

**Council of Canadians
Response to
Enbridge Gas Distribution Inc.
Interrogatory # 1
(Mr. Hughes)**

1. Reference: Exhibit L.EGD.COC.3

Preamble: In reference i) Mr. Hughes concludes that, in relation to shale plays, the price of natural gas required to maintain production is likely to be considerably higher over the medium and longer term than that commonly assumed. Mr. Hughes also concludes that greater regulation of the shale gas production industry will generate further price pressures. Mr. Hughes also indicates that the U.S. is considering LNG exports of natural gas based on projections of future growth in shale gas production.

Request:

1a) What is the commonly assumed price of natural gas to which Mr. Hughes is referring? Which pricing point is used for the commonly assumed price of natural gas (i.e. Henry Hub, AECO or some other point)?

Response:

The commonly assumed price of natural gas referred to is that from the reference case forecast of the U.S. Energy Information Administration published in its Annual Energy Outlook 2013 <http://www.eia.gov/forecasts/aeo/> . This price is at Henry Hub expressed in U.S. dollars per million btu.

Request:

1b) For the commonly assumed price of natural gas provided in a) Please provide, in a table, by year for the next 20 years, the commonly assumed price of natural gas.

Response:

Please see following table expressed in both U.S. dollars per million btu and U.S. dollars per gigajoule (conversion from million btu to gigajoules at a multiplication factor of 1.055056). These prices come from Table 1 in the reference case of the U.S. Energy Information Administration Annual Energy Outlook 2013 <http://www.eia.gov/forecasts/aeo/> which is entitled "Total Energy Supply, Disposition and Price Summary".

As you will note, gas prices at Henry Hub have in recent months already exceeded this price forecast for 2013.

EIA AEO 2013 Reference Case Price	Henry Hub Spot Price (2011 \$/MMBTU)	Henry Hub Spot Price (2011 \$/GJ)
2013	\$3.25	\$3.43
2014	\$3.12	\$3.29
2015	\$3.12	\$3.29
2016	\$3.57	\$3.76
2017	\$3.70	\$3.90
2018	\$3.96	\$4.18
2019	\$4.05	\$4.27
2020	\$4.13	\$4.36
2021	\$4.26	\$4.49
2022	\$4.48	\$4.72
2023	\$4.67	\$4.93
2024	\$4.79	\$5.05
2025	\$4.87	\$5.14
2026	\$5.02	\$5.30
2027	\$5.09	\$5.37
2028	\$5.22	\$5.51
2029	\$5.30	\$5.59
2030	\$5.40	\$5.69
2031	\$5.53	\$5.84
2032	\$5.63	\$5.94

Request:

1c) Please confirm that natural gas from the United States can be and is currently being imported into Ontario at Niagara Falls. If this cannot be confirmed please explain why.

Response:

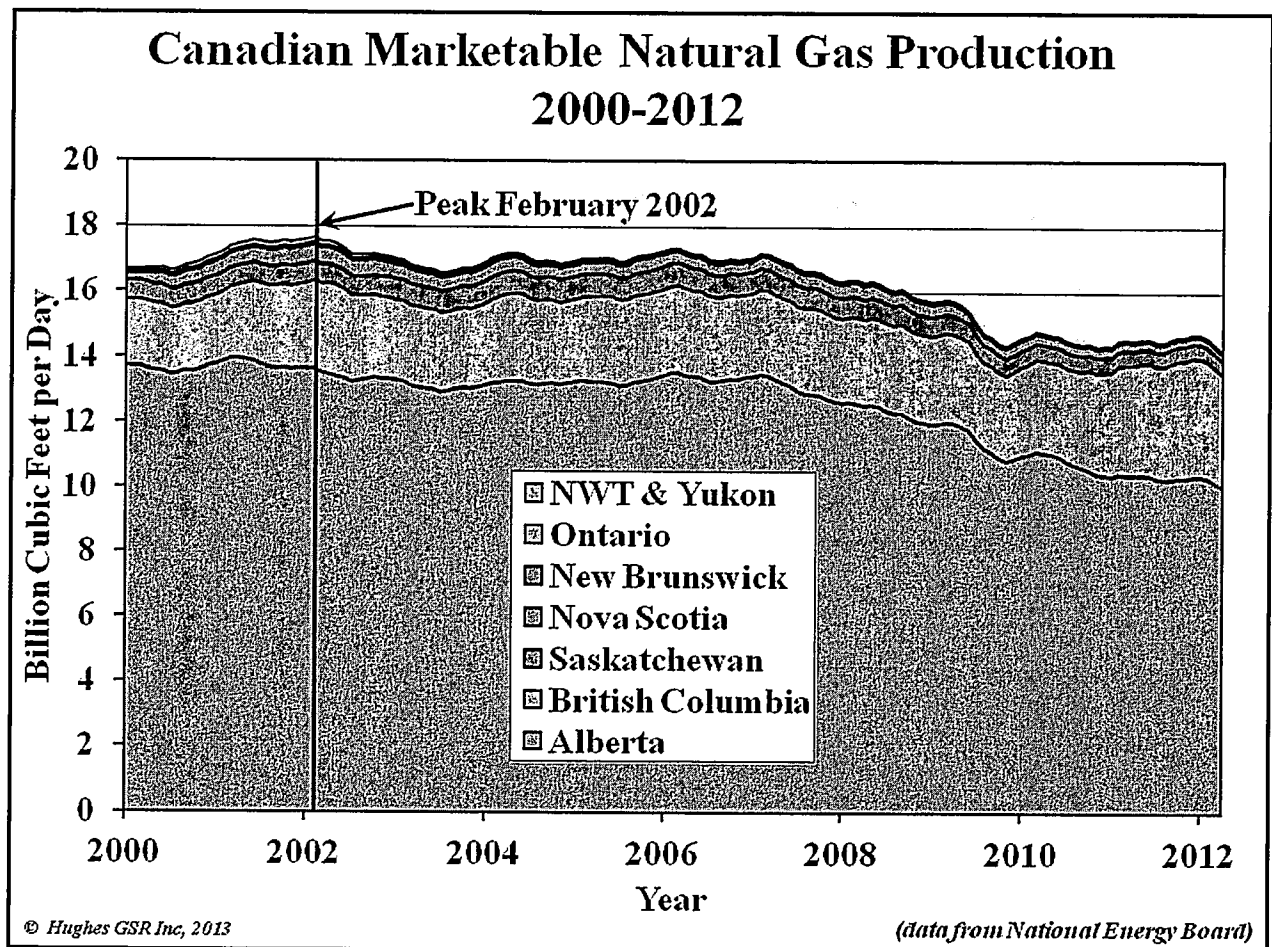
I have no knowledge that this is the case.

Request:

1d) Please provide a chart or table showing total natural gas production in the Western Canadian Sedimentary Basin for the last 20 years. Please identify the year in which natural gas production in the Western Canadian Sedimentary basin “peaked”.

Response:

Without conceding the relevance of this question to my evidence, please see figure below. Canadian gas production peaked in 2002 and nearly approached this peak again in 2006. I hope this figure will suffice although it only goes back 12 years, not 20 years. Canadian gas production did not exceed the 2002 peak at any time previously.



Request:

1e) Would Mr. Hughes agree that diversity of supply is an important factor that should be considered by a natural gas utility when developing a supply plan?

Response:

This is not a matter with respect to which I have expertise. However, it seems apparent that whether diversity of supply is an appropriate strategy for managing supply risk, and in what circumstances and to what extent this would be true, are questions that would depend upon a variety of factors, many of which would be proprietary to a particular natural gas utility.

Request:

1f) Is Mr. Hughes aware of The President's Climate Action Plan, June 2013?

Response:

Yes.

Request:

1g) In IR #1 Enbridge asked COC for a copy of The President's Climate Action Plan, June 2013. Can Mr. Hughes please confirm that, as part of The President's Climate Action Plan, the Obama Administration will encourage the development of a global market for gas. If this cannot be confirmed please explain why.

Response:

The Plan indicates that intention.

Request:

1h) In Mr. Hughes' view would the development of a global market for gas exclude or include Canada as a market for natural gas produced in the United States?

Response:

Yes it would include Canada.

Request:

1i) Can Mr. Hughes please confirm that shale gas development and production is occurring in Canada. If this cannot be confirmed please explain why.

Response:

Yes shale gas is being developed primarily in northeastern British Columbia although production is small at this point (less than 1.0 bcf/d).

Request:

1j) Can Mr. Hughes please confirm that there are plans to export LNG from Canada. If this cannot be confirmed please explain why.

Response:

Yes.

Request

1k) Would Mr. Hughes agree that many of the concerns related to shale gas development, or more generally hydraulic fracturing, identified by Dr. Ingraffea and Ms. Sumi are not unique to the United States and that there are similar concerns in Canada?

Response:

See Response by Ms. Sumi to EGD-COC IR 2(a), (b) and (c).

Request:

1l) Can Mr. Hughes please confirm that Dawn is a liquid hub with access to multiple supply basins, including the WCSB. If this cannot be confirmed please explain why.

Response:

No. The particular circumstances of the Dawn Hub and the extent to which it may be utilized to provide access to the WCSB are matters beyond my knowledge and expertise.