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August 11, 2015

Delivered by Email and Courier

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

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc. and Union Gas Limited - Pre-Approval of a Long-Term Natural Gas Transportation Contract (NEXUS)
Board File No. EB-2015-0175 / EB-2015-0166

We are counsel to the Association of Power Producers of Ontario ("APPrO") in the above-noted matter. Please find enclosed APPrO's interrogatories in regards to the above noted matter.

Yours very truly,

BORDEN LADNER GERVAIS LLP
Per:

Original signed by James K. Little

James K. Little

cc: David Butters, APPrO
John Wolnik, Elenchus
Regulatory Affairs, Enbridge Gas Distribution Inc.
Regulatory Affairs, Union Gas Limited
All intervenors

TOR01: 6017971: v1

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Schedule B) s.36;

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders pre-approving the cost consequences associated with one long-term natural gas transportation contract.

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders Pre-Approving the Cost Consequences associated with a Long-Term Natural Gas Transportation Contract.

EB-2015-0166 / EB-2015-0175

Interrogatories From

The Association of Power Producers of Ontario (APPrO)

August 11, 2015

EB-2015-0175 – Enbridge

Question: T1.EGDI.APPrO.1

Reference: i) Exhibit A Tab 3 paragraphs 32 - 41

Preamble: In Reference i), Enbridge notes that Enbridge Inc. was an initial party to the MOU and while the MOU has expired, Enbridge Inc. continues in discussions with the parties about potential participation in the project. Enbridge also notes that the commercial reality of greenfield pipeline development requires a minimum contractual commitment

a) Please provide Enbridge's understanding of the minimum level of contractual commitments necessary for the NEXUS Pipeline proponents to proceed with the development.

Question: T1.EGDI.APPrO.2

Reference: i) Exhibit A paragraph 73

Preamble: Enbridge notes that as a result of increased demand at Dawn, liquidity and cost competiveness could be impacted without new infrastructure.

a) Please provide Enbridge's understanding of the amount of net increase in capacity into the Dawn Hub that will result from:
    a. The proposed NEXUS Pipeline as of November 1, 2017
    b. The proposed Rover Pipeline.

Question: T1.EGDI.APPrO.3

Reference: i) Exhibit A paragraph 99

Preamble: Enbridge notes that volatility at the Dawn Hub will be reduced due to the increase in supply sources connected to the Dawn Hub. APPrO would like to better understand this benefit.

a) Please explain how volatility is defined and quantitatively measured.
b) Please provide the current quantitative assessment of volatility at the Dawn Hub.
c) Please provide the expected volatility after the NEXUS pipeline comes into service and every other new supply source implied in Reference i).

Question: T1.EGDI.APPrO.4

Reference: i) Exhibit A

Preamble: Enbridge has noted that it will enter into long term transportation on NEXUS. APPrO would like to understand how Enbridge expects to recover the costs associated with such capacity.

a) Please indicate which customers will be allocated the costs associated with this capacity.
b) Please indicate which customers will be expected to pay for any gas supply purchased for the related transportation capacity on the NEXUS Pipeline

EB-2015-0166 – Union

Question: T1.Union.APPrO.1

Reference: i) Exhibit A Section 3 page 14

Preamble: In Reference i), Union notes that the NEXUS Pipeline has a 250 mile greenfield component to the project. APPrO would like to understand the market conditions necessary for the project to proceed.

a) Please provide Union's understanding of the minimum level of contractual commitments necessary for the NEXUS Pipeline proponents to proceed with the development.

Question: T1.Union.APPrO.2

Reference: i) Exhibit A Section 3

Preamble: In Reference i), Union describes the NEXUS project, including the Canadian portion that utilizes existing capacity on the Vector Pipeline and Union's St. Clair to Dawn facilities. APPrO would like to better understand the flow dynamics into Dawn both before and after the in-service date of the NEXUS Pipeline.

a) Please provide a map showing on all pipeline systems in and around Dawn as well as Southeast Michigan (where such pipelines are capable of flowing gas into Ontario). Please include a table on the map illustrating the expected firm capacity both into and out of Dawn as of: November 1, 2015, November 1, 2016, and November 1, 2017.
b) For each pipeline into or out of Dawn, please provide a separate graph that illustrates the daily flow during 2014.
c) Union indicates that “For most shippers, the NEXUS path will then utilize capacity on the DTE and Vector Pipeline systems from Willow Run to the Dawn Hub in Ontario”. Union further notes that “The DTE and Vector facilities that NEXUS facilities will utilize will likely require reinforcement”. Please provide the following:
    i. What is Union’s understanding of the amount of capacity that NEXUS has committed to purchase on the Canadian portion of the Vector Pipeline?
    ii. What is Union’s understanding of the amount of incremental capacity into Dawn that will result from the development of the NEXUS Pipeline as of November 1, 2017?
    iii. Please provide Union’s understanding of the amount of uncontracted firm capacity that exists on the Canadian portion of the Vector Pipeline into Dawn.
    iv. What is Union’s understanding of the total level of contractual commitment on NEXUS that can be made without any physical reinforcement of the DTE and/or Vector systems?
    v. Please confirm that if NEXUS contracts with Vector for capacity to deliver to Dawn, that a similar amount of capacity is unavailable for the Ontario market to contract on Vector from Chicago. If not confirmed, please explain fully.
    vi. Please confirm that with Union utilizing its capacity on the St. Clair to Dawn facilities that a similar amount of capacity is unavailable for Ontario markets to access. If not confirmed, please explain fully.

Question: T1.Union.APPrO.3

Reference: i) Exhibit A page 3
ii) Exhibit A page 33
ii) Exhibit A page 28

Preamble: Union notes that the expected cost of entering into the proposed 15 year transportation agreement is approximately $715 million. APPrO would like to understand how Union is proposing to recover these costs.

a) In Reference i) Union indicates the costs associated with this transportation capacity will be approximately $715 million. In Reference iii) Union indicates that the "transportation capacity will be allocated based on a split of approximately 2/3 for Union South and 1/3 for Union North.". Other than the costs associated with Union providing the St. Clair to Dawn portion of the service as noted in Reference ii), please indicate which customers in each of Union South and Union North Union will be expected to pay for the balance of the costs associated with the transportation service.
b) Please indicate which customers in Union North and Union South will be expected to pay for any gas supply purchased for the related transportation capacity on the NEXUS Pipeline.

Question: T1.Union.APPrO.4

Reference: i) Exhibit A page 26
"Most power generation contracts are commercially structured based on their price of natural gas at Dawn for a large portion of Ontario's electricity production capacity."

ii) Exhibit A page 13

"In summary, the resulting benefits of NEXUS are extensive, and will not only apply to Union's customers for which it is responsible to procure supply and transportation, but to all natural gas market participants in Ontario including Direct Purchase and Power Generation customers, and other LDCs."

Preamble: APPrO would like better understand Union's purported benefits to other markets.

a) Please clarify what is meant by the statement in Reference i)
b) Please confirm that for most power generation in Ontario, the resulting savings from a decline in the index price of gas at Dawn is passed on by generators and directly results in a lower price of electricity in Ontario when gas is the marginal generation source and as such, a lower price of gas does not benefit gas-fired power generation customers as implied in Reference ii). If not confirmed, please explain.

Question: T1.Union.APPrO.5

Reference: i) Sussex Economic Advisors Evidence Exhibit A Schedule 3 pages 35-36

> *"As proposed, NEXUS provides a direct pipeline path between the Marcellus and Utica supply basins and the Dawn Hub, allowing more supply to be delivered to the Dawn Hub. NEXUS will not only increase the physical supply to the Dawn Hub, but also increase the number of counterparties that are active at the Dawn Hub (e.g., the NEXUS capacity holders that are natural gas producers). This increase in natural gas supply and counterparties will increase the overall liquidity of the Dawn Hub. In addition, the transportation capacity on NEXUS that is contracted by the Ontario LDCs will be utilized to deliver physical natural gas supply to the Dawn Hub to meet customer demand."*

<u>Preamble</u>: APPrO would like to better Sussex's understanding of the NEXUS Pipeline.

a) Sussex's indicates that there will be increased NEXUS producer counterparties that will be active at Dawn. Please have Sussex provide:
   i. A list of all shippers and their respective capacity commitments that have been made to the NEXUS pipeline. If these are not all commencing as of November 2017, please illustrate how these will be phased in over time. Please also note the sector that they represent (e.g. LDCs, producers, marketers, etc.).
   ii. Please provide Sussex's understanding of the minimum aggregate transportation commitments necessary for the NEXUS Pipeline to proceed to be developed.
   iii. Please provide Sussex's understanding of the changes to the net physical pipeline capacity into Dawn as a result of the NEXUS Pipeline.
   iv. Please provide Sussex's understanding of the net increases to the physical gas supply availability for sale to third parties at Dawn as a result of the NEXUS Pipeline.

b) Sussex indicates that there will be increased liquidity at Dawn as a result of the NEXUS Pipeline. Please have Sussex provide the following:
   i. A definition of liquidity
   ii. A description of how liquidity is quantified and measured.
   iii. Please provide a quantitative estimate of the level of current liquidity at Dawn and an estimate of the liquidity after the NEXUS Pipeline has been completed. Please show how these were derived.
   iv. To the extent that number of parties buying their gas at Dawn is a factor that increases liquidity, please confirm that an increase in the volume of gas purchased at Dawn will have a positive effect on liquidity. If not confirmed, please explain.