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Enbridge Gas Distribution
500 Consumers Road
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September 16, 2015

VIA RESS, EMAIL and COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: EB-2015-0175: Enbridge Gas Distribution Inc. ("Enbridge")
Pre-Approval of a Long-Term Natural Gas Transportation Contract
Undertaking Responses**

In accordance with Procedural Order No. 1 as issued by the Ontario Energy Board on July 31, 2015, attached please find Enbridge's responses to undertakings taken during the Technical Conference.

Exhibits JT2.2 to 2.4.

The responses can also be found on Enbridge's website under the "Other Regulatory Proceedings" tab at www.enbridgegas.com/ratecase.

Please contact the undersigned if you have any questions.

Yours truly,

[original signed]

Lorraine Chiasson
Coordinator, Regulatory Affairs

Att.

cc: EB-2015-0175 Interested Parties

UNDERTAKING JT2.2

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Enbridge to explain the disallowance

RESPONSE

The disallowance of costs related to the Alliance contract was determined in the RP-2001-0032 proceeding. The total amount of the disallowance was $11 million. This comprised a small proportion of the total costs of the Alliance contract. By way of example, the total cost of one year of service under the Alliance contract, including the cost of commodity, was in the range of $155 million (which includes $42 million for transportation and $113 million for commodity). The term of the Alliance contract was 15 years.

In Enbridge's view, the foregoing discussion does not represent an appropriate way to evaluate the risks that Enbridge is facing when it enters into a long term transportation contract. Instead, what is important from the Company's shareholders' perspective is how a disallowance could impact utility earnings. In the Alliance case, the $11 million disallowance represented around 5% of the Company's forecast utility income during the 2002 Test Year. This comparison to utility income is the same approach taken in the response to BOMA Interrogatory #38 at Exhibit I.T3.EGDI.BOMA.38. However, from the shareholder's perspective it is more relevant to compare the impact of a disallowance to utility earnings. In the Alliance case, the $11 million disallowance represented approximately 11% of projected utility earnings for the 2002 Test Year. In the case of NEXUS, a disallowance would comprise approximately 21% of projected utility earnings for the 2015 Test Year. As noted in BOMA #38, the materiality of the NEXUS contract is better understood in terms of cumulative impacts as a disallowance in one year of the contract is similarly likely to be disallowed in subsequent years.

Whenever Enbridge enters into an upstream contractual arrangement to fulfill its obligation to provide natural gas supply and/or supply services to its customers there is a risk of cost disallowance by the Board. While disallowance of upstream transportation costs and/or supply costs is infrequent, the impact of such a disallowance can be material. This is particularly true with respect to certain transportation and/or supply contracts where a contract is atypical, for example the NEXUS contract, and the financial obligation is substantial (which is also the case for the NEXUS contract).

Witnesses: J. LeBlanc
A. Welburn

Enbridge passes the costs of the supply of natural gas onto its system gas customers without any mark-up or profit and with no benefit to its shareholder. It is system gas customers who receive the benefit from Enbridge's upstream contracting decisions. While not explicitly stated in the Board's pre-approval guidelines, the implication of granting pre-approval of a long term upstream transportation and/or supply contract is that those who benefit from said contract should also bear the risk of that contract. It is Enbridge's ratepayers that will receive the benefits from the NEXUS contract, not the shareholder. The shareholder should therefore not be put at risk for the NEXUS contract.

Witnesses: J. LeBlanc
A. Welburn

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Enbridge to update the list that's at Exhibit A, Tab 3, Schedule 3, page 32 of 32 of all its upstream transportation contracts that are currently in effect.

RESPONSE

An updated listing of transportation contracts will be included in the gas cost exhibits of Enbridge's EB-2015-0114 application to the Board for approval of rates commencing January 1, 2016. Since the evidence in support of that application is not expected be filed with the Board until later this month, the listing of transportation contracts that Enbridge is expecting to include in that evidence is provided below.

Witnesses: J. LeBlanc
A. Welburn

Item #	Transportation	Route	Total Contracted Daily Volume		Fuel Rate	Monthly Demand Charge		Expiry Date	
	Current Contracts								
1	TCPL FT - CDA	Empress to CDA	63,468	GJ	varies	60.77142	$/GJ	31-Oct-17	1
2	TCPL FT - CDA	Empress to CDA	75,000	GJ	varies	60.77142	$/GJ	31-Oct-18	
3	TCPL FT - EDA	Empress to EDA	197,421	GJ	varies	62.50257	$/GJ	31-Oct-22	2
4	TCPL FT - EDA	Empress to EDA	166,000	GJ	varies	62.50257	$/GJ	31-Oct-17	3
5	TCPL FT - Iroquois	Empress to Iroquois	26,956	GJ	varies	63.11183	$/GJ	31-Oct-22	
6	TCPL FT Dawn to CDA		149,818	GJ	varies	11.40236	$/GJ	31-Oct-22	
7	TCPL FT Dawn to CDA	Assignment to Direct Purchase	(122,978)	GJ	varies	11.40236	$/GJ	31-Oct-17	4
8	TCPL FT Dawn to EDA		114,000	GJ	varies	21.33019	$/GJ	31-Oct-22	
9	TCPL FT Dawn to Iroquois		40,000	GJ	varies	20.49473	$/GJ	31-Oct-22	
10	TCPL FT Parkway to CDA		572	GJ	varies	6.29836	$/GJ	31-Oct-22	
11	TCPL FT-SN Parkway to CDA		85,000	GJ	varies	6.14977	$/GJ	31-Oct-22	
12	TCPL STS Parkway to CDA		283,892	GJ	varies	5.92119	$/GJ	31-Oct-22	
13	TCPL STS Parkway/Kirkwall to EDA		70,895	GJ	varies	15.60578	$/GJ	31-Oct-22	
14	TCPL STS Parkway to EDA		9,716	GJ	varies	15.60578	$/GJ	31-Oct-22	
15	TCPL FT Parkway to EDA		170,000		varies	15.60578	$/GJ	31-Oct-31	5
16	Niagara to CDA		200,000	GJ	varies	8.35336	$/GJ	31-Oct-30	
17	Nova Transmission	AECO to Empress	166,869	GJ	N/A	5.65300	$/GJ	31-Oct-16	
18	Alliance Transportation		25,000	mcf	N/A	N/A		31-Oct-16	6
19	Vector Pipeline -	Chicago to Cdn border	96,000	dth	varies	7.0140	$US/dth	30-Nov-17	
20		Cdn border to Dawn	101,285	GJ	varies	0.5705	$/GJ	30-Nov-17	
21	Vector Pipeline	Chicago to Cdn border	79,000	dth	varies	7.0140	$US/dth	30-Nov-17	
22		Cdn border to Dawn	83,349	GJ	varies	0.5705	$/GJ	30-Nov-17	
23	Union Gas Dawn to Parkway		1,764,678	GJ	varies	2.6040	$/GJ	31-Oct-22	
24	Union Gas Dawn to Parkway		106,000	GJ	varies	2.6040	$/GJ	31-Oct-18	
25	Union Gas Dawn to Parkway		57,100	GJ	varies	2.6040	$/GJ	31-Oct-19	
26	Union Gas Dawn to Parkway		18,703	GJ	varies	2.6040	$/GJ	31-Oct-17	
27	Union Gas Dawn to Parkway	- M12X	200,000	GJ	varies	3.2440	$/GJ	31-Oct-22	
28	Union Gas Dawn to Lisgar		10,692	GJ	varies	2.6040	$/GJ	31-Oct-17	
29	Union Gas Dawn to Kirkwall		35,806	GJ	varies	2.1930	$/GJ	31-Oct-17	
30	Union Gas Dawn to Kirkwall		32,123	GJ	varies	2.1930	$/GJ	31-Oct-17	
31	Union Gas Parkway to Dawn - C1		236,586	GJ	varies	0.6400	$/GJ	31-Mar-17	
32	Union Gas Dawn to Parkway		400,000	GJ	varies	2.6040	$/GJ	31-Oct-25	
33	Union Gas Dawn to Parkway		170,000	GJ	varies	2.1930	$/GJ	31-Oct-31	5
34	Union Gas Dawn to Parkway		190,000	GJ	varies	2.1930	$/GJ	31-Oct-32	7

notes:
(1) - Effective November 1, 2017 GJs will be converted from LH to SH
(2) - Effective November 1, 2017 34,377 GJs will be converted from LH to SH
(3) - Contract terminates the earlier of October 31, 2017 and the inservice date of contract described at Line 15 above
(4) - This is a two year assignment effective November 1, 2015 to October 31, 2017
(5) - Contract is effective November 1, 2016
(6) - EGD is in the process of finalizing a 11 month supply arrangement for supply at Chicago that incorporates an eleven month assignment of Alliance capacity
(7) - Contract is effective November 1, 2017

				Effective Date	Expiry Date
	Pending Contracts to meet Peak Day in 2016				
34	Peaking Service - EDA	20,469	varies	1-Dec-15	31-Mar-16

Witnesses: J. LeBlanc
A. Welburn

UNDERTAKING JT2.4

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Enbridge to provide the terms of the restructuring proposal, to allow them to align the Vector contract with the NEXUS Contract.

RESPONSE

The terms of the restructuring proposal are outlined in a letter from Vector Pipeline dated May 7, 2015. This letter is provided in the attachment to this response.

Witnesses: J. LeBlanc
A. Welburn

For Discussion Purposes Only

Vector Pipeline™
Matt Malinowski
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Livonia, MI 48152
(734) 462-0236
matt.malinowski@vector-pipeline.com

May 7, 2015

Via email

Mr. Jamie LeBlanc
Enbridge Gas Distribution Inc.
500 Consumers Road
North York, ON M2J 1P8

Subject: Restructuring of Negotiated Rate Firm Transportation Contracts FT1-EGD-0009, FT1-EGD-C0009, FT1-EGD-0010 and FT1-EGD-C0010 – Revision to Letter of April 29, 2015

Jamie:

In support of Enbridge Gas Distribution's (EGD) position on the proposed Nexus Pipeline Project, Vector has prepared for your consideration a restructuring and extension of the current transportation service EGD has on Vector. EGD currently flows 175,000 Dth per day on Vector between Joliet and Dawn under two separate contracts (79,000 Dth per day and 96,000 Dth per day). This proposal would change these two contracts into three separate contracts each with terms that provide advantages over the current structure. The main advantage is maintaining the same overall volume of transport along Vector but with a reduction in cost from the current levels. Vector will also be offering flexibility on EGD's choice of receipts points. This will allow some of the volume to be shifted to the Nexus receipt at Milford Junction, or, for a small premium, retaining the full path along Vector all the way back to Joliet. Finally, there will be a change in the expiration structure allowing a portion of the volume to match up with the term of service on Nexus and allowing the remainder to have much shorter timing (with rollover rights.) Vector is proposing the following as base contracts (Contracts #1 and #2a) with the option to exercise Contract #2b for aligning volume and term with EGD's option on the Nexus project. The specifics of this proposed restructuring are as follows:

<u>Contract #1</u>

- Capacity: 110,000 Dth per day.
- Primary Receipt: Joliet (Alliance, Northern Border, or Guardian) or Nexus (Milford)
- Primary Delivery: Union-Dawn
- Rate: $0.18 per Dth if Joliet receipt, or $0.16 per Dth if Nexus receipt (must elect one prior to in-service)
- Start Date: the later of November 1, 2017 or the in-service date of Nexus, but in any case no later than November 1, 2019.
- End Date: October 31 of the fifteenth year of service (Vector may be agreeable to an end-date aligning with a 15-year term on Nexus if required). For clarity a "year of service" is considered to be November 1 to October 31.
- In the event Nexus is not in-service by November, 2019, then flows under this contract will be Joliet receipt to Union-Dawn delivery at $0.18 per Dth. The End Date will be October 31, 2025.

Contract #2a

- Capacity: 65,000 Dth per day LESS any Capacity triggered under Contract #2b
- Primary Receipt: Joliet (Alliance, Northern Border or Guardian)
- Primary Delivery: Union-Dawn
- Rate: the lesser of $0.18 per Dth or Vector's then effective maximum tariff rate
- Start Date: same as Contract #1
- End Date: October 31 of the third year of service. For clarity, a "year of service" is considered to be November 1 to October 31.
- Rollover rights: Option to rollover for up to four additional three-year cycles, with 1 year advanced notice prior to each cycle.
- Other: During the period of January 1, 2016 to October 31, 2020, EGD will have the right to reduce up to 40,000 Dth per day under Contract #2a and elect the same quantity for Contract #2b.

Contract #2b - (Optional)

- Capacity: up to 40,000 Dth per day
- Primary Receipt: Joliet (Alliance, Northern Border or Guardian) or Nexus (Milford)
- Primary Delivery: Union-Dawn
- Rate: $0.18 per Dth if Joliet receipt, or $0.16 per Dth if Nexus receipt (must elect one prior to in-service)
- Start Date: as early as November 1, 2017 but no later than November 1, 2020.
- End Date: October 31 of the fifteenth year of service (Vector may be agreeable to an end-date aligning with a 15-year term on Nexus if required). For clarity a "year of service" is considered to be November 1 to October 31.

This proposal is valid until November 30, 2015. Should EGD find this proposal acceptable, Vector and EGD will need to enter into a precedent agreement describing the terms and conditions of Contracts #1, #2a and #2b. EGD will also need to ensure that the capacity under the current FT-1 contracts is continued under the renewal rights and not turned back to Vector (it currently is valid through November 30, 2018). Finally, these new contracts will need to be filed with the FERC, and possibly the NEB, prior to their effective dates, which will then supersede the existing negotiated rate contracts.

Please consider this proposal and review it at your convenience. I can be reached with any questions and concerns that arise. We hope to be able to reach an accord on this subject and continue our relationship for many more years.

Sincerely,

Matt Malinowski

Matt Malinowski

cc: Pete Cianci – Vector Pipeline, John Donaldson – Vector Pipeline, Malini Gridhar - EGD