haul firm transportation tolls if it continues to purchase gas supply at Empress whereas short-haul transportation capacity from Dawn to GMI EDA would be less expensive, (2) the Dawn Hub provides Gaz Métro with more choice and flexibility to adjust to their needs, including access to the new production of shale gas from the Northeastern United States, (3) potential gas supply savings would be achieved by buying at the Dawn Hub ranging from $ 88 million and $ 120 million based on TransCanada's current and proposed tolls, should an increase in the production of natural gas of the WCSB occurs, (4) Gaz Métro could access gas supply from Empress delivered at Dawn and (5) Gaz Métro would have access to a source of supply closed to its territory versus Empress's location over 3000 km away (D-2012-175, R-3809-2012, 2012 12 18, p.13 – 14).

> *La Régie partage l'avis du distributeur et considère que le fait de demeurer à Empress et ne pas contracter des capacités additionnelles de transport sur le tronçon Dawn-GMI-EDA, laisserait la clientèle captive des tarifs FTLH de TCPL.*
>
> *La Régie est d'accord avec l'ACIG lorsqu'elle fait valoir que le déplacement à Dawn permet à Gaz Métro et à ses clients d'avoir plus de choix et de flexibilité. En effet, le déplacement à Dawn permet d'avoir accès aux nouvelles sources d'approvisionnement du nord-est américain tout en continuant de pouvoir acheter du gaz naturel à Empress, en passant par Dawn, s'il s'avérait qu'il s'agit là de la solution la plus économique.*
>
> *De plus, la Régie retient, tel que mentionné par l'ACIG, que le déplacement de la structure d'approvisionnement à Dawn permettrait de réaliser d'importantes économies annuelles. Celles-ci varient entre 88 M$ à 120 M$ sur la base des tarifs actuels et proposés par TCPL.*

> *La Régie reconnaît également la logique fondamentale à préférer un approvisionnement à proximité du territoire de Gaz Métro plutôt qu'un approvisionnement à 3000 kilomètres.*

As a public utility, Gaz Métro is under the obligation to serve Quebec's customers and has to ensure security of supply. In this new gas supply context, Gaz Métro has to manage the risks inherent in its gas supplies and to shift from Empress to the Dawn Hub to meet customer demands. Gaz Métro is responding to this supply risk by proactively seeking contracting transportation to access new supply options in its supply portfolios with natural gas sourced from other production basins and benefit from the liquid market at Dawn.

F. WHY IS GAZ MÉTRO SUPPORTIVE OF UNION GAS'S PARKWAY WEST PROJECT?

In its application, Union Gas stated that:

> *Union continues to receive incremental requests for transportation services with deliveries at Parkway. Parkway has become a critical infrastructure point in the transportation of natural gas in Ontario and for eastern North American markets. New infrastructure will be required as a result of this fundamental shift in natural gas flow to ensure Ontario remains well connected to new emerging, abundant and economic supplies* (EB-2012-0433, Section 4, p. 15 of 121).

As mentioned above, the main concern of Gaz Métro is to ensure security of supply for its customers. The demands on the Dawn to Parkway system have increased tremendously in recent years so as the reliability on Parkway compression to provide deliveries of natural gas to Québec through the TransCanada Mainline. In addition, the market has shift its long-haul supply sourced from Empress to short-haul supply sourced from the Dawn Hub. Union Gas affirmed that:

> *Union has identified Parkway as one of the facilities within its system that meets Union's definition of a critical facility (EB-2012-0433, Section 7, p. 59 of 121)*.

Union Gas' assets do not include a Lost of Critical Unit (LCU) protection compressor to ensure that the facility is reliable and always available. A compressor outage would have significant impacts on Gaz Métro's ability to meet customer demands and would have serious consequences. Union's Dawn to Parkway system needs to be reliable as the demands from Eastern LDC and other markets will keep on increasing over the next years. Gaz Métro is supportive of the Parkway West Project since it will increase security of supply for its customers and support its efforts to shift its structure of supply from long-haul to short-haul transportation services using the Dawn to Parkway system. As Union explained:

> *For ex-franchise customers, such as Enbridge and Gaz Métro and other ex-Ontario shippers, the Project provides: i) and additional feed to Enbridge will increase security of supply for customers in the GTA; ii) security of supply from loss of critical unit coverage for volumes compressed into the TCPL system and flow to Enbridge, Gaz Métro and other ex-franchise east of Parkway (EB-2012-0433, Section 1, p. 5 of 121).*

It is Gaz Métro's belief that the construction of a LCU protection compressor will mitigate the critical operational risk of a major failure at Parkway as this critical infrastructure is essential to move gas in Ontario and to ex-franchise markets.

G. WHY IS GAZ MÉTRO SUPPORTIVE OF UNION GAS'S PARKWAY D / BRANTFORD-KIRKWALL PROJECT?

When Gaz Métro applied to the Régie in the fall of 2012 requesting a shift from its gas supply sourced from Empress to Dawn, its claim was based on two undeniable facts. The first one is the declining production of the WCSB resulting in a decline in natural gas moving from Empress to its markets and the second one is the rapid increase in production of shale gas (Marcellus and Utica) in the eastern part of the United States. Dawn is a crossroads located in the heart of a consumption center connected by several pipelines to the largest production areas of the continent and the price of natural gas at Dawn, as well as at Empress, reflects the balance of supply and demands which are also influenced by the regional market conditions. The development of shale gas production in the East has an impact on the markets of that area, while the decline in the WCSB production has repercussions on the western region, as well as on TransCanada tolls. In fact, the tolls from Empress to GMI EDA have increased from $ 0.99 / GJ to $ 2.24 / GJ between January 2007 and May 2013. Having a greater access to Dawn is important to Gaz Métro for two main reasons. First, Dawn is located closer to its service territory and second, it provides a greater security and diversity of supply to Gaz Métro' customers as it connects directly with the Marcellus and Utica productions. As stated by Union:

> *The Project is required for Union to deliver the contracted volumes to Enbridge Gas Distribution, Gaz Métro Limited Partnership, Vermont Gas Systems Inc. and provide Dawn based natural gas supply to Union North customers, in a cost effective and reliable manner (EB-2013-0074, Section 1, p. 2 of 7).*

Gaz Métro endorses the completion of the Parkway D / Brantford-Kirkwall project since it will provide incremental transportation capacity on the Dawn to Parkway system for eastern markets. Gaz Métro also believes that the Parkway Projects will open and enhance access to affordable, diverse and secure natural gas supplies and supports its shift from long-haul to short-haul transportation capacity. Union stated that:

> *For Union, this access results in savings of $ 18 million to $ 28 million per year; for Enbridge and Gaz Métro, this will save their customers as much as $ 171 million per year (EB-2013-0074, Section 1, p. 5 of 7). 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 (EB-2013-0074, Section 5, p. 4 of 7).*

As being captive of TransCanada's Mainline, Gaz Métro needs to diversify its gas supply portfolios and considers that the proposed Parkway Projects will help it do so. An increased access at the Dawn Hub will benefit Gaz Métro's customers by ensuring a diverse and secure supply of natural gas, even if the WCSB production improved in the following years (as Gaz Métro will also be able to access the gas delivered from Empress to Dawn). The liquid Dawn Hub will continue to attract incremental demand for natural gas supply and transportation on the Dawn to Parkway system from downstream markets. Gaz Métro thinks that by building these new facilities, Union is addressing future growth of the Dawn Hub which increases diversity, liquidity and price competitiveness of gas supply for its customers.

H. IS GAZ MÉTRO SUPPORTIVE OF ENBRIDGE'S GTA PROJECT?

The GTA Project consists of two segments, segment A and segment B. At the technical conference held June 12 – 13, 2013, Enbridge's representatives clarified that the segment B is mainly a project to reinforce Enbridge's distribution system in the Greater Toronto area. Gaz Métro will not intervene on that portion of the Project. The segment of the GTA Project that is of interest for Gaz Métro is segment A; the pipeline Enbridge is building between the proposed Bram West Interconnect and Enbridge's Albion Road Station also known as the shared pipeline with TransCanada. As noted by Enbridge in its application:

> *In order to procure firm, short-haul capacity, infrastructure must be available. Currently, there is a constraint between Parkway and Maple, as demonstrated by the recent open seasons and new builds by TransCanada long this path. Significant new capacity along this path would require new infrastructure to be built (EB-2012-0451, Exhibit A, Tab 3, Schedule 7, p. 5 of 19).*

Currently, there is a bottleneck between Parkway and Maple where the system is constrained whereas Gaz Métro's ability to ensure security and diversity of supply depends upon opening up that path. Enbridge asserted that:

> *The project will allow access to additional supplies through Parkway from Niagara and/or Dawn to replace a potential reduction of TransCanada's Mainline capacity. As a result of the sharing arrangement with TransCanada, the project will also increase access to supplies for other consumers both in Ontario and beyond (EB-2012-0451, Exhibit E, Tab 1, Schedule 1, p. 6 of 9).*

In order to ensure security and diversity of supply in its gas supply portfolios and to deliver gas costs savings to its customers, Gaz Métro had submitted bids in a previous new capacity open season from TCPL which were accepted by TransCanada. Gaz Métro subsequently entered into Precedent Agreements with TransCanada in order to obtain a new transportation capacity of 254 475 GJ/day from Parkway to different segments of its service area. TransCanada has subsequently decided to cancel its Mainline expansion . TransCanada decisions, does not mitigate, in any way, the market need for such new facilities. In reaction to the new market environment that results from the recent TransCanada decisions, some of our customers who had previously elected to source their transportation needs from the secondary market are now requesting that the distributor provides them with transportation. Combined with an observed demand growth, these customers have increased Gaz Métro requirements for transportation to its service area by an additional 130,000, GJ/day. Gaz Métro secured that capacity through the last existing capacity open season held by TransCanada. The capacity was secured only for a period of two year in the form of Firm transportation – Non Renewable (FT-NR) as this was the only service offered by TransCanada to serve Gaz Métro's service area. The demand served by this capacity will not disappear in two years and a viable solution must be found in order to serve this market. The current market dynamics requires that the transportation capacity between Parkway and Maple be expanded in order to carry the incremental short-haul volumes of 254 475 GJ/d, for which Gaz Métro already contracted with Union Gas for transportation between Dawn and Parkway.

In its amended application dated February 12, 2013, Enbridge mentioned that the diameter of the pipe of the segment A will be increased from the originally planned NPS 36 to NPS 42 to accommodate the anticipated needs of both companies and their customers. It is Gaz Métro's understandings that the proposed expansion (NPS 42) would have provided TransCanada with a significant portion of the facilities required to meet the new transportation capacities for which parties like Gaz Métro and Union Gas had entered into Precedent Agreement with TransCanada.. These facilities would therefore allow Gaz Métro to ensure security and diversity of supply and to procure substantial gas cost savings to its customers by shifting the source of gas delivered to those customers from long-haul supply sourced from the WCSB and transported on TransCanada's Mainline to short-haul supply sourced from the Dawn Hub, located closer to Eastern markets.

On January 2013, Enbridge and TransCanada entered into a Memorandum of Understanding (MOU) in respect to the shared use of segment A. As set out in Recital E to the Amendment to their MOU dated April 26, 2013, Enbridge and TransCanada agreed to reduce the size of segment A to NPS 36. The decrease in sizing coincides with TransCanada decisions to cancel the open season for new short-haul transportation service. An NPS 36 pipeline appears to be insufficient to accommodate incremental short-haul needs of 254 475 GJ/d that was previously requested and contracted by Gaz Métro. The lack of capacity on that path is further increased by the need to find a way to serve the demand that is currently served by the 130 000 GJ/d of non-renewable capacity contracted until November 1st 2015. A failure to build the required infrastructures in a timely manner when TransCanada is withholding removing capacity from the gas market would result in an inability to serve the need of the end users. Such an outcome is not acceptable. Since Enbridge has admitted that there is nothing preventing it from constructing an NPS 42 pipeline on segment A, Gaz Métro supports the GTA Project on the condition that if built with the appropriate size of the pipeline to meet existing and incremental demands and that Enbridge provides an open access to new short-haul transportation capacity, more specifically by holding an open season in accordance with the Storage ans Transportation Access Rule (STAR). It is Gaz Métro's position that the MOU and the provisions it contained with respect to the allocation of capacity to TransCanada violates STAR and therefore, is unenforceable and of no effect. Gaz Métro agrees with Enbridge when it stated that the shared use of segment A pipeline would support the coordinated build of infrastructures for both Enbridge and TransCanada shippers, as long as it is done in conformity with STAR requirements which provide that new capacity be offered through an open season.

Section 2.1.2 of 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.*

In its application dated February 12, 2013, Enbridge has admitted that the shared segment A is a transmission pipeline that will provide gas transportation services other than gas distribution services. As stated by Enbridge*:*

> *A joint use pipeline would relieve the Parkway constraint on both the distribution system and the transmission system. This would allow for the shortest overall distance being constructed and*

> *maximize the use of existing infrastructure. Also, for a significant length of the new pipeline, it would allow for economies of scale through joint use of a section. This concept also has benefits for the community, as there would only be construction of one pipeline, versus two if the distribution and transmission needs were considered in isolation (EB-2012-0451, Exhibit A, Tab 3, Schedule 7, p.9 of 19)*

Therefore, Gaz Métro believes that in order to provide its customers with increased security and diversity of supply and to deliver those economies of scale, an open access to segment A is required through the holding of an open season in conformity with STAR. As declared by Enbridge:

> *Approval of the GTA Project will provide significant enhancements to the gas supply portfolios. 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 (EB-25012-0451, Exhibit A, Tab 3, Schedule 5, p. 20 of 30).*

I. CONCLUSION

Gaz Métro has an obligation to serve Quebec's customers where it operates. Being captive of TransCanada's Mainline, it is crucial for Gaz Métro to always ensure security of supply and to diversify its gas supply portfolio. The uncertainties created by the decline in production of gas from the WCSB and the attractiveness of an increased access to the liquid Dawn Hub feeds by new American production basins, have resulted in a new structure of supply for Gaz Métro based on a shift from an Empress sourced gas to Dawn Hub supplies. In its decision of December 2012, the Régie agreed with Gaz Métro that the shift from Empress to Dawn will be more beneficial for its customers, will secure Gaz Métro's supply and will provide more flexibility to adjust to their needs. Subject to the conditions expressed above, Gaz Métro believes that the completion of those three interrelated projects (EB-2012-0433 / EB-2012-0451 / EB-2013-0074) is necessary to ensure security and diversity of supply and to deliver gas cost savings to its customers.

The new infrastructures proposed by the Parkway Projects (EB-2012-0433 / EB-2013-0074) will enhance security on the Dawn to Parkway system as well as provide incremental transportation capacity.

The addition of infrastructures on the segment A of the GTA Project (EB-2012-0451) would enhance security and diversity of supply by providing access to transportation capacity between Parkway and Maple. However, it appears that an NPS 36 pipeline is insufficient to accommodate incremental short-haul needs to meet existing and incremental demands from eastern markets. Gaz Métro considers that it is essential to open this path that is currently constraining the system.

Therefore, Gaz Métro believes that a coordinated construction of those new infrastructures, to meet existing and incremental demands from eastern markets, would be in the interest of all parties impacted by those projects and would provide enormous benefits in terms of affordability, security and diversity of natural gas supplies.

GAZ MÉTRO LIMITED PARTNERSHIP