**TransCanada PipeLines Limited Response to
Industrial Gas Users Association Interrogatory #1**

Topic: Are the proposed facilities needed? Considerations may include but are not limited to demand, reliability, security of supply, flexibility, constraints, operational risk, cost savings and diversity as well as the Board's statutory objectives.

Request: TransCanada's Written Evidence (July 5, 2013) addresses, inter alia, TransCanada's participation in discussions with Union and EGD regarding the efficient development of natural gas infrastructure in Ontario, and refers specifically to the MOU entered into with EGD regarding Segment A, "with access to the facilities being provided by TransCanada using its portion of the capacity on Segment A in a fair, non-discriminatory way".

a. Please explain why, from TransCanada's perspective, it was essential that Segment A capacity beyond that used by EGD to serve its distribution customers be exclusively reserved for TransCanada's use, as opposed to TransCanada securing space on Segment A along with other (non-EGD) shippers.

b. As part of Attachment 2 to Exhibit I.A1.UGL.CCC.7, Union has filed a letter dated June 17, 2013 from Karl Johannson to the Presidents of each of Gaz Métro, Union and EGD. That letter is part of the infrastructure co-ordinating discussions among the utilities addressed in TransCanada's evidence. That letter refers (second last paragraph) to another letter from TransCanada, dated May 17, 2013, which is cited as presenting a "segmentation proposal" which TransCanada states "provides a framework to satisfy the LDC's concerns over access to multiple sources of gas, and future capacity in the EOT [Eastern Ontario Triangle]". The May 17, 2013 letter does not appear to be on the record in these proceedings. Please file a copy of this letter so that the "segmentation proposal" apparently described therein as facilitative of diversity of supply in Eastern Canada can understood.

c. On July 10, 2013 EGD filed a letter addressed to the OEB regarding EGD's termination of the EGD/TransCanada MOU. Attached to EGD's letter to the OEB were copies of EGD's correspondence to TransCanada regarding the breakdown of the understanding underpinning EGD's view of the MOU. That attached correspondence (EGD's July 10, 2013 letter to TransCanada, at the top of page 2) refers to a July 9, 2013 letter from TransCanada to EGD. Please file a copy of TransCanada's July 9, 2013 letter, to assist in understanding of TransCanada's most recent views regarding appropriate co-ordination of the construction and use of natural gas transportation infrastructure to serve eastern Canada.

Response:

a. TransCanada does not have a need for transportation capacity for its own purposes: TransCanada transports gas for its customers, so those shippers' gas will be transported on Segment A by TransCanada. As confirmed in the MOU the parties originally intended to jointly own the pipeline but later decided to proceed with a TBO arrangement. The MOU was developed to reflect the two requirements of the parties: the distribution needs of Enbridge and the transportation needs of TransCanada customers as if the two separate projects proceeded or the pipe was jointly owned.

b. Please refer to the response to BOMA 1.

c. Please refer to the Attachment to IGUA A.1(c).

TransCanada
In business to deliver

July 9, 2013

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Enbridge Gas Distribution Inc.
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Canada

Attention: VP Gas Supply, c/o Law Department

RE: Enbridge Gas Distribution Inc. (EGD) Letter of July 5, 2013 concerning the Memorandum of Understanding (MOU) dated January 28, 2013 between TransCanada PipeLines Limited (TransCanada) and EGD

Dear Malini:

We were disappointed to receive your July 5 Letter, referenced above. Like EGD, TransCanada is receptive to further consultation together to resolve the concerns EGD raises in its Letter, and to preserve the arrangements contemplated in the MOU. Clearly it is not practical to expect that such a resolution can occur before July 10, 2013. While we remain hopeful that a negotiated solution to EGD's concerns can be reached, TransCanada must respond to EGD's incorrect depiction of TransCanada in the July 5 Letter. In every paragraph, EGD alleges "failure" by TransCanada to meet its obligations under the MOU, but makes only oblique non-particularized references to how it believes that failure is being manifested. EGD has offered no concrete examples of withholding capacity, restricting access, discriminatory terms and prices, non-compliance with TransCanada's Transportation Access Procedure (TAP) or violations of express provisions of the MOU. Not one of EGD's allegations is true.

To be clear, TransCanada remains fully committed to the fundamental principles and the intent of the parties, as set forth in Section 2.1 of the MOU, to efficiently develop new, and utilize existing, natural gas infrastructure in the GTA and on TransCanada's Parkway to Maple path; to plan for future infrastructure in a coordinated fashion to manage rate impacts on our customers and yours; to ensure adequate, reliable services and transportation systems that meet customers' needs; and to manage the costs, risk of redundant infrastructure, and other risks that may negatively impact EGD, TransCanada or customers of either of us. None of TransCanada's activities obliquely referenced by EGD in the July 5 Letter violates these principles.

Firm capacity on the EDA portion of the TransCanada system is currently available to all customers via an existing capacity open season or a daily capacity open season as FT-NR service, and additional capacity is available through the new capacity open season (NCOS). TransCanada is not withholding capacity and has not discriminated among customers in its offering of capacity. Contrary to EGD's implication, TransCanada's Mainline Tariff expressly provides that firm capacity may be offered as non-renewable (FT-NR) when we determine that such capacity may not be available in the future. The TAP does not proscribe any of the terms we have provided in our open season. EGD provides no support whatsoever for its repeated allegations that the NCOS is not TAP compliant. It should also be noted that OEB's STAR does not apply to TransCanada's NEB-regulated Mainline, but the NCOS is nevertheless compliant with its principles of open access and non-discrimination.

With regard to EGD's reference in the third listed item concerning TransCanada's seeking regulatory authorizations EGD deems inconsistent with the MOU, we can only assume the reference is to the Mainline's application for tariff amendments in NEB RH-001-2013. Section 4.3 of the MOU expressly reserves to the parties, and in this case EGD, the right to participate in the regulatory proceedings and actively oppose filings for regulatory approvals outside of those required by the MOU. Therefore, to the extent that EGD has valid concerns about the effects of its tariff proposals, such concerns cannot serve as an argument that TransCanada has breached its obligations under the MOU.

TransCanada emphasizes that the parties agreed repeatedly in the MOU to a "commercially reasonable" standard for their obligations. In the light of the recent NEB decision placing Mainline rates at higher risk of disallowance and fixing its rates over a multi-year period at levels that do not fully recover its costs, TransCanada must necessarily adjust its view on what is commercially reasonable to those projects and services that allow it to maintain its revenues. TransCanada is offering new capacity for the short haul paths in the MOU in our NCOS, in compliance with one of our obligations under the MOU. Your characterization of the terms under which we are offering this new short haul as "designed to restrict short haul capacity" is not accurate: TransCanada placed no limits on the amount of short haul capacity for which it is willing to build. TransCanada is offering to expand for short haul under terms that reflect all of the consequences such service will have on the system, and that will not put the recovery of TransCanada's revenue requirement at greater risk– i.e., commercially reasonable terms, the standard that EGD would doubtless apply to investments in its own system. Consideration of the effects of the MOU arrangements on TransCanada's customers and their rates is clearly and expressly contemplated under the MOU, and is a necessity for TransCanada under the new rate regime imposed on the Mainline.

Similarly, your assertions that TransCanada has not worked with the LDCs in a cooperative and timely manner, or supported EGD's regulatory applications are completely without basis. We have been in nearly-constant communication over the MOU and its related agreements and schedules. In compliance with the MOU, TransCanada reviewed EGD's application and amendments and provided timely and constructive comments. TransCanada and EGD had multiple conversations to discuss the tone and content of TransCanada's participation in the GTA proceedings, and TransCanada prepared and filed evidence in the GTA proceedings clearly supporting the MOU and joint use of the Enbridge pipeline, after providing that evidence to EGD for its review and incorporating its comments. TransCanada provided EGD with toll calculations, and data to support their interrogatory responses in the GTA proceeding. In response to Union's emergency motion to stay EGD's facilities application, TransCanada has prepared to file in support of the MOU and has agreed to appear for argument at the hearing this coming Thursday to support EGD in defending the MOU.

Finally, TransCanada notes that at our meeting with EGD, Union and GMi, held on June 25, 2013 -- just one week prior to EGD's July 5 letter -- TransCanada agreed to provide analysis on July 12, 2013 to further the discussion of potential long term solutions to the eastern LDCs' Mainline rate and short haul access issues. The parties have a follow up meeting scheduled for July 16, 2013 to discuss the analysis and the potential approaches to facilitate the desire of the LDCs to increase their use of short haul. EGD's unilateral imposition of a July 10th deadline, when TransCanada is clearly actively engaged in constructive discussion and response to the eastern LDCs' concerns, is unacceptable and without basis.

Accordingly, TransCanada must reject EGD's July 5 Letter and its July 10, 2013 ultimatum. TransCanada will be forced to consider any action by EGD to terminate the MOU (other than pursuant to the termination provisions as stated in section 2.6 and conditions precedent expressly provided for in the MOU) as an intentional breach of EGD's obligations under the MOU. TransCanada insists on EGD's compliance with the terms of the MOU. It is TransCanada's fervent hope to work toward a more complete long-term resolution to the access and rate concerns that EGD (and the other eastern LDCs) have raised in the July 5 Letter and elsewhere, but such a negotiated resolution clearly cannot be achieved before July 10, 2013. TransCanada therefore strongly urges EGD to withdraw its Letter by no later than close of business today, preserve the MOU, and work together with TransCanada to address these issues.

Sincerely,

Dave Schultz /by Catharine Davis

Dave Schultz

cc (via email):
Malini Giridhar
Tania Persad