**OEB STAFF INTERROGATORIES**

**Pre-Approval NEXUS Long Term Contract**

**EB-2015-0175**

**Enbridge Gas Distribution Inc.**

## T1.EGDI.Staff.1

Interrogatory # 1

Ref: A/2/1 page 1 / para 3 / para 47

At paragraph 3, Enbridge makes the following statement:

> Enbridge hereby applies to the Board, pursuant to the Guidelines and section 36 of the *Ontario Energy Board Act*, *1998* as amended (the "Act"), for an Order or Orders pre-approving the cost consequences associated with a long-term (15 year) gas transportation contract for service on the NEXUS Gas Transmission ("NEXUS") pipeline, commencing November 1, 2017.

OEB staff seeks clarity on the relief that Enbridge is seeking.

(a) In regards to Enbridge's reference to pre-approval of the "cost consequences", is Enbridge requesting that the OEB grant approval now to **all** future gas transportation-associated costs it may incur over the 15 year term of the NEXUS contract, even in the event that other supply options become more economic or otherwise more attractive during the course of the 15 year contract term?

(b) Would there be any exceptions to the requested pre-approval? If so, please elaborate on what may be an exception.

(c) Enbridge indicates that the delivery point in the NEXUS transportation agreement is Milford Junction in Michigan. Is Enbridge requesting pre-approval of the cost consequences associated with its transportation agreement on DTE in Michigan from Willow Run to Milford Junction?

**T1.EGDI.Staff.2**

Interrogatory # 2

Ref: A/3/1 page 3 / para 8

Enbridge states that it has the right under its PA to increase its contracted volume to 150,000 Dth/d.

Is Enbridge seeking OEB pre-approval of the gas consequences of the 110,000 Dth/d amount or the 150,000 Dth/d amount?

**T1.EGDI.Staff.3**

Interrogatory # 3

Ref: A/2/1 page 2

Enbridge's evidence indicates that it intends to enter into a 15 year contract with NEXUS Gas Transmission (NEXUS).

Please briefly summarize the key points of other OEB proceedings in which Enbridge has requested pre-approval of the cost consequences of long term transportation contracts. Please indicate the OEB's decision in terms of its acceptance, or rejection, of the application.

**T1.EGDI.Staff.4**

Interrogatory # 4

Ref: A/3/1 page 3 / para 8

Enbridge has indicated "anchor shipper" status on NEXUS meaning its participation is significant in terms of the project being able to proceed.

In the absence of Union and/or Enbridge committing to the Precedent Agreement volumes and 15 year contract length, would the NEXUS transmission project have the necessary commitment to be able to proceed?

**T1.EGDI.Staff.5**

Interrogatory # 5

Ref: A/3/1 page 20 / para 53

In the Landed Cost Analysis, it appears that Enbridge's comparative cost assessment was carried out for gas landed at the Dawn Hub.

(a) Please confirm that this is the correct understanding.

(b) Please explain why the Dawn Hub is the appropriate point of comparison for the Landed Cost Analysis, as opposed to other delivery points such as Enbridge's Central Delivery Area (CDA) or its Eastern Delivery area (EDA)?

(c) Please add a column to Table 2 (the "May 2015 Landed Cost Analysis Summary" table on page 24 para 61) to show the Landed Cost Analysis at Enbridge's Central Delivery Area, as opposed to the Dawn Hub.

(d) Please also add a column to Table 2 (the "May 2015 Landed Cost Analysis Summary" table on page 24 para 61) to show the Landed Cost Analysis at Enbridge's Eastern Delivery Area, as opposed to the Dawn Hub

**T1.EGDI.Staff.6**

Interrogatory # 6

Ref: A/2/1 page 4 / para 8

Union has estimated potential cost savings of over $700 million (see EB-2015-0166). In contrast, Enbridge has not identified any savings of this magnitude (or any savings), saying instead that the costs of NEXUS are "competitive" with other alternatives.

a) Given the large discrepancy between the financial benefits identified by Union and those of Enbridge, can Enbridge identify the main reasons for such a cost savings discrepancy?

b) What portion of any cost savings is expected to materialize for system gas customers versus direct purchase customers?

c) Are there any financial benefits that the NEXUS will provide to Enbridge in terms of both its regulated and unregulated business activities? Please explain and quantify any such benefits.

**T1.EGDI.Staff.7**

Interrogatory # 7

Ref: A/3/1 page 24 / para 61 / Table 2

In the May 2015 Landed Cost Analysis Summary table, listed are 3 options that are more financially attractive from a landed cost standpoint than the NEXUS Base Case - 15%. These are Dawn, Vector, and TransCanada from Niagara.

For each of the 3 options, please explain why they were rejected in favour of NEXUS.

**T1.EGDI.Staff.8**

Interrogatory # 8

Ref: A/3/1 page 24 / para 61 / Table 2

Table 2 shows the landed cost analysis for varies alternatives to NEXUS. One alternative is simply to purchase gas supply at Dawn (option 1).

Please explain the assumptions Enbridge made for this option in terms of incremental supply to Dawn. For example, did it assume that the Rover project was constructed or did it assume that NEXUS was built, but Enbridge didn't contract for capacity - or did it simply assume the status quo? Please explain the option of purchasing at Dawn fully.

**T1.EGDI.Staff.9**

Interrogatory # 9

Ref: A/3/1 page 24 / para 61 / Table 2

(a) With regard to the option of "TransCanada from Niagara", please discuss the Company's view of the role of the Niagara and Chippewa supply points for the transportation of Appalachian gas into Enbridge's franchise over the next 10 to 20 years.

(b) Is there any reason that the proposed NEXUS volumes could not instead be delivered into the franchise via the Niagara and Chippewa import points? Please include a discussion of why NEXUS represents a more attractive option than "TransCanada from Niagara."

**T1.EGDI.Staff.10**

Interrogatory # 10

Ref: A/3/1 page 19 / para 51

The evidence states that the total cost for the NEXUS capacity over the term of the contract is approximately $421.6 million US.

What is the impact on a typical residential customer's bill of incorporating the NEXUS contract volumes into Enbridge's portfolio versus the status quo portfolio – i.e. without NEXUS?

**T2.EGDI.Staff.11**

Interrogatory # 11

Ref: A/3/1 page 31 / para 79

Please explain the role played by the NEB-approved TransCanada Mainline Settlement Agreement in the Company's decision to sign the Precedent Agreement with NEXUS?

**T2.EGDI.Staff.12**

Interrogatory # 12

Ref: A/3/1 page 32 / para 83

Enbridge states that it has 175,000 Dth/d contracted on Vector from Joliet to Dawn.

Please provide a table that shows all upstream transportation capacity that Enbridge has contracted to Dawn as of November 1, 2015 and November 1, 2017 (assuming it receives OEB pre-approval of the gas consequences associated with the NEXUS transportation agreement).

**T2.EGDI.Staff.13**

Interrogatory # 13

Ref: A/3/1 page 32 / para 83

Enbridge states that it intends to restructure its existing Vector contract to segment the 110,000 Dth/d of 175,000 Dth/d transportation capacity by changing the receipt point to Milford Junction.

When will Enbridge complete the restructuring?

What provisions, if any, have been made for the restructuring of the Vector contract should there be a delay in the start-up of the NEXUS project?

**T2.EGDI.Staff.14**

Interrogatory # 14

Ref: A/3/1 page 32 / table 4

The table indicates that by 2018 Enbridge will have shifted 42.4 PJ from Chicago to NEXUS.

Please explain how there is an increase in liquidity at Dawn arising from Enbridge shifting 42 4 PJ from Chicago via the Vector pipeline to the NEXUS pipeline?

**T2.EGDI.Staff.15**

Interrogatory # 15

Ref: A/3/1 page 33 / para 85 / 86

Enbridge has indicated that the NEXUS capacity will allow it to displace Western Canadian Sedimentary Basin (WCSB) supplies that are becoming less economic over time.

a) In its assessment of the landed costs for the NEXUS alternative, has Enbridge included the cost impact of any capacity turnback related to TransCanada's Mainline and Alliance Pipelines tolls?

b) If there are capacity turnback costs related to the discontinued pipeline capacity, has Enbridge assessed the corresponding cost impact on its ratepayers? If not, please quantify these costs and update the landed cost assessment to include these costs. Please state all assumptions used.

**T3.EGDI.Staff.16**

Interrogatory # 16

Ref: A/3/1 page 38 / para 101

Ref: A/3/1 page 38 / Appendix C – May 2015 Landed Cost Analysis and Assumptions

The evidence speaks to exchange rate risks.

Staff is interested in understanding the exchange rate risk should there be a prolonged period of weakness in the Canadian dollar relative to the US dollar.

Please re-run the model assuming an exchange rate of 1.40 in all years.

Please add a column to Table 2 (A/3/1 page 24) to show the impact of the exchange rate analysis on the various supply paths versus the landed cost analysis as presented in the evidence.

**T4.EGDI.Staff.17**

Interrogatory # 17

Ref: A/3/1 /page 43 / para 117

Enbridge states that it "…will inject NEXUS supply directly into Enbridge's storage facility at Dawn in the summer".

Please explain the expected impact of NEXUS on Enbridge's Tecumseh storage facilities especially as it relates to any planned increases in the Company's storage capacity in the area.

**T4.EGDI.Staff.18**

Interrogatory # 18

Ref: A/2/1 / para 48 a)

Enbridge indicates that the Precedent Agreement has numerous protections and benefits and one of these is the "Requirement for review of supply"

Please elaborate on the significance of this protection or benefit.

**T4.EGDI.Staff.19**

Interrogatory # 19

Ref: A/3/1 Appendix D / Restated Precedent Agreement / page 22 of 61

Please explain fully the 90 day “Temporary Waiver of Conditions Precedent – Governmental Authorizations” feature at paragraph 7) (d) of the Restated Precedent Agreement. Please indicate if the waiver allows Enbridge, in the event of a regulatory delay in receiving approval from the OEB, to extend the October 1, 2015 deadline by 90 days.