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August 2, 2013

BY COURIER (2 COPIES) AND EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4
Email: BoardSec@ontarioenergyboard.ca

Dear Ms. Walli:

Re: Environmental Defence Correspondence
EB-2012-0451 – Enbridge Gas Distribution Inc. ("Enbridge")
GTA Pipeline Leave to Construct; EB-2012-0433, EB-2013-0074
Union Gas Ltd. ("Union") – Parkway West and Brantford-Kirkwall
Parkway D Projects

Enclosed please find Environmental Defence's interrogatories to Enbridge on its updated evidence.

Yours truly,

Kent Elson

cc: Applicant and Parties

EB-2012-0451
Enbridge Gas Distribution Inc. ("Enbridge") – GTA Pipeline Project

EB-2012-0433, EB-2013-0074
Union Gas Ltd. ("Union") – Parkway West and Brantford-Kirkwall Parkway D Projects

Environmental Defence Interrogatories to Enbridge on Updated Evidence

Filed: August 2, 2013

The numbering in this document continues from the set of interrogatories filed by Environmental Defence on June 4, 2013.

Issue A.3 "Are the costs of the facilities and rate impacts to customers appropriate?"

Interrogatory No. A.3-ED-44 Reference: Ex. A, Tab 3, Schedule 9, Attachment 3

Please reproduce this exhibit assuming the time horizon for calculating the "Total Transportation Savings" and "Total Transportation Services Charge" revenues is limited to the 2015 to 2024 time period.

Interrogatory No. A.3-ED-45 Reference: Ex. A, Tab 3, Schedule 9, Attachment 3

Please provide a break-out of the current base case "Total Transportation Savings" of $1.73 billion according to the following categories: a) transportation tolls; b) commodity costs.

Interrogatory No. A.3-ED-46 Reference: Ex. A, Tab 3, Schedule 9, Attachment 3

Please reproduce this exhibit with the following new assumptions:

a) The addition of in-franchise customer additions (146,337) in the GTA Project Influence Area between 2015 and 2024 is accompanied by no net growth in total annual throughput volumes or peak demand in the GTA Project Influence Area. That is, Enbridge's net incremental "Total Distribution Revenues" is equal to the incremental fixed monthly customer charge revenues associated with the incremental customers; and

b) The time horizon for calculating the "Total Transportation Savings" and "Total Transportation Services Charge" revenues is limited to the 2015 to 2024 time period.

Interrogatory No. A.3-ED-47 Reference: Ex. E, Tab 1, Schedule 2, Page 2

Enbridge is forecasting that 60% of the Albion Pipeline will be used by ex-franchise transportation customers. Nevertheless, Enbridge is proposing that if the Pipeline has no ex-franchise transportation customers, "distribution ratepayers will be allocated the entire revenue requirement".

Please explain why Enbridge believe that the risk associated with unused ex-franchise transportation pipeline capacity should be borne by its in-franchise distribution customers as opposed to its shareholder?

Interrogatory No. A.3-ED-48 Reference: Ex. E, Tab 1, Schedule 2 including Attachment 2

Please state the minimum contract term for a Rate 332 transportation service customer.

Interrogatory No. A.3-ED-49 Reference: Ex. A, Tab 3, Schedule 9, Attachment 3

Please provide a break-out of the current base case "Total Transportation Savings" according to the following categories: a) Enbridge in-franchise Ontario consumers; b) other Ontario consumers; and c) non-Ontario consumers.

Interrogatory No. A.3-ED-50 Reference: Ex. A, Tab 3, Schedule 9, Attachment 3

A recent Globe and Mail article reported that Alberta natural gas is selling at a deep discount as compared to gas from the United States priced at Henry Hub. The article, which is provided as an attachment to this interrogatory, reported that:

> "The discount on natural gas prices in Alberta compared with Henry Hub, La., the pricing point for U.S. gas futures, has widened by 86 per cent in the last two months.
>
> Alberta gas for August delivery is selling for about $2.48 per gigajoule, down 25 per cent from the beginning of June. At Henry Hub, the equivalent amount of gas sells for about $3.50."

It does not appear that the higher gas commodity costs associated with purchasing gas from the U.S. north east is accounted for in the calculations appearing at Ex. A, Tab 3, Schedule 9, Attachment 3.

a) Please indicate whether the higher commodity cost of Alberta gas as compared to gas from the United States is accounted for in the calculations appearing at Ex. A, Tab 3, Schedule 9, Attachment 3.

b) Please reproduce the calculations appearing at Ex. A, Tab 3, Schedule 9, Attachment 3 to include the present value of the forecast net gas cost savings (lower transportation tolls *plus higher gas commodity costs*) due to the GTA

Pipeline assuming the following time horizons: a) 2015 to 2024; and b) 40 years. Please state the assumed natural gas throughput volumes for each year.

c) Please reproduce the above calculation on the assumption that gas from the United States (at Henry Hub) continues to sell at a 40% premium vis-à-vis the cost of Alberta gas.

d) Please provide a table with an estimate of the natural gas commodity cost as priced at the AECO-C (Alberta) and at Henry Hub (United States) from 2012 to 2024. Please account for the impact on the Alberta price of the recent increases in the cost of moving natural gas to Ontario and Quebec via TransCanada Corp. Please explain and justify the estimates provided.

Alberta's new energy problem: Gas is on the discount rack

Author: Jones, Jeffrey

Publication info: The Globe and Mail [Toronto, Ont] 31 July 2013: B.1.

ProQuest document link

Full text: Alberta's energy industry has gone from battling a bitumen bubble to grappling with a gas-price gap - a deep discount on the province's natural gas that threatens new cuts in drilling activity and production levels.

The discount on natural gas prices in Alberta compared with Henry Hub, La., the pricing point for U.S. gas futures, has widened by 86 per cent in the last two months.

Alberta gas for August delivery is selling for about $2.48 per gigajoule, down 25 per cent from the beginning of June. At Henry Hub, the equivalent amount of gas sells for about $3.50.

One cause of the gap: the cost of moving the fuel to Ontario and Quebec via **TransCanada Corp.** has surged for shippers without long-term contracts. That is making Alberta producers reluctant to send gas east.

With other export pipelines running full, or close to full, supplies are building up within Alberta, pushing up storage levels and pressuring already-weak prices.

Alberta's gas is now selling at a discount of $1.60 (U.S.) per British thermal units discount to the price at Union Gas's Dawn hub southeast of Sarnia, Ont. The discount has nearly doubled in the past two months.

If the situation persists, it has the potential to cause an even more severe drop in industry output. Production rates in Alberta have already been chopped by 25 per cent since 2005, due in part to a huge increase in competing U.S. shale gas production.

"That's the risk. It's scaring the hell out of me, to be honest," said Samir Kayande, analyst and vice-president, energy, at ITG Investment Research. Companies with little or no gas-price hedging positions are most exposed to the price plunge, he said, pointing to Birchcliff Energy Ltd., Paramount Resources Ltd. and Tourmaline Oil Corp. as examples.

The big question is whether the wide gap, or "basis differential" between the Alberta gas, priced at the AECO-C hub in the province's southeast, and Henry Hub is a short-term irritant or the beginning of a long-term problem, Mr. Kayande said.

Early this year, Alberta's oil sands-derived crude sold at deep discounts to the price of U.S. benchmark light oil due partly to fears about insufficient capacity to move a growing supply to export markets. That prompted the Alberta government to warn of a $6-billion shortfall in resource revenue.

Prices for Alberta heavy oil have since roared back as more transport options, such as rail, have become available.

But gas markets are providing new headaches.

Normally, gas-price differentials reflect the transport cost between Alberta and Eastern markets. Changes in regulated tolling on TransCanada's mainline pipeline system that took effect on July 1 have contributed to lower flow rates, analysts said.

Volumes on the system between the Alberta-Saskatchewan border and Southern Ontario had already declined as Eastern Canadian utilities have started to tap into cheaper supplies from the Marcellus shale gas fields of the U.S. Northeast. Prospects for more have raised questions about the viability of the Canadian mainline.

Gas flows have fallen to the point where TransCanada has proposed switching one of its adjacent lines to oil service for its Energy East pipeline.

The toll changes, imposed by the National Energy Board, were designed to increase the competitiveness of the 14,101-kilometre system, which has been the backbone of Canadian gas transportation since the 1950s, TD Securities analyst Aaron Bilkoski said in a recent report.

The NEB set a fixed toll of $1.42 per gigajoule through 2017 for "firm," or guaranteed, capacity, down from $2.56 per GJ, and gave TransCanada the power to set tolls for "interruptible" and "short-term firm" service, which offer less protection against being halted for operational or other reasons.

Those tolls have been set at premiums of 220 per cent above firm for interruptible and as much as 1,200 per cent for winter short-term service, according to Mr. Bilkoski.

"Given the extremely high tolls on non-firm transportation, less (Western Canadian) natural gas is being sent out of the province," Mr. Bilkoski wrote. It is likely that Alberta inventory increases will exceed last year and the five-year average as a result, he said.

For its part, TransCanada said it has seen a big increase in new firm contracts since the NEB first announced the new toll structure in March. Executives said on a conference call last week that the company has signed deals for capacity of more than one billion cubic feet a day, nearly doubling that service.

FirstEnergy Capital Corp. analyst Martin King said he believes the market will level out over time. "Maybe on average we'll have a bit of a wider basis than we did before, but it's not the end of the world, either," he said.
