GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO BOARD STAFF INTERROGATORY STAFF L.3

INTERROGATORY

Reference: Exhibit M.SCGM.STAFF L.3.
Page 3 of 5

Questions:

(a) Please discuss Gaz Métro's plan to access gas supplies if it cannot have access to any portion, particularly Segment A, of EGD's proposed GTA Project. Please discuss facilities alternatives, such as building a new pipeline, and non-facilities alternatives, regarding the supply plan.

RESPONSE

(a) Gaz Métro is a natural gas distributor within the meaning of s.2 of an *An Act respecting the Régie de l'énergie*. Pursuant to s.77 of *An Act respecting the Régie de l'énergie*, Gaz Métro is required to supply and deliver natural gas to every person who so requests within the territory served by Gaz Métro's distribution system. In order to perform its contractual and statutory obligations to supply and deliver natural gas to customers within its delivery area, Gaz Métro's distribution network is exclusively supplied, for both the Northern and Southern Zones, by facilities wholly owned by TransCanada.

Being one of the largest and most captive shippers on the TransCanada Mainline, Gaz Métro's main concern is to ensure an access point to secure firm and diverse natural gas supply at competitive prices. Therefore, Gaz Métro has to manage supply by proactively seeking access to new supply options which would lessen its vulnerability and dependence on the TransCanada Mainline.

Currently, the most competitive supply opportunities are provided by production basins that are located in close proximity to the eastern markets and those opportunities cannot be seized completely by Gaz

Métro without a shift from its long-haul sourced from the WCSB to short-haul supplies sourced from the Dawn Hub. This option is the one that makes most sense in terms of security and diversity of supply to Gaz Métro as it already has access to Dawn for storage purposes. This explains why Gaz Métro has bid on TransCanada's Open Season of May 2012, obtained the requested capacity, and has proposed a restructuration of its supply plan from long-haul supply sourced from the WCSB to short-haul supply from the highly liquid Dawn Hub in the fall of 2012 when it applied to the Régie de l'énergie for approval to shifts its supply source from Empress to Dawn. On December 18, 2012, Quebec's Régie de l'énergie approved Gaz Métro's new gas supply and transportation arrangements based in part on the fact that the Dawn Hub offers more choice and flexibility and that by sourcing its gas supply from that closer access point, Gaz Métro would, while remaining a captive shipper of the TransCanada Mainline for its transportation, lessen the magnitude of its vulnerability and dependence on the TransCanada Mainline in terms of distance.

In order to put into effect its new supply plan, to conform with the Régie's decision and to ensure security of supply, Gaz Métro needs to get access to Dawn and on the Parkway-Maple system. As of now, the system is constrained and to create certainty for its customers, Gaz Métro has to look at efficient alternatives in order to open up that path. Which is why, Gaz Métro and Union Gas are committed to go through all the necessary steps to ensure the availability of new capacity. In this respect, they have jointly initiated an environmental assessment process regarding the potential construction of new gas transportation facilities from Albion to Maple, or near Maple, in order to deliver gas benefits for its customers. Once the environmental assessment is completed (in the next months), Gaz Métro and Union Gas seek to file an application to the OEB to build incremental capacity between Albion and Maple as work is well under way.

It is Gaz Métro's belief that the proposed Segment A should be made accessible for eastern shippers requesting incremental capacity to meet the needs of its end users. In its letter filed to the OEB on July 10, 2013, prior to the Motion hearing day, Enbridge acknowledged that many parties want to ensure that sufficient capacity exists in order to provide security of supply for Ontario and Quebec through Segment A and that there is a demonstrated demand for transmission service along the path for Segment A and points beyond. As stated by Enbridge*: Enbridge commits to become STAR compliant through the non-discriminatory allocation of transportation services of Segment A, including performing a new capacity open season. Enbridge will conduct the open season as soon as reasonably possible and it shall commence no later than July 25, 2013*.

If the proposed Segment A doesn't get regulatory approval or if Gaz Métro cannot access the capacity, it will have to look into building infrastructures along the same Parkway to Albion path. However, this is not an alternative that is currently studied by Gaz Métro since Enbridge recognizes in its letter of dated July 10, 2013, that Segment A sized as NPS 42 pipeline will permit to open up short-haul access and would offer non-discriminatory transportation services to shippers. The shared use of Segment A is the most optimal solution for Eastern LDCs including Gaz Métro. Not only is the pipeline route as proposed by Segment A adequate but the shared use allows to allocate costs between distribution and transmission purposes providing economic benefits for ratepayers compared to having to build two parallel pipelines on the same path. A coordinated build of infrastructures remains the most efficient solution for Gaz Métro.

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO CONSUMERS COUNCIL OF CANADA #1

INTERROGATORY

Reference: Exhibit M.SCGM.CCC 1.
Page 1 of 1

Questions:

1. GMLP is proposing that Enbridge Gas Distribution Inc. be required to hold an open season for Segment A of the GTA project. Is GMI of the view that there are other options that could accommodate the existing and incremental demands from Eastern markets? If so, please describe those options. Please provide how those options are available, please explain why the expansion of EGD's segment A is the only viable option?

RESPONSE

1. Please see response (a) to Board Staff's interrogatory L.3.

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO CONSUMERS COUNCIL OF CANADA #2

INTERROGATORY

Reference: Exhibit M.SCGM.CCC 2.
Page 1 of 1

Questions:

2. If EGD is not required to hold an open season with respect to Segment A of its GTA Project, what steps will GMLP take to meet the needs of its end users?

RESPONSE

2. Please see response (a) to Board Staff's interrogatory L.3.

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO SCHOOL ENERGY COALITION #1

INTERROGATORY

Reference: Exhibit M.SCGM.SEC 1.
Page 1 of 2

Questions:

1. With respect to Gaz Métro customers who have chosen to manage their commodity purchases, please provide the quantity of volumes delivered at Empress and delivered to Gaz Métro's service territory over the past 5 years and projected volumes for each year through 2017.

RESPONSE

1. The requested information is provided in the table below.

Financial year	Delivery point: Empress	Delivery point: Gaz Métro territory
	PJ	PJ
Actual delivery		
2008	118,8	13,8
2009	103,5	6,8
2010	113,7	14,4
2011	107,2	23,2
2012	113,3	25,3
Projected delivery		
2013	109,8	34,2
2014	129,7	9,3
2015	133,7	7,0
2016	134,7	7,0

Notes :
Financial year : Oct. 1 to Sept. 30
2013 : 9 months actual and 3 months projected

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO SCHOOL ENERGY COALITION #2

INTERROGATORY

Reference: Exhibit M.SCGM.SEC 2.
Page 1 of 2

Questions:

2. Please provide English copies of Régie de l'énergie decisions D-2012-0175 and R-3809-2012.

RESPONSE

2. Please note that R-3809-2012 is not a decision number but the rate case number in which the Decision D-2012-175 was rendered. An unofficial translation of this decision has already been filed in support of Union Gas and Gaz Métro's Motion to Compel, as Tab 22 of the Motion Record, p. 391 ff.

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO SCHOOL ENERGY COALITION #3

INTERROGATORY

Reference: Exhibit M.SCGM.SEC 3.
Page 1 of 2

Questions:

3. Please explain why in response to TCPL decision to postpone its Mainline expansion, ″customers who had previously elected to source their transportation needs from the secondary market are now requesting that the distributor provide them with transportation″.

RESPONSE

3. Gaz Metro's evidence states that "*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.*" Customers are basing their decisions on the availability and costs of their alternatives. By setting aside capacity for the Energy East project starting November 1st 2015, TransCanada is given clear indications to the market that discretionary services will not be available in the future and that customers who need natural gas should no longer rely on those services. With its ability to raise the bid floor on discretionary services, TransCanada is making options requiring the use of discretionary services less and less viable to an end user forcing them to reconsider their supply choices. End users are generally reluctant to commit over a 10 or 15 year term to secure capacity on their own.

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO TRANSCANADA #1

INTERROGATORY

Reference: Exhibit M.SCGM.TCPL 1.
Page 2 of 2

Preamble: GMLP states on page 9 of 16 that "potential gas supply savings would be achieved by buying at the Dawn Hub ranging from $88M and $120 M based on TransCanada's current and proposed tolls."

Questions:

1. Please provide the detailed calculations and assumptions used in arriving at the $ 88 - $120 M savings including TransCanada toll assumptions and unit gas cost assumption at each purchase point.

RESPONSE

1. Table 1 provides the cost of the different items considered in the total cost of the gas supply plan and presented at the Régie de l'Énergie in Gaz Métro's 2013 Rate Case:

Table 1

COSTS ESTIMATION ($ 000)

		Proposed structure switch to Dawn		***Alternative scenario FTLH and FTSH transportation***	
		2012 TCPL tolls	***2013 TCPL tolls proposition as of June 29, 2012***	***2012 TCPL tolls***	***2013 TCPL tolls proposition as of June 29, 2012***
		(1)	(2)	(3)	(4)
	Transportation costs				
1	Customers transportation	n/a	n/a	n/a	n/a
2	FTLH (primary & secondary)	21 364	19 730	266 018	238 846
3	STS	52 783	45 673	49 519	42 390
4	FTSH (Dawn, Parkwway & secondary)	94 520	108 661	42 594	47 663
5	Sales of unutiized FTLH	0	0	0	0
6	Dawn purchases (transportation & load balancing)	98 918	98 918	35 753	35 753
7	Total - transportation costs	*267 585*	*272 982*	*393 884*	*364 651*
8	Storage costs	*43 762*	*43 762*	*43 763*	*43 763*
9	Sub-total transportation and load balancing	311 347	316 744	437 647	408 415
10	Natural gas supply	764 874	764 874	767 693	767 693
11	Fuel	27 584	27 584	21 573	21 573
12	Carrying cost of inventory	5 891	5 642	5 918	5 668
13	**TOTAL COSTS**	**1 109 696**	**1 114 844**	**1 232 831**	**1 203 349**
14	**VARIATION OF COSTS (000$)**			**123 135**	**88 504**
15	**IN % OF TOTAL COSTS**			**11,1%**	**7,9%**

The following rates and assumptions were used:

Table 2

TCPL transportation Tolls and fuel ratios

Contract Delivery / receipt points	2012 TCPL Tolls		2013 TCPL Tolls as of June 29, 2012		Fuel ratio
	Fix	Variable	Fix	Variable	
	$/GJ/month	$/GJ	$/GJ/month	$/GJ	%
FTLH Empress-EDA	63.84842	0.14377	61.38681	0	2.97%
FTLH Empress-NDA	49.65158	0.10981	43.59291	0	2.25%
FTSH Dawn-EDA *	18.91212	0.03990	22.02454	0	0.92%
FTSH Parkway-EDA	14.26643	0.02945	18.05932	0	0.75%
STS Parkway-EDA	14.16801	0.02929	11.69845	0	0.75%

* Including Union Dawn receipt surcharge

Union Gas transportation Tolls
M12: 2.332 $/GJ/month
C1: 0.545 $/GJ/month

Annual gas price assumptions
AECO 3.77 $/GJ
Empress 3.70 $/GJ
Dawn AECO + 0.663 $/GJ (average price for the proposed structure)
AECO + 0.658 $/GJ (average price for the alternative scenario)

In Gaz Métro`s 2013 Rate case it was specified that the potential increase on AECO and Empress natural gas prices was not considered in the analysis.

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO TRANSCANADA #2

INTERROGATORY

Reference: Exhibit M.SCGM.TCPL 2.
Page 2 of 2

Preamble: GMLP states on page 9 of 16 that “potential gas supply savings would be achieved by buying at the Dawn Hub ranging from $88M and $120 M based on TransCanada’s current and proposed tolls.”

Questions:

2. If the calculation in 1. Above do not use the TransCanada tolls approved by the NEB for July 01, 2013, please update the calculations to reflect those tolls

RESPONSE

2. Table 3 presents the gas supply costs estimated in the 2013 Rate Case considering TCPL Tolls approved by the NEB as of July 1, 2013.

Table 3

COSTS ESTIMATION ($ 000)

		TCPL tolls effective 2013-07-01	
		Proposed structure switch to Dawn (1)	**Alternative scenario FTLH and FTSH** (2)
	Transportation costs		
1	Customers transportation	n/a	n/a
2	FTLH (primary & secondary)	17 631	223 514
3	STS	47 825	44 542
4	FTSH (Dawn, Parkwway & secondary)	77 898	34 905
5	Sales of unutiized FTLH	0	0
6	Dawn purchases (transportation & load balancing)	98 918	35 753
7	Total - transportation costs	*242 273*	*338 713*
8	Storage costs	*43 762*	*43 763*
9	Sub-total transportation and load balancing	286 035	382 477
10	Natural gas supply	764 874	767 693
11	Fuel	27 584	21 573
12	Carrying cost of inventory	5 322	5 347
13	**TOTAL COSTS**	**1 083 815**	**1 177 090**
14	**VARIATION OF COSTS (000$)**		**93 275**
15	**IN % OF TOTAL COSTS**		**8,6%**

GAZ MÉTRO LIMITED PARTNERSHIP RESPONSE TO TRANSCANADA #3

INTERROGATORY

Reference: Exhibit M.SCGM.TCPL 3.
Page 2 of 2

Preamble: GMLP states on page 9 of 16 that "potential gas supply savings would be achieved by buying at the Dawn Hub ranging from $88M and $120 M based on TransCanada's current and proposed tolls."

Questions:

3. Please perform the same calculations using the gas cost assumptions used by union in EB-2013-0074 Schedule 11-3. Again provide all details supporting the calculations.

RESPONSE

3. Table 4 presents the gas supply costs estimated in the 2013 Rate Case considering gas cost assumptions used by Union in EB-2013-0074 Schedule 11-3 and 2012 TCPL approved interim Tolls.

Table 4

COSTS ESTIMATION ($ 000)

		Union assumptions EB-2013-0074 Schedule 11-3 2012 TCPL tolls	
		Proposed structure switch to Dawn (1)	***Alternative scenario FTLH and FTSH*** (2)
	Transportation costs		
1	Customers transportation	n/a	n/a
2	FTLH (primary & secondary)	21 364	266 018
3	STS	52 755	49 503
4	FTSH (Dawn, Parkwway & secondary)	94 554	42 613
5	Sales of unutiized FTLH	0	0
6	Dawn purchases (transportation & load balancing)	121 758	44 004
7	Total - transportation costs	*290 432*	*402 138*
8	Storage costs	*44 449*	*44 450*
9	Sub-total transportation and load balancing	334 881	446 588
10	Natural gas supply	1 183 155	1 183 668
11	Fuel	28 699	23 958
12	Carrying cost of inventory	5 843	5 888
13	**TOTAL COSTS**	**1 552 578**	**1 660 102**
14	**VARIATION OF COSTS (000$)**		**107 524**
15	**IN % OF TOTAL COSTS**		**6,9%**

Table 5 presents the gas supply costs estimated in the 2013 Rate Case considering gas cost assumptions used by Union in EB-2013-0074 Schedule 11-3 and 2013 TCPL approved Tolls.

Table 5

COSTS ESTIMATION ($ 000)

		Union assumptions EB-2013-0074 Schedule 11-3 2013 TCPL tolls	
		Proposed structure switch to Dawn	***Alternative scenario FTLH and FTSH***
		(1)	(2)
	Transportation costs		
1	Customers transportation	n/a	n/a
2	FTLH (primary & secondary)	17 631	223 514
3	STS	47 797	44 527
4	FTSH (Dawn, Parkwway & secondary)	77 932	34 923
5	Sales of unutiized FTLH	0	0
6	Dawn purchases (transportation & load balancing)	121 758	44 004
7	Total - transportation costs	*265 119*	*346 967*
8	Storage costs	*44 449*	*44 450*
9	Sub-total transportation and load balancing	309 568	391 418
10	Natural gas supply	1 183 155	1 183 668
11	Fuel	28 699	23 958
12	Carrying cost of inventory	5 278	5 319
13	**TOTAL COSTS**	**1 526 700**	**1 604 363**
14	**VARIATION OF COSTS (000$)**		**77 662**
15	**IN % OF TOTAL COSTS**		**5,1%**

Using Union Gas assumptions, we have estimated the following prices and fuel ratios to evaluate the total cost of the proposed gas supply plan and the alternative scenario:

Table 6

TCPL fuel ratios

Contract Delivery / receipt points	**Fuel ratio**
	%
FTLH - Empress-EDA	2.24%
FTLH - Empress-NDA	1.72%
FTSH Dawn-EDA *	1.06%
FTSH - Parkway-EDA	0.85%
STS - Parkway-EDA	0.85%

Annual gas price assumptions

AECO	5.68 $/GJ
Empress	5.61 $/GJ
Dawn	AECO + 0.794 $/GJ (average price for the proposed structure)
	AECO + 0.787 $/GJ (average price for the alternative scenario)