STAFF INTERROGATORY #16

INTERROGATORY

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.

RESPONSE

Path	May 2015 Average Landed Cost $CDN per GJ	
	Original	1.40 $CDN/$US
Dawn	4.62	5.18
Vector	4.88	5.46
TCPL from Niagara	4.52[1]	5.03
NEXUS (Base Case -15%)	5.04	5.65
Rover	5.06	5.67
NEXUS (Anchor)	5.14	5.76
NEXUS (Base Case)	5.16	5.78
NEXUS (Base Case +15%)	5.27	5.91

[1] The Average Landed Cost for the TransCanada from Niagara path that was included in the original application was corrected in updated evidence filed on August 25, 2015.

Witnesses: J. LeBlanc
A. Welburn

Path	May 2015 Average Landed Cost $CDN per GJ	
	Original	1.40 $CDN/$US
ANR East	5.52	6.19
Alliance	5.70	5.78
TCPL	6.19	6.19

BOMA INTERROGATORY #30

INTERROGATORY

Ref: Ibid, Page 15

Please confirm that in the event an accident were to seriously diminish gas flow through the Dawn Hub, it would be advantageous to Union's and EGD's customers to have the ability to flow gas from Niagara directly to its consumers, without it having to pass through Dawn.

RESPONSE

Confirmed. That is one of the aspects of gas supply planning (reliability) that is considered by Enbridge in developing its gas supply plan/strategies.

It should be noted that the NEXUS commitment does not increase Enbridge's reliance on Dawn. Please see response to Board Staff Interrogatory #7 at Exhibit I.T1.EGDI.STAFF.7 for more detail on the make-up of Enbridge's gas supply by source.

Enbridge is sourcing 26% of its system gas customer supply needs from Niagara already. An accident at Niagara that seriously diminished gas flow through that point could be more problematic for Enbridge than an accident at Dawn, because the paths into and away from Niagara are more limited and because there is no storage at Niagara. This is a factor that mitigates against acquiring more capacity at Niagara.

Witnesses: J. LeBlanc
A. Welburn

BOMA INTERROGATORY #33

INTERROGATORY

Ref: Ibid, Page 15

Please confirm that Ontario ratepayers of both companies currently have access by a direct pipeline route to the Marcellus/Utica basins through Niagara, through existing TCPL's connection with National Fuel Gas, Tennessee, Dominion North, Empire, and perhaps other pipelines.

RESPONSE

Not confirmed. Enbridge ratepayers have access to supply at Niagara/Chippawa. Enbridge does not have contracts for transportation capacity on National Fuel Gas, Tennessee Gas Pipeline, Dominion North, Empire or other pipelines. Enbridge therefore does not have direct access to the Marcellus or Utica production areas. Direct access to these production areas is one of the benefits of the NEXUS project. Please see response to BOMA Interrogatory #16 at Exhibit I.T1.EGDI.BOMA.16 for further discussion.

Witnesses: J. LeBlanc
A. Welburn

BOMA INTERROGATORY #34

INTERROGATORY

Ref: EB-2015-0166, Exhibit A, Page 10, Lines 1-4

Please confirm that the impact of NEXUS's project on EGD will be to further concentrate their reliance on Dawn.

RESPONSE

Not confirmed. Neither the NEXUS project nor Enbridge's commitment to it will further concentrate Enbridge's reliance on Dawn. See response to Board Staff Interrogatory #7 at Exhibit I.T1.EGDI.STAFF.7 for further discussion related to the impact of NEXUS on Enbridge's gas supply portfolio.

Witnesses: J. LeBlanc
A.Welburn

BOMA INTERROGATORY #35

INTERROGATORY

Please confirm that Ontario's security of gas supply is enhanced by having material supplies of gas enter the Union/EGD city gates at different points without undue concentration at any one potential chokepoint.

RESPONSE

Confirmed for the purpose of distribution system design this risk was one of the reasons behind the Parkway West and GTA projects. It was recognized that Enbridge's system was highly reliant on Parkway. As a result of the Parkway West and GTA projects there will soon be loss of critical unit protection at Parkway and twinning of TransCanada's transmission line which delivers gas out of Parkway into the Toronto and surrounding service area.

Not confirmed for the purpose of supply portfolio diversification. The ability to have gas enter a distribution system through multiple gate stations would do nothing for security of supply if the gas delivered to those gate stations flowed through a single path.

Witnesses: J. LeBlanc
A. Welburn

BOMA INTERROGATORY #37

INTERROGATORY

Ref: Ibid, Page 22

Please confirm that alternative routes already exist to move Marcellus/Utica shale gas to Ontario via Niagara. Please discuss the status of each of the routes and compare the costs of using each of them to the NEXUS route.

RESPONSE

Please see the response to SEC Interrogatory #5 at Exhibit I.T2.EGDI.SEC.5.

Enbridge can confirm that routes exist to move Marcellus/Utica shale gas to Ontario through Niagara. The problem is there is no available capacity on those routes into Niagara and most of those who hold capacity on those routes already hold capacity through Niagara to Parkway and Dawn. Therefore to access this supply Enbridge would have to buy the gas at Dawn or Parkway further concentrating its reliance on those points. NEXUS allows for the diversification of supplier and path from Marcellus/Utica which Enbridge believes is important to protect system gas customers for undue exposure to any particular supply point or path. See response to Board Staff Interrogatory #7 at Exhibit I.T1.EGDI.STAFF.7for further details on Enbridge's supply sources and diversification.

Witnesses: J. LeBlanc
A. Welburn

BOMA INTERROGATORY #38

INTERROGATORY

Ref: Exhibit A, Tab 2, Schedule 1

EGD states that the annual payments to the NEXUS pipeline owners will be about US$28 million per year in 2017. Please provide a comparison of this dollar amount to EGD's currently total gas purchase for 2014, total utility revenue for 2014 and forecast for 2015, total utility assets at December 31, 2014 and forecast for December 31, 2015, and its total net worth for 2015 as at December 31, 2014, and forecast for December 31, 2015.

RESPONSE

The information requested appears to be an attempt to evaluate the materiality of the NEXUS contract obligation to Enbridge in a number of ways. The requested comparisons are however not appropriate or relevant to the subject of materiality for Enbridge and this contract. What is relevant to Enbridge is the impact a disallowance of these costs would have on utility income. Therefore, a more appropriate comparison would be to compare the annual cost of the NEXUS contract to Enbridge's annual utility income. The annual NEXUS payment commitment represents 12.1% of Enbridge's forecast 2015 utility income (forecast utility income for 2015 is $290.1 million, and average annual NEXUS tolls are $28.1 million US which equates to $35.1 million Cdn with an exchange rate of 1.248).

Finally, the materiality of this contract is perhaps better understood on a cumulative basis (rather than annual) in which case the results above should be multiplied by 15 (term in years). The cumulative perspective is likely the most relevant given that a cost disallowance in year one of the contract is likely to be similarly disallowed in each year of the term of the contract.

Witnesses: J. LeBlanc
A. Welburn

CME INTERROGATORY #3

INTERROGATORY

Ref: Exhibit A, Tab 3

Please identify all of the risks which EGD believes exist for both rate payers and its shareholder in proceeding with the NEXUS contract without Board pre-approval.

RESPONSE

The risks of this commitment have been outlined in detail as part of the pre-filed evidence. Please see Exhibit A, Tab 3, Schedule 1, pages 35 to 43. The purpose of this Application is to explain to the Board and stakeholders the benefits and risks associated with this commitment to gain pre-approval. The Board's pre-approval will protect Enbridge's shareholder from the risk of disallowance of NEXUS contract costs in future years after the Company has made the required 15 year commitment under the PA.

The Ontario Energy Board has offered gas distributors the option of seeking pre-approval for long-term contracts. In part, this is meant to recognize the fact that there is risk to the utility associated with entering into such contracts without assurances of cost recovery over the full term of the contracts. Enbridge has made use of this pre-approval option, because it requires assurances of cost recovery before making a 15 year commitment to a greenfield pipeline. Enbridge's shareholder does not benefit from the procurement of gas for ratepayers as these costs are passed on without any mark-up or return. Therefore, Enbridge will not take the risk of proceeding with the NEXUS contract without pre-approval.

Witnesses: J. LeBlanc
A. Welburn

CME INTERROGATORY #4

INTERROGATORY

Ref: Exhibit A, Tab 3

Please identify all of the risks which EGD believes exist for ratepayers if the Board pre-approves the NEXUS contract.

RESPONSE

The risks of this commitment/contract are outlined in detail in the pre-filed evidence. Please see Exhibit A, Tab 3, Schedule 1, pages 35 to 43, paragraphs 89 to 117. That evidence also explains how the risks are mitigated and/or managed.

The risk to ratepayers if the Board does not pre-approve the NEXUS contract is that the benefits associated with the NEXUS contract (as set out at paragraphs 65 to 75 of the above-noted evidence) will not be achieved, because Enbridge will not proceed with the project. Enbridge may be unable to achieve all the same benefits over future years through alternate gas supply arrangements.

Witnesses: J. LeBlanc
A. Welburn

CME INTERROGATORY #5

INTERROGATORY

Ref: Exhibit A, Tab 3

If the Board pre-approves the NEXUS contract, and EGD enters into the long-term transportation contract with the NEXUS pipeline commencing November 1, 2017, and the NEXUS pipeline is subsequently underutilized, will there be any cost consequences for EGD's ratepayers? If yes, please identify the cost consequences.

RESPONSE

Enbridge understands this question to ask if rates (tolls) or other charges from NEXUS would be impacted by subsequent underutilization of the pipeline. Enbridge has negotiated a fixed toll of $0.70 USD/Dth/day for the duration of the contract term which is the primary charge associated with the contract. This will not change depending on utilization of the pipeline. Depending on the utilization of the pipeline, there may be modest impacts on the fuel ratio (currently estimated at 1.6 to 2.6%) and other FERC approved usage charges and usage surcharges. These non-toll charges are a small portion of the overall NEXUS costs.

Witnesses: J. LeBlanc
A. Welburn

CME INTERROGATORY #6

INTERROGATORY

Ref: Exhibit A, Tab 3, p. 2 of 46

EGD states that the last time it entered into a similar contract was on Alliance and Vector Pipeline in 2000. Did EGD obtain Board pre-approval for the Alliance and Vector Contract? If not, please explain why pre-approval is required for the NEXUS contract but not for the Alliance and Vector contract.

RESPONSE

At the time Enbridge entered into the Alliance and Vector contracts there was no option for utilities to apply for the pre-approval of long-term transportation and/or supply contracts that supported the development of new infrastructure.

As Enbridge explained in the EB-2008-0280 proceeding that established the Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts (the "Guidelines"), a pre-approval option is appropriate in order to give a utility (which does not make any money on gas supply arrangements) the confidence to enter into beneficial LTCs without risk of disallowance in future years. The Board agreed with Enbridge's position.

The current application utilizes the pre-approval option (i.e. the Guidelines) developed by the Board since the NEXUS contract meets the criteria for pre-approval as explained at Exhibit A, Tab 3, Schedule 1, pages 43 to 46.

Witnesses: J. LeBlanc
A. Welburn

ENERGY PROBE INTERROGATORY #11

INTERROGATORY

Ref: Exhibit A, Tab 3, Schedule 1, Page 35

Enbridge does not discuss the risk and impact of the proposed cap and trade system in Ontario on the project.

Has Enbridge considered how a cap and trade system would impact the economics of the project? If yes, please provide details.

RESPONSE

Enbridge understands that the cap and trade system proposed for Ontario would impact all natural gas used in the province and would therefore not target this capacity specifically. It therefore has no specific impact on the economics of the project. Enbridge's overall gas supply portfolio is designed with flexibility in mind to allow Enbridge to react to changes in customer demand over time due to cap and trade or any other drivers. On the demand reduction side, this flexibility is as a result of relying on Dawn purchases as open to flexibility on the day and within the month/year in the short term and having a number of transportation contracts with varying termination/renewal dates to allow for de-contracting of capacity as required in the medium term.

Witnesses: J. LeBlanc
A. Welburn

ENERGY PROBE INTERROGATORY #12

INTERROGATORY

Ref: Exhibit A, Tab 3, Schedule 1, Page 35

a) Please provide Enbridge's 15 year demand forecast and summarize the key assumptions.

b) In Enbridge's view what are the key potential factors that could contribute to natural gas demand decline in Enbridge's franchise area over the next 15 years.

RESPONSE

a) The 15 year demand forecast used by Enbridge for the NEXUS analysis is as follows:

Gas Year	PJ/Year
2018	435.6
2019	437.5
2020	440.3
2021	440.7
2022	443.5
2023	445.6
2024	448.5
2025	450.4
2026	452.6
2027	454.9
2028	457.2
2029	459.6
2030	462.0
2031	464.3
2032	466.7

Witnesses: J. LeBlanc
A. Welburn

The key inputs and assumptions used to develop this demand forecast include a forecast of annual heating degree days, which is kept fixed over the forecast horizon, customer additions forecast, vintage of dwellings, DSM initiatives and a number of economic variables notably employment, GDP, vacancy rates, natural gas price forecast, and CPI.

b) Items that may contribute to a decline in natural gas demand in Enbridge's franchise area over the next 15 years include changes in the inputs and assumptions set out above, as well as changes in government policy (such as cap and trade) and evolution of alternate energy technologies.

Witnesses: J. LeBlanc
A. Welburn

ENERGY PROBE INTERROGATORY #13

INTERROGATORY

Ref: Exhibit A, Tab 3, Schedule 1, Page 35

a) Please discuss how each project risk identified is to be allocated between ratepayers, parties to the contract and/or the applicant's shareholder.

b) Please summarize the tolling risks resulting from the NEXUS project? Please discuss any potential implications on the project.

c) Please summarize the environmental risks resulting from the NEXUS project? Please discuss any potential implications on the project.

d) What if anticipated production does not materialize and gas flows decline? How will Enbridge minimize risk and allocate between ratepayers and shareholder?

RESPONSE

a) and b) Enbridge has negotiated several terms into the PA protecting ratepayers and allocating risk to the pipeline in relation to construction risk and tolling risks. These include the capital cost tracker which limits ratepayer responsibility for construction cost overruns; a fixed toll which protects ratepayers from pipeline underutilization; terms around risk of delay; and protection from pre-service costs until all conditions precedent are satisfied among others. The risks associated with construction of the NEXUS pipeline are discussed in Exhibit A, Tab 3, Schedule 1, pages 39 to 41. The risks associated with the NEXUS toll are discussed in Exhibit A, Tab 3, Schedule 1, page 38, paragraph 100. This is further discussed in response to BOMA Interrogatory #41 found at Exhibit 1.T4.EGDI.Union.BOMA.41.

If pre-approval is granted, then the NEXUS contract will be signed, and the NEXUS capacity will become part of the Company's gas supply portfolio.

Ratepayers will receive the benefits of the transportation arrangements and will be responsible for the costs.

c) There are no pipeline facilities being constructed in Ontario as part of the NEXUS project. As such, Enbridge does not believe that there are any environmental risks

Witnesses: J. LeBlanc
A. Welburn

in Ontario. Any environmental issues associated with the construction of the pipeline will presumably be addressed by the FERC as part of its pre-filing process.

d) The risk of insufficient supply is discussed in Exhibit A, Tab 3, Schedule 1, page 39, paragraph 103. As discussed at length in the Sussex Study at Exhibit A, Tab 3, Schedule 2, pages 21 to 33, Enbridge does not expect production from the Marcellus and Utica basins to decline. Please see response to Board Staff Interrogatory #18 at Exhibit I.T4.EGDI.STAFF.18 which details steps Enbridge has taken to date to determine supply availability. If flows decline specifically on the NEXUS pipeline, ratepayers are protected from toll increases as Enbridge has negotiated a fixed toll for the duration of the contract.

Witnesses: J. LeBlanc
A. Welburn

ENERGY PROBE INTERROGATORY #14

INTERROGATORY

How will Enbridge ensure that customers that do not benefit from the diversity of supply do not pay for these proposed transportation contracts?

RESPONSE

Enbridge plans to provide gas supply and transmission service using the NEXUS contract. Customers who arrange their own gas supply and transportation services will not be charged for costs related to the NEXUS contract. In other words, Ontario T-service and unbundled customers do not receive gas supply and transportation service from Enbridge. Accordingly, they would not be charged for costs related to the NEXUS contract.

Witnesses: J. LeBlanc
A. Welburn

ENERGY PROBE INTERROGATORY #15

INTERROGATORY

a) What are the full implications if the Board does not approve this application?

b) Please discuss the actions Enbridge would take if the landed costs are materially higher prior to the effective date of the Precedent Agreement.

RESPONSE

a) Please see response to CME Interrogatories #2 and 4 at Exhibit I.T1.EGDI.CME.2 and I.T3.EGDI.CME.4 and the response to TCPL Interrogatory #5 a) at Exhibit I.T2.EGDI.TransCanada.5.

b) The effective date of the Precedent Agreement is December 17, 2014. This date has passed.

Witnesses: J. LeBlanc
A. Welburn

SEC INTERROGATORY #7

INTERROGATORY

[Ex.A-3-1, Appendix D-F]

Please describe the similarities and differences between the terms of the Precedent Agreement that Enbridge signed for NEXUS and those recently signed with TCPL and Union. Please explain why any material differences are reasonable.

RESPONSE

Enbridge believes the best way to answer this question is to focus on the differences as overall there are a number of reasonably standard terms amongst these agreements that could be described as similarities. These include things like many of the obligations of both parties, term length (all 15 year terms), various termination rights, credit requirements, dispute resolution rights, etc.

To the extent that there are differences between the NEXUS PA and those signed with TCPL and Union, those differences are favourable to Enbridge and its ratepayers in the NEXUS PA. For instance, the NEXUS PA has protection limiting cost overruns and fixing the toll for the term. It also has protections designed to deal with the risks of delays of the pipeline going into service. Other favourable terms include the protection from pre-service costs until all conditions precedent in favour of Enbridge have been satisfied and a condition precedent allowing the continuing evaluation of supply until 90 days after NEXUS has provided Enbridge notice of its *bona fide* estimate of its in-service date.

Witnesses: J. LeBlanc
A. Welburn

SEC INTERROGATORY #8

INTERROGATORY

[Ex.A-3-1, Appendix D-F]

Please describe all the scenarios under the Precedent Agreement in which Enbridge is responsible for any development and/or construction costs for the NEXUS pipeline through payments other than tolls.

RESPONSE

Under the PA, Enbridge is only responsible for development and construction costs through tolls. As described in the pre-filed evidence (Exhibit A, Tab 3, Schedule 1, page 40), the capital costs for which the Company is responsible are capped at 115% of the current cost estimate.

The only circumstance where Enbridge would be responsible for development and/or construction costs through payments other than tolls is in the event of a material breach by Enbridge that resulted in the termination of the PA. This is seen in Section 8) of the restated PA, at Exhibit A, Tab 3, Schedule 1, Appendix F, page 28 of 55, which states:

> “If this Restated Precedent Agreement is terminated for any reason other than a material breach by Customer, then such termination shall be without any liability on the part of Customer to Pipeline, including in respect of the Customer being required to pay any Pre-Service Costs.

Witnesses: J. LeBlanc
A. Welburn

SEC INTERROGATORY #9

INTERROGATORY

Please describe which risks of the NEXUS contract approval are borne by Enbridge's shareholders as opposed to ratepayers.

RESPONSE

Please see responses to CME Interrogatory #3 at Exhibit I.T3.EGDI.CME.3 and CME Interrogatory #4 at Exhibit I.T3.EGDI.CME.4.

Witnesses: J. LeBlanc
A. Welburn