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Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Ms. Walli:

**Re: Union Gas Limited (Union) – 2017 Disposition of Deferral Account Balances and 2017  
Utility Earnings  
OEB File No. EB-2018-0105  
TransCanada PipeLines Limited (TransCanada) Interrogatories**

Enclosed are the interrogatories of TransCanada PipeLines Limited. Should you have any questions, please contact the undersigned.

Yours truly,  
**TransCanada PipeLines Limited**

*Original signed by*

Matthew D. Ducharme  
Senior Legal Counsel  
Canadian Law, Natural Gas Pipelines

cc: Vanessa Innis, Union Gas Limited (electronic only)  
Crawford Smith, Torys LLP (electronic only)  
EB-2018-0105 Intervenors (electronic only)

Attachment

**IR Number:** Interrogatory #1

**Reference:**

- 1) Exhibit A, Tab 4, Page 9 of 13
- 2) Attachment 1, EB-2017-0087, Exhibit B.TCPL.4 a) and e)
- 3) Exhibit A, Tab 4, Page 10 of 13

**Preamble:** In Reference 1, Union states that NEXUS is expected to be delayed to 2018.

In Reference 2 a), Union provides a list of amendments to its NEXUS precedent agreement as part of its 2018 Rates proceeding. In e), Union states that “In all discussions [with NEXUS], a delay post November 1, 2018 has not been contemplated.”

In Reference 3, Union states that it secured 60,000 Dth/d of capacity on Vector as a NEXUS contingency for November 1, 2017 through March 31, 2018, and that “Options being evaluated for supply required after March 31, 2018 include contracting for Vector capacity, if available, or sourcing supply at Dawn.”

**Request:**

- a) Please provide and summarize any amendments to the Union-NEXUS Precedent Agreement made since August 29, 2017.
- b) Please provide the most recent expected in-service date of NEXUS provided to Union. Has Union had any discussions with NEXUS regarding a delay beyond November 1, 2018? If so, please summarize these discussions and any relevant conclusions.
- c) Please provide an update on the replacement of the Vector capacity in Reference 3. Has Union entered into any new upstream arrangements since the filing of the Application? If so, please provide details, including term and contract quantity, as well as the landed cost analysis and reasoning behind its decision.

**IR Number:** Interrogatory #2

**Reference:** 1) Exhibit A, Tab 4, Appendix A, Schedule 2, Page 1 of 3

**Preamble:** In Reference 1, Union provides a Panhandle 2017-2022 landed cost analysis. The gas supply price information source is “ICF Q4 2016 Base Case”. Union specifies the date the landed cost analysis was completed as November 2016.

**Request:**

- a) Please update the Panhandle 2017-2022 landed cost analysis given the following considerations:
  - i. Does Union have access to a more recent gas supply price study from ICF or other providers? If so, please update the gas supply assumptions in Reference 1. If not, how often does Union procure updated gas supply price forecasts?
  - ii. Please update the foreign exchange assumption.

UNION GAS LIMITED

Answer to Interrogatory from  
TransCanada Pipelines Limited ("TCPL")

Reference: Exhibit A, Tab 3, p.30  
Attachment 1: "Enbridge Inc. Reports Third Quarter 2017 Results" –  
Enbridge.com News Release (excerpt), November 2, 2017, p.4

Preamble: In Reference 1, Union states that NEXUS is anticipated to be in-service late third quarter 2018.

In Reference 2, Enbridge Inc. states that the "[t]otal capital cost for the [NEXUS] project has been updated to US\$1.3 billion with an expected inservice date in the third quarter of 2018."

- a) Please provide the most recent version of the Union-NEXUS Precedent Agreement. Has the agreement been amended since December 17, 2015? If so, please provide a summary of the changes as well as a blackline version of the current Precedent Agreement to the version filed with the OEB in EB-2015- 0166/EB-2015-0175.
- b) Does the Precedent Agreement contain a clause or clauses allowing the Customer (Union) to cancel its commitment to NEXUS without liability, including with respect to pre-service costs, should the pipeline be delayed beyond a certain date? If so:
  - i. Please reference the clause(s), state the threshold date(s), and describe any provisions regarding notification to Union of such a delay.
- c) Please state whether Union agrees with the following statement: Although the OEB has pre-approved the costs associated with the NEXUS pipeline, this pre-approval does not preclude Union from acting in the best interests of its ratepayers by reconsidering its commitment to the NEXUS project should it have the opportunity to do so. If Union disagrees, please explain.
- d) Should at any point the Phase II NEXUS facilities not be expected to be in-service by a date provided in b), and should Union have the ability to terminate the Precedent agreement without cost liability as per b):
  - i. Will Union commit to undertaking a new upstream contracting analysis, including a landed cost analysis, prior to any extension of the estimated commencement date, to determine if more suitable alternatives exist at the time? If not, please explain why not.

- ii. Will Union commit to publicly filing any such analysis with the Ontario Energy Board?
- e) Since December 17, 2015, has Union had any discussions with NEXUS regarding the provision in b) or regarding the possibility of an in-service date occurring after the date provided in b)? If yes, please provide a summary of the discussion and any correspondence that can be shared.
- f) Please provide Union's Landed Cost Analysis as filed in response to TransCanada information request 1.1(f) in the NEB Dawn Long Term Fixed Price Service proceeding (RH-003-2017)
- g) Please update the Landed Cost Analysis from f) with the expected NEXUS toll changes as provided in TransCanada IR 3 c).
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**Response:**

- a) The Restated Precedent Agreement has been amended three times since December 17, 2015. In lieu of a blacklined version Union has provided the amendments in Attachments 2 to 5.

Union amended the following clauses to allow NEXUS an extension to receive all governmental approvals:

On May 1, 2017, the first amendment was to extend Sections 7(b)(ii) and 7(b)(iv) from May 1, 2017 to August 1, 2017 for the pipeline to receive and accept all necessary Governmental Authorizations.

On July 31, 2017, the second amendment added a sentence to Section 6 changing the Service Commencement Date to the later of April 1, 2018 or as notified by Pipeline. As well, the amendment extended Sections 7(b)(ii) and 7(b)(iv) from August 1, 2017 to September 1, 2017 for the pipeline to receive and accept all necessary Governmental Authorizations.

On August 29, 2017, the third amendment was executed to amend Sections 7(b)(ii) and 7(b)(iv) by extending the date from September 1, 2017 to December 1, 2017 for the pipeline to receive and accept all necessary Governmental Authorizations.

- b) Below are the Sections in the Precedent Agreement that could allow Union to cancel its commitment to NEXUS;
- Section 3(c) required NEXUS to provide an estimated in-service date no later than November 1, 2018 or Union could have terminated the agreement without liability,

including any pre-service costs. This condition was satisfied as NEXUS provided Union with an in-service date estimate of November 1, 2017 within the timeline permitted.

- The agreement also includes a number of conditions precedent in Section 7 that must be satisfied (or waived) by the applicable party otherwise the agreement will terminate. In addition, if the project is not in-service by October 31, 2018, Union may terminate the agreement without liability. However, under Section 9(a), Union and NEXUS must have first tried to continue the agreement in good faith.
  - Section 10 of the Restated Precedent Agreement allows either party to terminate the agreement due to the occurrence and continuation of a material breach by the other party. NEXUS has numerous contractual obligations (e.g. re design, permitting and construction of pipeline facilities) which, if not fulfilled, could lead to delays in project schedule beyond November 1, 2018. Upon such material breach, Union can terminate the agreement.
- c) Union is acting in the best interest of its ratepayers through its continued support of the NEXUS Pipeline Project. The NEXUS project is expected to be in-service in Q3 2018 which will provide Ontario customers further access to growing and cost competitive Appalachian supply. Natural gas sourced through NEXUS provides sales service customers increased security of supply through diversification at competitive energy prices. The NEXUS pipeline will also create further supply competition and opportunities at Dawn when completed. NEXUS pipeline capacity remains a prudent natural gas supply solution for Ontario sales service customers.
- d) Union will not commit to undertaking a new upstream contracting analysis, including a landed cost analysis, prior to any extension of the estimated commencement date. Union will evaluate each situation as it arises including the circumstances and expected length of the delay. At this time, Union does not anticipate a significant delay in the NEXUS in-service date. Union will continue to monitor the expected in-service date and, if required, will evaluate alternatives to ensure that the gas supply needs of sales service customers are met.
- e) Union has had ongoing discussions with NEXUS pipeline. Discussions on the project in-service timing have all related to the delay in NEXUS receiving their FERC approval and the amount of time it will take NEXUS to construct the pipeline given the delay in regulatory approvals. In all discussions, a delay post November 1, 2018 has not been contemplated.
- f) and g) The landed cost analysis filed in RH-003-2017 included the toll at the expected rate and also the toll inflated to include the maximum 15% capital cost tracking adjustment. Please see Attachment 6 for a copy of the landed cost analysis.