ONTARIO ENERGY BOARD

FILE NO.: **EB-2012-0433**
EB 2012-0451
EB-2013-0074

VOLUME: **Technical Conference**

DATE: **September 13, 2013**

EB-2012-0433
EB-2012-0451
EB-2013-0074

THE ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for: an order or orders granting leave to construct a natural gas pipeline and ancillary facilities in the Town of Milton, City of Markham, Town of Richmond Hill, City of Brampton, City of Toronto, City of Vaughan and the Region of Halton, the Region of Peel and the Region of York; and an order or orders approving the methodology to establish a rate for transportation services for TransCanada Pipelines Limited;

AND IN THE MATTER OF an application by Union Gas Limited for: an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Parkway West site; an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Town of Milton; an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Brantford-Kirkwall/Parkway D Compressor Station project; an Order or Orders for preapproval of the cost consequences of two long term short haul transportation contracts; and an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the City of Cambridge and City of Hamilton.

Technical Conference held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Friday, September 13th, 2013,
commencing at 9:03 a.m.

TECHNICAL CONFERENCE

A P P E A R A N C E S

MICHAEL MILLAR	Board Counsel
COLIN SCHUCH PASCALE DUGAY KHALIL VIRANEY JOSH WASYLYK	Board Staff
FRED CASS SCOTT STOLL EDITH CHIN	Enbridge Gas Distribution Ltd.
CRAWFORD SMITH MARK KITCHEN KAREN HOCKIN	Union Gas
JOHN WOLNIK JOHN BEAUCHAMP	Association of Power Producers of Ontario (APPrO)
TOM BRETT	Building Owners and Managers Association (BOMA)
JULIE GIRVAN MARK GARNER	Consumers Council of Canada (CCC)
STEVEN SHRYBMAN	Council of Canadians
VINCE DeROSE	Canadian Manufacturers & Exporters (CME)
ROGER HIGGIN	Energy Probe Research Foundation
KENT ELSON JACK GIBBONS	Environmental Defence
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
DAVE RHEAUME AUDRY BAZINET	Gaz Métropolitain
DAVID POCH	Green Energy Coalition (GEC)

A P P E A R A N C E S

MARK CRANE	Industrial Gas Users' Association (IGUA)
RANDY AIKEN	London Property Management Association (LPMA)
ROGER BEAMAN	Markham Gateway
JAMES SIDLOFSKY	Metrolinx
MARK RUBENSTEIN	School Energy Coalition (SEC)
GORDON CAMERON	TransCanada Pipeline Ltd.
JAMES WIGHTMAN	Vulnerable Energy Consumers' Coalition (VECC)

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Friday, September 13, 2013

--- On commencing 9:03 a.m.

MR. MILLAR: Good morning, everyone. I think we'll get started.

Welcome. This is the technical conference in EB-2012-0451, 2012-0433, and EB-2013-0074. We have convened this technical conference largely to discuss a confidential document, and then I understand there are some questions, which we'll save til the end, relating to Enbridge's evidentiary updates.

We're going to go in camera to deal with the confidential document, which I think will take most of our time today. Before we do that, this will not be -- this will be transcribed, but it will be confidential, at least for now, until the Board makes a final determination. We are not broadcasting live. And I ask all parties here to confirm that they have either signed the undertaking or they are a member of Board Staff or the court-reporting team or they work for one of the companies.

Is there anyone here who does not fall into one of those categories?

Okay. Seeing no one, we can proceed.

--- On commencing in camera at 9:04 a.m.

MR. MILLAR: I don't have anything by way of preliminaries. I'll turn it over to Mr. Smith and Mr. Cass, who I think will introduce their panel, and Mr. Smith may have a brief opening remark as well.

ENBRIDGE GAS, UNION GAS, GMI, TCPL – JOINT PANEL

Malini Giridhar

Mark Isherwood

Patrick Cabana

Don Bell

MR. SMITH: Thank you, Michael. Just by way of introduction, we have a panel. It's not so much my panel, it's a joint panel. We have Malini Giridhar from Enbridge, Mark Isherwood from Union, Patrick Cabana from GMI, and Don Bell is with us from TransCanada.

The purpose of the panel, obviously, is to discuss the minutes of settlement that were filed on, I guess they were filed or provided on Wednesday.

I did want to make an initial observation, having regard to some of the questions, but also in thinking about what we're here for.

Certainly from Union's perspective, and I believe this to be true for Enbridge, the minutes of settlement or the settlement terms sheet, while it removes uncertainty, does not vary the nature of the relief that Union is seeking in respect of the Parkway West or Brantford-Kirkwall applications.

I can't stress enough that there are not further approvals that are being sought from the OEB as a result of the terms sheet. The approvals that are being sought are those and continue to be those reflected in Union's pre-filed position.

The settlement terms sheet itself, of course, while binding, remains to be reduced to a binding settlement agreement, which will then be put forward to the National Energy Board, which will be asked to approve it, of course, given the NEB's jurisdiction.

So that, I think, is an important context and framework for people to bear in mind, having regard to the applications. But subject to that, I thought, Michael, the way in which we would proceed would follow the terms sheet, and it, I think, would be helpful to the intelligibility of the transcript if we took people's questions by topic, exhausted the questions on a particular topic, and then moved to the next topic. And I thought the way in which we would do that would be to simply follow the headings outlined in the terms sheet itself as a guide.

So we appreciate some people were able to provide us with questions in advance, and we thank those people for doing so. So to the extent they can organize their questions if they're not already organized this way in the order of the terms sheet.

MR. MILLAR: I think that's a good idea.

Mr. Cass, did you have anything further?

MR. CASS: No, I concur with everything that Crawford -- has been said. For clarity, the notion that is being put forward is that in a particular subject area each party would ask its questions in that subject area, then we would move to the next subject area.

MR. SMITH: Yes.

MR. MILLAR: Okay. Well, why don't we proceed in that fashion. We haven't taken an order, but I'll just rely on people to raise their hands if they have questions on any particular heading. And I guess we'll start at the beginning with the high-level principles. Who would care to go first on that?

MS. GIRIDHAR: I will.

MR. CABANA: No, no. Wait for the question.

MR. MILLAR: Any volunteers? Yes, Mr. Higgin?

DR. HIGGIN: Excuse me. Roger Higgin for --

MR. ISHERWOOD: Should we first do a little brief introduction on each section, just for clarity, or just go right to questions? What's your preference?

MR. MILLAR: No, that's a good idea.

PRESENTATION BY MR. CABANA:

MR. CABANA: Okay. If I may, I'm just going to take five minutes of your time, but -- okay. Patrick Cabana. If I may, I'm just going to take five minutes of your time to just explain the benefit and why we believe that that settlement sheet is the best thing that could have happened to all our industry at this point.

There's no doubt in our head that we're in an unprecedented situation at this point. Most of my colleagues depict the actual situation as total madness at this point.

Why is this so? Probably because there's so many unanswered question at this point. It creates so many uncertainties in the market at this point. We need to remember that our first mission is to make sure to serve our customers and make sure that we secure the supply for them. And right now our mission is to make sure to clean the slate and make sure that everything goes very smooth in the future.

An example of this question right now that are difficult to assess: How do we reconciliate (sic) the fact that TCPL has no right -- no obligation to serve its customers, while we as LDC know that we have that obligation? How do we reconciliate the fact that LDCs needs to have the right to supply where they won't, and TCPL at the same time needs to have the right to a fair opportunity to recuperate their costs.

We can battle in different ways for years, try to settle these questions. The thing is, at this point we need to find answers, and that's what we're proposing with that settlement terms sheet.

And I would just like to give you a good example of that. We receive at Gaz Métro questions every week, and I receive calls personally from the Quebec government, from one of the customers that would become probably the most important customers of Gaz Métro in the coming years.

They need to secure capacity. But right now they are unable in the situation we're in to access capacity at a fair price. It's a question of months because, before that customers, if we don't find a suitable solution for all our industry before they just pull the plug and say, We'll invest elsewhere.

We cannot afford to continue to debate on all these matters. We need to find a common solution, and we believe we have the solution here, right here.

So we'll go through all the section one by one, and feel free to ask your question. Thanks.

MR. SMITH: Maybe what we should do, just for structure, is have questions now on the high-level principles, and then we can turn to the next section of the agreement.

MR. MILLAR: Mr. Higgin, would you like to go?

QUESTIONS BY DR. HIGGIN:

DR. HIGGIN: Yes. Roger Higgin for Energy Probe, and also I'm representing, giving some questions, on behalf of Randy Aiken for LPMA, and also for James Wightman on behalf of VECC.

So this question is on our list of written questions. It's number 4. And it speaks to the bulletin number 6, under the principles, if you read the bullet.

And this refers to statements made yesterday, and we are trying to clarify from TCPL some questions here about its participation in the forward aspects of this hearing.

And my first question is:

> "In withdrawing as an intervenor..."

That was yesterday's statement.

> "...in the three applications, does TCPL also withdraw all of its evidence, IR responses and IRs posed to Union, EGD and GMI? If not the case, indicate which of these remains."

MR. CAMERON: Roger, that's a legal question. You mind if I take the answer?

DR. HIGGIN: Yes.

MR. CAMERON: I don't know if we can or need to withdraw the evidence that has been filed -- it's on the record of this proceeding -- but we won't be presenting a witness panel to speak to it.

So I don't think that it has -- it won't be adopted by anyone, so it won't be evidence in the normal sense that the Energy Board receives it. Does that help you?

DR. HIGGIN: Well, just -- my term would be the weight that it should then bear.

MR. CAMERON: I think that's a good term that a lawyer would use as well, and the answer would be zero.

DR. HIGGIN: Thank you. Now, just turning to your letter ––

MR. DeROSE: Sorry, Roger, sorry. It's Vince DeRose here. Just on that one point, I'd like to just put on the record that we may be referring to some of the answers to TCPL IRs in the course of this hearing, and we may also put some questions to the various panels arising out of some of the TCPL evidence.

So if counsel for either applicant has an issue with that, that's just a heads-up that we may be -- whether there's any weight to be put on the TCPL evidence or not, we may be referring to TCPL IRs or evidence to put questions to the panels that are coming up.

MR. POCH: And just in the same vein for GEC, we certainly have questions arising from the TCPL evidence, both for the applicants and for TCPL.

I had assumed that TCPL will be present on the joint panel and we'll have an opportunity put those questions to TCPL, and I would have expected that they would be in a position to answer questions on their prefiled evidence and supplementary evidence.

And we would like clarification for that, to know whether we have to deal with this in front of the Board.

MR. CAMERON: Well, it's actually a good discussion to have now so that we at least find out, exactly as you say, whether there's an issue there.

That evidence was prepared with a view to being spoken to by five and possibly six witnesses with specialized knowledge of the various topics that were covered by the evidence. That's not going to happen.

And so the witness that will be appearing on the joint panel will be appearing to speak to the topic of the joint panel, which is the impact of the settlement on the applications before the Ontario Energy Board in these proceedings.

MR. POCH: All right. Well, just a heads-up that we're going to ponder this but we may be asking the Board to invite TCPL to put those witnesses on the stand. Obviously, this -- TCPL's evidence, particularly its supplementary material, goes to the heart of the issues before this panel, the value of the GTA project as a whole from a broad perspective.

Certainly GEC, and I imagine other parties, were relying on that evidence being available. It sort of informs the fundamental questions before this Board, and I think it's in the public interest that the Board have that perspective from people who are in the best position, get the best evidence they can on that.

So that will be -- I expect that will be my position on Monday before the Board.

MR. CAMERON: I hear what you're saying, but remember, all of the numbers have changed. All of the -- for want of a better term -- hydraulics have changed. That evidence just was about a different scenario.

MR. POCH: I understand.

MR. BRETT: I just want to add, if I may, Roger, briefly, and I think I would echo what Vince said, we would certainly -- we're not, for ourselves, asking TransCanada witnesses -- the witness on the panel, I think, questions other than the questions that he's there to answer, but we would be referring to TransCanada evidence in cross-examination. We would be putting -- plan to put material that appears in TransCanada's evidence to panel members, and asking for their comments on it, for example.

MR. CAMERON: Fair enough.

MR. BRETT: I wouldn't expect anybody to object to that but, you know, if anybody can -- if parties can advise us, that, we intend to do.

MR. CAMERON: That will be for the applicants' counsel to deal with at the time.

MR. SHRYBMAN: Can I comment on this as well?

We have questions for TCPL. I'm not sure how it might be possible to ask them, but in putting interrogatories to TCPL with respect to the implications of these applications for security of supply, along the mainland – Mainline, TCPL had a very different view than the applicants. And it's not at all clear to me, and I certainly don't understand how this new arrangement affects TCPL's answers that, indeed, security of supply was being put at risk in consequence of these applications.

So I very much would like to have its answer to that question. And that would mean having a witness from TCPL appear before the Board to answer that question or questions of that type.

Gordon, do you have -- or are you consulting? I'm sorry, I can't see you.

MR. CAMERON: I'll just say again that the purpose of the witness appearing, which was actually an attempt to be helpful to the Board in light of the fact that we no longer support the evidence that was filed, the purpose of that witness appearing was to explain from TransCanada's perspective the relevance of the settlement to the applications that are before the Board.

MR. SHRYBMAN: And so, I mean, are you saying that that would include offering answers to the type of question that I've just described?

MR. CAMERON: I'm not sure I understood the question, but...

For example, if the question were: Does this settlement improve or detract from the LDCs' security of supply, that's probably a question better answered by the LDCs at this point. But TransCanada's perspective on it, from the point of view of the impact of the settlement, might be a fair question.

But I'm not sure the witness would have the expertise to answer that question.

MR. SHRYBMAN: Well, we may be in some difficulty, then. I mean, my questions were, if you look at the IRs, I mean, they're quite specific, and there's a clear difference of opinion between TCPL and the applicants with respect to the implications of the project.

The responses I received was that -- were that indeed project would put at risk security of supply on the Mainline, and I think that's an issue entirely within wheelhouse of this panel in these proceedings, and it would be helpful to have a full explanation of why, you know, the term sheet -- or whether the term sheet addresses the concern that TCPL expressed in responding to our questions.

MR. BELL: Maybe I'll take that one. With respect to security of supply, the term sheet does require that the LDCs continue to hold some long-haul capacity. So that's the issue of the security of supply. They have multiple points; they still have access to that supply source.

So I'd say that the term sheet complies with what we were referring to in terms of security of supply.

MR. SHRYBMAN: Okay. And I'll have an opportunity to ask those questions of you or somebody else from TCPL during the proceeding?

MR. SMITH: I have some reservations -- my mic's on.

I mean, I have some reservation about a blanket request to answer an uncertain question in the future. I mean, you've just received an answer from Mr. Bell.

I mean, to the extent your question is, you know, did these minutes of settlement, the terms sheet relative to these applications, do they improve security of supply, I think that that's probably an appropriate question as it engages these applications.

But beyond that, I think it's very difficult to say in advance of a question actually being put in cross-examination what your blanket position is.

I mean, I appreciate the caution from Mr. DeRose and Mr. Brett with respect to putting documents to the witnesses in cross-examination. That doesn't surprise me to hear that. You know, and of course we'll have to take the questions as they go. But I'm not surprised that documents will be put to the witnesses in cross-examination any more than any other document would be put to the witness in cross-examination. I'm not sure I can be more helpful than that at this stage.

MR. SHRYBMAN: Well, I mean, the questions I have are clearly put in the interrogatories, so you can have a look at them if you want to understand what the questions are.

And I do have your answer, or Union Gas's answer, but what is also of interest to me is the way in which TCPL answered the same questions.

MR. CAMERON: Right. But Steven, that particular question is a good example of how things have changed, because when TransCanada filed its supplementary evidence it was facing the possibility of a 100 percent bypass for the two Ontario LDCs. And now under the terms sheet, at least, there is an obligation on the part of the three LDCs to take at least 13 percent of their gas from the Mainline. So it's a whole new world.

MR. POCH: Gordon, let's not overstate things, just for the record. We've already heard how a bunch of load is captive to the TCPL system. Union's northern loads have to be on the TCPL system. They had to be when TCPL filed its supplementary evidence. They still have to be. That hasn't changed.

I don't know how that relates to 13 percent. Maybe that covers it, maybe it doesn't. But I'm just saying I just don't want statements like that going on the record as fact.

I should just interject to say I'm not satisfied, from what I've just heard, that TCPL's witness, as you are suggesting, is going to be in a position to answer our questions. So I'm giving you notice that I will expect on Monday to ask the Board to rule on the need for TCPL's witnesses to appear, and if TCPL's not prepared to do so on a voluntary basis, I expect that I will be asking the Board for a subpoena.

MR. CAMERON: Okay.

MR. SHRYBMAN: And just if I can, Gordon, just respond to your response, I mean, you can't give me an answer, which I surmise would be your answer to the questions I'm asking, but you're not a witness, and I --

MR. CAMERON: I'm just saying what Don said.

MR. SHRYBMAN: Yes, well, I wanted to be able to put these questions to a witness who's prepared to answer them.

MR. MILLAR: I think we have the parties' positions on whether or not a witness is required, and if -- maybe you can take it offline on a break or something and see if there's a resolution. Otherwise it will have to be dealt with by the Board on Monday or some later date.

Mr. Higgin, would you like to continue?

DR. HIGGIN: Thank you.

[Laughter]

Sorry I raised such a storm here.

My second question in preparing this one -- I'll read it -- will TCPL file a letter to indicate to the OEB its withdrawal and its support for the three applications in accordance with the settlement terms sheet and this bullet?

Now, I'm quite aware, as everyone is, of their prior letter. And to my mind, that letter does not answer these questions as to how, procedurally, TCPL will participate in this hearing, which is the topic of this -- these questions.

One option -- and, you know, I shouldn't even really suggest this, Gord -- is to withdraw the evidence formally, by letter. And so there are other ways you could proceed to address some of these issues.

MR. DeROSE: Can I just, before we get into it --

we've just had a debate, and David Poch has just said that he's going to, if he has to, bring a motion to subpoena the witness.

I think suggesting withdrawing the evidence, I assume that David will do the same thing. I hate to jump in and take away Gord's thunder, but it just seems to me that this is --

DR. HIGGIN: I think this is a very legitimate question, and you should let me put it. And let's get the answer. Thank you.

MR. CAMERON: Roger, is your point that saying that we're not presenting a witness panel is different than saying we're withdrawing our evidence?

DR. HIGGIN: No, it's broader. I'm just trying to clarify TCPL's participation in the going-forward hearing and what that will be. I'm trying to clarify. That includes the witness and includes the status of your evidence and everything else. I'm just trying to clarify that. And I think the Board would like, and certainly as intervenor we would like, to clarify that.

MR. CAMERON: Until the evidence is adopted by witnesses, it's just a filing with the Board, it's not evidence. So I'm not sure what more I can say than that TransCanada's continued participation in this hearing is for the purpose of supporting the settlement agreement and the projects applied for, for the reasons described in the settlement agreement.

DR. HIGGIN: Thank you. That's the question.

I don't need to ask my last two questions, since they've been covered. That was TCPL's position as a member of the joint witness panel. You've already answered that. So that's my question. Thank you very much.

MR. MILLAR: Who would like to go next? Any more questions on this topic?

QUESTIONS BY MR. DEROSE:

MR. DeROSE: I have two small questions, and it's perhaps -- I have a couple of questions about some of the overall benefit impacts or rate impacts, and I think that these could be addressed either under the high-level principles, under the rate of return in sharing, or under the contribution provisions.

Crawford or Fred, do you have a preference what sections they go under?

MR. SMITH: Why don't you just go ahead now, Vince.

MR. DeROSE: Okay. First of all, in terms of the transitional -- well, let me start with TCPL's evidence. TCPL in its supplementary evidence indicated that its revenues would decline by approximately -- and this was under the scenario that Enbridge and GMI were going build the, what's referred to as the bypass, that their revenues would reduce by about $450 million per year. This is their long-haul revenue. It would be supplemented by incremental short-haul revenue of about $55 million, for about a $400 million-a-year revenue-requirement reduction, and that that would then be captured by the toll stabilization account, or the TSA.

First of all, as I understand it, the terms sheet, if approved, and the terms sheet which will then be created into a settlement agreement, which would then be put to the NEB, if it is accepted by the NEB, the toll stabilization account would either no longer exist or the costs associated with any losses in Eastern Canada would not go into the TSA. Is that correct?

MR. ISHERWOOD: This framework actually replaces the existing framework, so the TSA would disappear.

MR. DeROSE: Okay. And so in TransCanada's supplemental evidence they have identified about a $400 million-a-year revenue reduction. The terms sheet provides for increased short-haul tolls and a bridging contribution.

Does the bridging contribution and increased tolls come -- is the goal that those should equal approximately $400 million per year?

MS. GIRIDHAR: So I think, as we will probably repeat several times over today, what we have here in the term sheet is an agreement in principle, and that we'll be working through the tolling impacts and the settlement agreement language over the coming weeks.

I don't believe you can have a direct comparison to the numbers you saw in TransCanada's supplemental evidence. The bridging contribution will be a function of a number of things.

It will be a function of the revenue requirement going forward; it will be a function of other revenues that

TransCanada will receive on its system. It would be a comprehensive look at how the bridging contribution should be derived. It will reflect, for instance, the depreciation of the Northern Ontario Line by 2020, the six-year period.

So we're not in a position to directly compare what the bridging contribution will recover relative to any numbers that might have been put forward in the supplemental evidence.

MR. DeROSE: So in terms of the -- are you not in a position to even provide a back-of-the-envelope approximation of what the cost is going to be?

MS. GIRIDHAR: Because the -- my understanding is that what was provided was a purely incremental calculation that was not with reference to the overall revenue requirement and the other revenues that would be realized by TransCanada on its system.

The bridging contribution will take a cost of service approach, to ensure that TransCanada recovers its costs as a result of providing market access in a structured fashion over time. They're inherently two very different ways of looking at things.

And cost of service toll-making is not an incremental approach to toll-making. It's an all-in approach that takes into account all the different factors that result in tolls.

MR. DeROSE: Okay. And those calculations have not been undertaken as of today?

MS. GIRIDHAR: That is correct. They have not been done.

MR. DeROSE: Okay. The other question, and this is for Union, in your IR, Board Staff No. 1 -- I don't think you have to turn it up; you'll know the numbers -- it's page 10 of 16. You had set out that the gas savings estimates were between 15 and 18 million; correct?

MR. ISHERWOOD: Correct.

MR. DeROSE: I happened understood that that was based with the assumption of existing short-haul tolls; is that correct?

MR. ISHERWOOD: Yeah, I think we put an IR – an interrogatory at one point in time that the final number on the compliance tolls, I think, is 15.4 million. It's a different IR, but it's in the -- it's the same range.

MR. DeROSE: Fair enough. And again, it was my understanding that if that was calculated using the short-haul tolls that had been included in TCPL's last open season -- so this was the short-haul tolls at -- at FT tolls. This was the --

MR. ISHERWOOD: Yeah.

MR. DeROSE: -- the really large number, that that would go down to approximately zero. Was that your understanding, that the benefits would --

MR. ISHERWOOD: Sorry, I was reading this and listening at the same time. I apologize.

MR. DeROSE: Sorry. That if instead of using the compliance short-haul tolls, you used the tolls that had been included in TCPL's open season, so this was the --

MR. ISHERWOOD: Oh, I see.

MR. DeROSE: -- the FT tolls instead of the compliance short-haul tolls.

MR. ISHERWOOD: It would not have gone to zero; it would have gone to negative, because you add on top of that the Dawn price of gas, which is always higher than the Alberta price of gas. So it would have been a negative outcome.

MR. DeROSE: Okay. And under the term sheet, as I understand it, the short-haul tolls will be higher than the existing compliance short-haul tolls, but no more than 50 percent of FT tolls; is that correct?

MR. ISHERWOOD: No. I think the 50 percent is relative to the compliance tolls, and the 50 percent is really only a target. It's the objective to trying to get there. I can't say with certainty today we'll get to 50 percent. We're going to try to get to 50 percent.

MR. DeROSE: Sorry, so it could be higher than 50 percent?

MR. ISHERWOOD: As it reads in the agreement, it's an objective of all parties to try and get the EOT, the short-haul tolls, to 50 percent or lower.

MR. DeROSE: Of the compliance tolls?

MR. ISHERWOOD: Of the compliance tolls.

MR. CABANA: May I add something? The settlement -- I think we must be mindful of the fact that we said that the short-haul toll will increase but that the long-haul toll will increase also.

So the differential between long-haul and short-haul will remain. So at the end, when we identify what are the benefits of moving, these benefits will last in the future.

I concur with Malini that we cannot say at this point that -- exactly that 400 will remain, because all the assumptions, like we said, have changed since then, and on our side we haven't verified exactly what were the assumptions used at the time by TCPL.

But the fact is that the benefit related to moving from long-haul to short-haul will remain. It was the essence of that deal also.

MR. DeROSE: Okay.

MR. ISHERWOOD: And that really shows up on the second bullet point at the top of page 5. That's that principles. It shows up there.

MR. DeROSE: Okay. Well, here's, I guess, where -- what I'd like is -- you have calculated these 15 to $18 million gas savings. This was the IR No. 1 that we've talked about. There were certain assumptions that you baked into that calculation in terms of the cost of short-haul tolls.

Are you even in a position today to be able to make assumptions about what the bridging contribution would be and what the reasonable expectations of the tolls would be, to be able to recalculate that 15 to $18 million range?

MR. ISHERWOOD: Not at all. We're just entering into the whole discussion of the financial side in terms of tolling what the tolls would be.

MR. SMITH: Sorry, I just want to make sure that it's clear. Vince, are you asking whether or not the 15 to $18 million number will be the same? Because I believe -- if that's the direct question, I think that that's the question. Maybe I can just put it to the panel.

Will the 15 to $18 million number be the same or different?

MR. ISHERWOOD: And as I mentioned yesterday, that paragraph that that's pointed to is really consistent with all the volumes in the Eastern Ontario Triangle. So we do expect the differential between long-haul and short-haul to be the same. That's really the principle that's covered off in that one paragraph.

I did mention yesterday that, for Union only, there's volumes also in the northern Ontario section, Northern Ontario Line section, where that principle is not exactly kept whole but it would still be a pretty close comparison in terms of the differential between long-haul and short-haul.

MR. SMITH: And if that's the same, what does that mean for the gas cost savings?

MR. ISHERWOOD: The gas cost savings we would expect to be the same.

MR. DeROSE: But the gas costs themselves, the landed gas costs, would go up pursuant to this term compared to your previous scenario?

MR. ISHERWOOD: Long-haul and short-haul both go up by the same amount.

MR. DeROSE: Okay. And you don't know how much they would go up pursuant to this agreement today?

MR. ISHERWOOD: No, we don't.

MR. DeROSE: And are you able to provide any type of estimate? I mean, are we talking one percent, 10 percent, 50 percent?

MR. ISHERWOOD: The objective is to keep it to 50 percent or less on the short-haul path.

MR. BELL: One of the things that's difficult for us to do. We understand what our cost of service is on the Northern Ontario Line and the Prairies line. We know that. We know what the cost of service requirements today are on the Eastern Triangle. We know that.

What we don't know is how much in total of the long-haul is going to shift to short-haul. What we don't know is when we have our open season in 2016, how much long-haul is going to be contracted -- or how much short-haul is going to be contracted, how much long-haul is going to be dropped. And we don't know what those facilities costs are going to be.

So we're kind of working our way through all of those parameters now as part of the requirement of the term sheet that we come up with definitive tolls. And so to put out a number now on the table would just be pulling a number out of the air.

MR. DeROSE: Okay. And is the point in time where you're going able to do those calculations -- and I recognize that there will be assumptions built into them, but is it when the negotiation finalizes a settlement agreement that you will be able to then provide reasonable estimates? Or will there still be pieces of information missing at that time?

MR. BELL: Well, our target is to have the definitive agreement signed by the first part of October. And we haven't talk through this as a group, so you guys jump in if you have a different opinion.

But a key parameter is going to be what happens in this open season for 2016. And we're working our way through that. We want to have an open season as soon as possible. But our tariff requires that we run it for a certain period of time. We have to get PAs signed.

So the reality of actually having definitive commitments for 2016 capacity would be very -- would probably be sometime in the October time frame at the earliest.

MR. DeROSE: Right. But I take it that when you do your open season, once you have the definitive agreement, you would at that point be able to put -- you would be able to identify what the tolls or the range of the tolls would be.

MR. BELL: That's -- I think that's fair.

MR. DeROSE: Okay. Thank you.

MR. CABANA: If I may just add that, even if we don't have at this point, what will be an absolute -- the absolute landed cost, what we know is that the differential between short-haul and long-haul will remain.

So with all due respect, what it means is that at this point is, does it mean that I will have to go back to the Régie and say that the decision that was made is not the best one and we don't believe that the decision still needs to be followed? No, the way it was set within that settlement makes sure that the economics will remain in the future.

So even if you're using short-haul will increase the cost by 30 cents, let's just say. Long-haul path will also increase by 30 cents. So when you compare, you need to look at your options and say, What's the best option?

And I just would like to highlight also the fact that it's not only a question of cost. A cost will remain saving, but it's also a question of security of supply.

MR. QUINN: Vince, would you mind if I do a follow-up on that?

MR. DeROSE: No, that -- sorry, those were all my questions at this point.

QUESTIONS BY MR. QUINN:

MR. QUINN: Okay. I'd like to follow up, if I may. I understand your answer is transportation costs will go up the same amount, short-haul/long-haul.

[Reporter appeals]

MR. QUINN: Sorry. No, no problem at all. Dwayne Quinn, on behalf of FRPO.

I understand your answer, paraphrasing it, is that transportation costs will go up the same amount long-haul and short-haul. However, would you not agree that the market will evolve as a result of this deal and the cost of gas and the basis differential will likely change from the numbers that were originally put in the calculation?

MR. CABANA: I would say to that -- Patrick. Okay. Patrick. I would say that -- I can certainly say that it will evolve. It's always evolve. As soon as we put forward some figures in front of us, we know that the day after, you know, something might change. But we need to make decision. That's the difficulties of what we have to do.

And on our side -- I can speak for Gaz Métro and the discussion we had on our side -- we were all collectively convinced that the move was the thing to do, not only for cost saving but also for securing our supply.

It will always make more sense in our head, I would say, to supply closer to your market in all option going forward.

We concluded on our side that for sure everything evolved. But it cannot be seen as an excuse to say we won't move and just rely on what's the reality now. We need to move forward.

MR. QUINN: Respectfully said, I understand that you need to make decisions. At the same time, this Board panel needs to make a decision: Is this project in the public interest? You put forward a collaborative approach, and we're encouraged by that. At the same time, we need some confidence in the numbers as to what the ratepayer impact will be. And I emphasize ratepayer impact, not just transportation cost differential.

So what we would be seeking is to have an understanding and some confidence that these decisions aren't made in a vacuum and the additional calculations are presented. One of the questions we asked last night is, who's going to do the calculation and how will it be tested? I presume that those calculations will be tested here before you're asking this panel to confirm or approve your project; is that not correct?

MR. SMITH: No, that's not correct.

MS. GIRIDHAR: If I could just respond. That is not correct. So these are facilities applications that we're talking about here. Sorry, I should say Malini Giridhar from Enbridge.

These are facilities applications that we're talking about here. The settlement terms sheet has been brought to you for information purposes. The relevance of the settlement terms sheet is that it removes uncertainty with respect to how market access is going to be provided downstream of the facilities.

I'd just like to bring you back to the comments we made yesterday. Gaz Métro has a mandate from its regulator to shift to short-haul. They will be seeking market access.

On the other hand, all of us here at the table -- well, the three eastern LDCs here at the table receive service off the Eastern Ontario Triangle. The health of our franchises today and going forward depends on a viable solution for the Eastern Ontario Triangle.

What the Board has to consider here is, are the facilities applications in the public interest. As to the impact on tolls, what the settlement terms sheet does is it creates the circumstances for market access on the knowledge that the market access will be required by the market.

So with due respect, I don't believe that the ultimate level of tolls on the TransCanada system is a relevant consideration for this Board for these facilities applications.

MR. QUINN: So you're saying the ratepayer impact is not a relevant consideration?

MS. GIRIDHAR: I'm not saying that. I'm saying the price of market access is what is being assured by the settlement terms sheet. What the settlement terms sheet is saying is that market access will be provided on an open and non-discriminatory basis, not just to the ones seeking it first, not just to the ones who have historically had it, not just to the ones that have geographical advantages that permit them to have them. It will be provided on a non-discriminatory and open basis to everybody. And as a consequence there is a price to be paid by everybody to secure their market access.

If you look at that settlement terms sheet, one of the other clauses further down actually points to what are the relative impacts. The cost of segmenting the system, which is the first step we need to take in order to ensure that TransCanada will continue to add capacity on the Eastern Triangle that serves all of us is segmentation.

When you segment the system and make sure that there's full cost recovery for TransCanada, in terms of capacity, additions, and so on, we have estimated a 30 to 35 percent impact from segmentation. The remainder, which we will work to try and keep under 50 percent is the price of market access. That's 15 to 20 percent.

What we are describing here is that the LDCs and TransCanada have come to an agreement whereby market access can be provided in a certain manner, in an open and non-discriminatory manner, by containing the cost of market access to between 15 to 20 percent of the current short-haul tolls.

I believe that is the extent of the relevance of this terms sheet to the applications before the Board.

MR. QUINN: Well, I guess we'll follow up with your respective panels, but we'll be looking for some indication of cost impact, because we believe that is a relevant consideration for this Board. So we may have a difference of opinion, which we'll take up next week, I guess.

MR. POCH: Dwayne, I don't know if you're done on that general -- I had a question that's sort of general overview point, if I --

MR. CABANA: May I just add something to the question that was raised?

MR. POCH: Sure.

MR. CABANA: Like Malini said, the question has been -- the decision has been rendered for Gaz Métro and by the Régie, meaning that being completely transparent as we used to be, if the distributors in Ontario keep a lot of long-haul, and Gaz Métro and its customers all transfer to short-haul, what it means is that at the end Ontario customers will pay a bigger share than Quebec customers.

So I just want you to be mindful that on our side a decision has been made. When we made that agreement, what we said is that we want to find a proper way to share the opportunities together and to share the costs together.

So if at the end of that process -- and I'm mindful that this is a different jurisdiction, but we're trying for the public interest to make sure that we all benefit from the transition that is happening on the market.

Okay. Thank you.

QUESTIONS BY MR. POCH:

MR. POCH: I had a sort of very high-level question, so maybe it's appropriate at this point. It's David Poch for the Green Energy Coalition.

Looking at the terms sheet as a whole, correct me if I am wrong, but what it does is, if we looked at the, you know, TCPL's supplementary evidence, that was kind of a, you know, a worst-case scenario from TCPL saying: Here's all our lost revenues, and if it all gets visited on end-use customers through the TSA and the allocation of that TSA ultimately by the National Energy Board, the benefits could be offset by those lost revenues circling around and negating them.

Now, I don't want to get into a discussion today about TCPL's numbers, but it strikes me that -- and correct me if I am wrong -- that what this settlement does is say: Everybody was faced with the risk of bearing that TSA or being the last person on this system bearing all the tolls. You've taken that risk and you've in effect monetized it and allocated it amongst yourselves, amongst TCPL and the three LDCs.

First of all, is that a fair high-level synopsis?

MR. CABANA: I think it's exactly right. What we don't want to create -- we always say that it's in the public interests, and we cannot look at public interests only looking at our own territory.

So what we've tried to say is that, like I said at the start, there's a lot of unanswered questions. If one company of one franchise thinks that at the end the odds might be that they would be the loser, they will fight as (sic) hell to make sure that it's not happening. And it would last for years. And our customers, that we need to secure the supply for them and we need to give them security.

So we accept that, collectively, that it's within the public interest and all the regulated entities you see here, in the name of our customers, to have that type of deal, to get out of that -- share the opportunities and the costs. So you are exactly right.

MR. POCH: All right. And that being the case, we had a large uncertainty before, this 400 million that TCPL has spent, but again, I'm not asking you to accept their numbers today.

Can you give us a sense of how that cost of lost revenue -- if you can call it that -- is -- you expect it will fall out, in rough percentage terms, between TCPL on the one hand and the LDCs on the other in this new set-up?

MR. CABANA: Okay. What I will try to do to keep it as simple as possible is to give you some scenarios. We've looked at different scenarios.

A scenario where we keep fighting, let's take it for granted. And we as LDCs are forced to fight on all these to represent our customers, and at the end we all supply at Dawn.

That loss that will be generated, the last decision from the NEB was very clear about one thing. They said: As soon as TCPL is projecting a deferral amount higher than one-ninth of its overall rate base, they will have to file again a new rate application.

And I just want you to be mindful also that the decision from the NEB was based on cost of service. Basically, what they have said, it was very clear that that principle remain, but based on projection in terms of volumes that were different than what –- than what we you know, and we had numerous debates about that. It was different. We had different perspectives about what these volumes would be, but when they rendered their decision, they said: The cost of service remains, and we'll see after. And they say: As soon as you file another application, if you feel that that deferral will be that big, we'll have to assess first. The first question will be: Does the fundamental risks of TCPL have materialized? And we can say, and we have a -- we can have different perspectives, but our opinion is that that fundamental risk has not materialized for TCPL.

So what would be the consequences of that?

At the NEB, TCPL would be granted the right to recoup their cost, and they would to spread out over their toll overall, so that an increase at the end, we would get it.

What we don't want right now -- we're very -- we can never say a certainty, but the very high probability that at the end we would have -- the customers would have to bear all these costs, and TCPL would be granted the right to recoup their costs, including their return.

But right now what we have, we say we can fight for years or we can all convey that we all need -- it's painful for them, it's painful as an industry for all of us to have our customers not served, to lose, like I said, 15 percent of the load in Quebec because we're fighting over that.

So let's come to an agreement where we will bear these costs. And we're not paying -- when we say with that deal we're not paying more than what we will pay if the previous scenario I just depicted would happen. We would just convey to a solution to say that what could last three years could last, maybe right now, six months.

MR. POCH: Just back to my question, you've reallocated that -- you saw a serious risk that this lost revenue on TCPL's part is going to end up being visited on your customers ultimately. So you've crystallized that -- well, to some extent you've crystallize it. And I take it that you, amongst other things, you've gotten TCPL to ante up $20 million a year. And they're bearing some of it, you're bearing some of that; is that --

MR. CABANA: No. I think we must understand our view right now is that TCPL would have had -- the probability is high that they would have had the right to recoup their costs.

MR. POCH: Yes.

MR. CABANA: Meaning that that contribution was made in good faith by TCPL, to make sure that we all have -- you know, I always say that the best deal and best settlement is when there's no loser, no winner. That's what we tried to put forward in front of us right here, right now.

So when we said we're going to adjust the rate of return, we consider all -- in all aspects. Okay? And at the end, TCPL agreed to provide, you know, $120 million contribution more than the rate of return that we set and agreed on.

MR. ISHERWOOD: If I could just maybe add a bit, going back to a point that Malini had made earlier on as well, we've never really focussed on the 400 million in terms of coming to the settlement. What we're focussing on is all the inputs, all the revenues that TCPL will get, both short-haul and long-haul, including existing as well as new streams of revenue from the 2016 open season.

So the $400 million is a concept that was in an interrogatory. We're looking at this more holistic, from a point of view of all revenues and all costs and ensuring CPL has a reasonable chance to recover their costs, with an assumption around revenue.

MR. BELL: I'd just like to point out that, as a few people mentioned, that TransCanada's contributing $20 million a year for six years.

In actual fact, TransCanada's contributing much more than that. We were awarded a rate of return on equity of 11.5 percent by the NEB; we're reducing that to 10.1 percent.

We are agreeing to amortize or collect this bridging charge over a period of 16 years, which means that we have somewhere in the order of $1.2 billion between 2015 and 2020 that we need to recover.

TransCanada has made a commitment that we will immediately invest in the Kings North project. We will immediately invest capital for short-haul, in effect creating an obligation to serve. Going back to rolled-in tolls for new and existing facilities.

There's no responsibility for the costs, of the costs of the Prairies or Northern Ontario Line after 2020 by Ontario or Quebec.

And so some of the other benefits is TransCanada will not bypass Union or Enbridge; i.e., we will only use the Union and Enbridge transmission facilities in Ontario.

There's offering of a summer storage service and there's also a bringing back in a short-term firm service.

So in fact, one of the things that the Board awarded TransCanada was significant discretion to earn additional revenue. And we're going back to allowing diversions, which reduces our ability to do that. And we're also offering these other services, which essentially reduces our ability to earn discretionary revenues.

So there's a number of gives here on TransCanada's part. It's not just a matter of $120 million.

MR. POCH: You just mentioned a number of 1.2 billion in your list there. I didn't quite catch what you were referring to there.

MR. BELL: Well, in actual fact, what is happening is the recovery of this surcharge, even though the deal ends in 2020, between 2015 and 2020, that those dollars are actually recovered over a period of 16 years.

So we are actually recovering those costs over a long term. And when you're recovering costs over that term, there's risks.

MR. POCH: I'm sorry, and you estimated that those costs are? Was it 1.2 billion? I just didn't catch that.

MR. BELL: Yeah. That's an estimate of 1.2 billion.

MR. QUINN: What does the 1.2 billion refer to, sorry? Dwayne Quinn.

MR. CABANA: That's a potential surcharge risk that TransCanada has in terms of recovering those costs over a period of 16 years.

MR. CABANA: If I may help, and these are not the right figures, but it would give you a good sense.

If we say that the shortfall that would be generated by all of us moving to the same extent at the same time to share a benefit, until 2020, they could amount to $2 billion that, let's just say.

In a scenario where we go in three months with that, because we are convinced that we have the right to supply and to choose our supply, what might have happened is that TCPL asks for recuperation, and within six years they will have been allowed to recuperate $2 billion from our collective pocket and our customers.

Now what we agree in that settlement, when Don just said that they gave something, they said, We understand that it might create a big burden. So when we negotiated together, we said, Could we spread it to try to not have that burden only within six year, but we will spread it over 15 years to make sure that the increase of surcharge on that bridging contribution is not too high and that our customers don't have spike in their tolls?

MR. BELL: I guess the last thing I'd say is that TransCanada has withdrawn a 4.5-billion-dollar lawsuit.

MR. POCH: Not to worry. We're going to ask Enbridge's shareholders to pick it up, so...

[Laughter]

It wouldn't hurt any of the customers.

Thanks, that was my high-level question.

QUESTIONS BY MR. DEROSE:

MR. DeROSE: It's Vince DeRose here. Sorry, I told you that all my questions were done, but now that you've raised the $1.2 billion -- and it also comes from something, Patrick, that you said with your $2 million (sic) example.

At a conceptual level is this the combination of the short-haul tolls and a higher-than-what-they-are-now compliance tolls rate and the bridging contribution? Is it -- and I may be oversimplifying this -- if, for instance, if the cost of service to expand the Eastern Triangle or the cost of service for the Eastern Triangle is -- we'll use Patrick's example -- 2 million (sic) -- we know it's not, but if it was 2 million (sic), is the cost of service --

MR. CABANA: Two billion.

MR. DeROSE: Sorry, 2 billion. Well, that's probably a little more realistic than 2 million. Two billion. And your tolls, whatever the tolls turn out to be, the short-haul tolls, and if everyone went to short-haul and the short-haul tolls were 1 billion, under the terms sheet is the idea that the $1 billion in shortfall would be -- for the next five years would be collected through the contribution bridging?

MR. CABANA: Not exactly like that, like you said. It's maybe -- I understand what you're trying to do...

Let's just say, if we make a -- okay. The best scenario, probably like we said -- and I will speak only for -- before that. When we all contemplated some saving to move, the best scenario would be for all the others to bear the cost.

MR. DeROSE: Right.

MR. CABANA: Other distributor, TCPL, someone else. So we're all in front of our regulator, looking at compliance toll, saying, I can move. The Board has just stated that these tolls are good, and I see some opportunity.

The reality is that at the end the question we have to ask ourself is that we collectively believe that there's no way -- TCPL has the right to recuperate their cost, and at the end there's no ground for us at this point when we look at the picture to say that they would bear these costs.

So we look at each other, and we say, Okay. Don't move. I move? Are we right? The decision was rendered at the Régie in advance, so am I the first one that have the right to benefit from these savings? That's not the case. What we said collectively is that we need to share that.

So we're trying to find a way to deal and say there's some savings to shift. This saving will be much higher if I move long. If Gaz Métro move along, you're right, because your customers will bear the burden, because I will be entirely on short-haul, and you're going to remain on long-haul and pay the higher fee.

What we're trying to say is that we all need to move together to share the opportunity. And we'll share also the invoice, because TCPL is going to be afford to recuperate their cost, created by the shift to short-haul, and it's going to be spread over all of us, because we maintain -- we'll maintain approximately the same amount of long-haul, the same amount of short-haul. That's the best way to share everything together, if we want to avoid having all of us fighting, or having customers within a province suffering more than the others.

MS. GIRIDHAR: If I could just add to that, Vince.

From Enbridge's perspective, we've spent a significant part of our evidence talking about the nature of our load. So we have a highly seasonal load. And we're also the entity that has a lot of discretionary supply today, so unlike Union and Gaz Métro, that were largely formed up to meet their peak day, we have a very large portion of our peak-day demand today that is being served off of discretionary.

And under the scenario where there's no market access, we would have to contract long-haul in order to serve a need that exists for three months of the year, perhaps ten days of the year. And you're already seeing that in our 2014 and 2015 gas-costs budgets, a significant amount of unutilized demand charges.

The OEB has historically told us that if you have a seasonal demand you should be using short-haul. Use your long-haul capacity at 100 percent load factor.

Given the amount of load that needs to be firmed up now to meet peak day -- and as an LDC we have no excuse for telling our customers, I'm not going to contract to meet your peak-day requirements -- Enbridge would share a very large part of that burden that, say, Gaz Métro could completely escape, because we'd have no short-haul access for a need that is best served by short-haul.

So you really need to take the bigger perspective here. It's not just what Ontario will bear, versus Quebec. It's not just what Union Gas would bear versus EGD; it's about making sure we have a structured transition to short-haul and a result where there's equal opportunity and costs being shared by all of us. And that's what this terms sheet does.

And that's the extent of the relevance to the applications. The applications are structured to provide distribution service to the GTA and market access to downstream markets. Market access is required. These applications provide for an economical way to provide market access, through a single piece of pipe that can be upsized at low cost to meet downstream demands.

We all know and understand that the alternative of building a smaller piece of pipe and then having to lay another pipe right next to it to create the market access that Quebec has been mandated to take is going to be a more expensive option. That's the extent to which the Board needs to consider the settlement terms sheet. It removes uncertainty. It allows for an efficient build-up of facilities to meet distribution requirements and market access.

QUESTIONS BY MR. SHRYBMAN:

MR. SHRYBMAN: Can I ask a question of Patrick?

Patrick, to what extent is the opportunity you're describing synonymous with access to natural gas from shale plays in the United States?

MR. CABANA: I would say that we can have different perspective about that. On our side, for sure, the first mission we have is to secure supply. I must confess that I haven't seen all the details that have been presented here. We will present our perspective on our side.

We say that we see in the future, and we're all aware, that federal government want to produce and increase the production of shale gas in the west, so they're going to need natural gas, and natural gas might be exported.

And we know that even if it's not within the -- that deal, that we believe an Energy East will happen also. It's good for all, probably, Canadian right now.

So when we look at the, what's going to be able in terms of security as line remaining for us, we say it's only natural for us to rely on a closer infrastructure and a closer basin. That's the first step. We want to make sure that we supply closer to our market, and we believe that the availability of natural gas is going to be there also.

It's not really related to shale gas or not shale gas; it's related to natural gas as a whole. After that we say, yes, there is saving. But like we depicted first when we presented that, it was within an assumption where everyone else was bearing these costs.

So it's a reality that if everyone else bear these costs, TCPL or Union and Enbridge, the savings are going to be huge for the Quebec. But what we said is that that creates a problem. So why not try to find a right way to deal with that, to share these benefits? That's what we have here.

MR. SHRYBMAN: All right.

MR. BRETT: I have a few questions. Does anybody else -- do you mind if I go ahead now?

MR. DeROSE: Go ahead, Tom. I'm done.

QUESTIONS BY MR. BRETT:

MR. BRETT: I just have a few questions on the high-level principles. Just for context, there's a hearing that's on now at the NEB on the -- what I call it for shorthand is the renewals and diversion hearing. When do you expect a decision on that? Don, do you have a view there?

MR. BELL: I guess Gord's more...

MR. CAMERON: Yeah, we are just approaching final argument at the beginning of next week.

MR. BRETT: Right.

MR. CAMERON: The application is being processed by the National Energy Board in an expedited way, in which they try to issue their decisions promptly.

MR. BRETT: That's 10 weeks, they say?

MR. CAMERON: Yeah, they will try to get it out within 10 weeks.

MR. BRETT: So basically 10 weeks from now?

MR. CAMERON: That's about right.

MR. BRETT: And on the -- on this -- you're going to present this case, this settlement agreement, once you've completed your negotiations. You're going to present this to the NEB, as I understand it, before the end of this year. Let's suppose that you get it into the NEB by December 1st, just as a supposition.

It's, I think you would agree, a complicated case. It, in a sense, rewrites the NEB's previous decision. My thought would be it would probably be something like June before you got a decision from the NEB. I expect there would be a hearing, probably.

Do you concur with that, with something like -- would you expect an oral hearing, and do you expect a decision by the OEB (sic) sort of second quarter, toward the end of the second quarter of 2014?

MR. CAMERON: It should be NEB, I think.

MR. BRETT: NEB, rather. Yeah.

MR. CABANA: If I may, Patrick, the last decision, there were a lot of discussion about the challenge that the regulator have to follow the pace of the market.

MR. BRETT: Right.

MR. CABANA: And the board was very sensitive to say: We understand that things are moving fast, and that you need to tell us when it's going to be needed to render a decision on a better, expedited path.

So the purpose is not -- the purpose would be certainly to put that settlement deal in front of the NEB sooner than December, as soon as we can, and to ask -- and say to the board to be mindful that some people, like I said -- we have an important customer. I don't want to focus all the time about only that one, but there are some industries right now that need -- that will create more certainty when they look at that. But definitely they will wait also for a decision to be rendered by the NEB.

So my wish is that we're going receive something sooner than that. I cannot say 100 percent that this will be the case, but we'll push, definitely, for a more rapid decision.

MR. BELL: It would certainly be TransCanada's objective as well.

MR. BRETT: Just on that final thing. Do you expect opposition to this? I think there was a question yesterday about whether -- and you wouldn't have had a chance yet to consult with some of the other stakeholders.

MR. BELL: Well, actually, as soon as the announcement came out, we made contact with the key stakeholders. And so we've got plans to consult with the key stakeholder group over the next couple of weeks in September.

As you are probably aware, we have a collaborative process. It's the TTF, the Tolls Task Force of the NEB. Their meeting is in October, October 2nd.

We're going to be presenting the term sheet at that meeting, and then we'll have to assess at that time what level of opposition or understanding or support we have for the term sheet.

But we have agreed -- I think a key thing to keep in mind is that we have agreed -- because we're all behind this and we agree that it's the right thing to do -- we've agreed that if there is opposition, we will litigate this in front of the National Energy Board as a contested settlement.

MR. BRETT: So at this point, you're really not in a position to estimate the degree of opposition from CAPP or other entities that have sometimes opposed the views of the LDCs at the NEB?

MR. BELL: I would say at this point in my discussions -- and I spoke to CAPP. I spoke to Nikol Schultz. And I would say that people have an open mind. They're interested in us meeting as a group and presenting why we think this is the right thing to do.

And I think it's early days to say that -- to make an assessment on whether or not we're going to receive opposition. We'll know better after we get through that consultation process.

MR. BRETT: Fair enough.

MR. CABANA: And if I may just add, from my perspective, I haven't met any one of the parties surrounding us that is not happy that we found a solution to solve all these issues. Right now they're not happy looking at us battling for years. So they're happy about that.

They might have some problem in the future with some ingredients and some assumption, some minor parts within this agreement, but overall, from our perspective, the reception is good on this point.

MR. RUBENSTEIN: Tom, if -- just to clarify on something that was said by Don, when you said after the announcement you had consulted with various stakeholders, by "announcement" do you mean the filing the of the letter with the OEB as well as certain letters with the NEB withdrawing applications?

MR. BELL: Yeah, that would be a better characterization of what I meant.

MR. RUBENSTEIN: Okay. Thank you.

MR. BRETT: Is the agreement -- the agreement is a 16-year agreement, which has within it a toll segmentation agreement. It says here -- I'm looking at the front page:

> "Term of the settlement proposal. The term related to toll segmentation agreement within this settlement will be from January 1, 2015 to December 31, 2020."

So is the right way to characterize this a 16-year deal with a five-year piece inside it?

MR. CABANA: I think it's a right way to say that. It's a 16-year deal, when we talk about the commitment also that we would take.

But for the EOT, we would only look at the surcharge. When we look at the five-year, the six-year, it's mainly related to the shortfall that will be created, where we say after 2020 the eastern shipper won't be responsible to pay for the remaining shortfall that could be created.

MR. BRETT: Right. Right. I understand that. Okay.

The other thing is -- and this is a general -- it's a question that bears on this in a general sort of way.

Someone has advised me that in its recent decision, the major decision in March, the RH decision, RH-3-0011, the OEB (sic) shifted its tolling method from a distance-based tolling method to a more energy-distance-based tolling method, and that that change in method has a relatively heavier -- that tends to shift more collection of revenue on to the short-haul shippers rather than the long-haul. Is that the case?

And is that -- can you sort of comment on the -- how significant that is? And does that change, I guess -- and I guess the final piece of that was does this -- if that is the case, what is the effect of this agreement, if anything, on that?

MS. GIRIDHAR: So the NEB did approve TransCanada's tolling methodology with respect to their energy and any energy-distance functionalization of costs -- if you want to call it -- that they had proposed.

The assumption in this term sheet is that that methodology is being carried forward, but with an important difference.

Instead of assessing those costs over a 3,000-kilometre system, we are segmenting the system into its three components. So what this means is that the energy and energy-distance functionalization would now be based off of each of the three segments. That's what this proposal will achieve.

MR. BRETT: So would that still have the impact, then, of -- within the Eastern Triangle, of emphasizing shorter-distance paths rather than longer-distance paths? Is that right?

MS. GIRIDHAR: It would be whatever the NEB had approved as the methodology in --

MR. BRETT: Right, but I'm saying that people have observed -- this is actually -- this statement brought to my attention by the ICF study that you commissioned. At page 8 of that study, there's an observation to the effect that I just made.

And so I'm curious as to how that plays out in light of this... I think the point is it creates no higher burden than -- on short-haul rates than what there is today.

MR. BRETT: Okay. Let's leave that. Let me just move on to see what else I have here for the general panel. I don't think...

I think that's all I've got for the high-level panel -- for the high-level section. Thanks.

MR. MILLAR: Thank you, Mr. Brett.

Anything else for the first half of page 1?

[Laughter]

John?

QUESTIONS BY MR. WOLNIK:

MR. WOLNIK: I've got a few questions, and I think John Beauchamp has as well. John Wolnik for APPrO.

The RH-3 decision introduced some elements of sort of market-based rates and you can -- we can debate how well they accomplish that. But this agreement seems to revert, at least for the Eastern Triangle, back to straight cost-based rates, and I understand that.

But what happens if the market doesn't accept that and volumes don't increase? Because I think that's really the objective, is to really -- is to get better utilization of the system and lower tolls for everybody.

So what happens over the 16 years if the market doesn't accept it and throughput doesn't increase or declines? Are there any off-ramps?

MR. ISHERWOOD: But I think the premise of this agreement, John, is to have discretionary pricing continue on IT and STFT. They've made no change to that.

MR. WOLNIK: Right. But I'm thinking more the firm tolls. I mean, ideally these tolls are going to go up -- I think you've indicated that these tolls are going to substantially increase from the current level, and for some shippers they've already increased substantially. And ideally if we can get more throughput, maybe the tolls will go down in the long run, and hopefully that's one of the objectives.

My concern here is, as much respect as I have for the four of you, and I have a lot of respect, you may not get it right over the next 16 years. I mean, you don't have a perfectly clear crystal ball.

So to the extent that this agreement doesn't work over the next 16 years, what opportunities are there to make adjustments on the way through?

MS. GIRIDHAR: So John, you know, I should just bring you back to a couple of things -- I should... Can you hear me? Okay. Sorry.

The settlement terms sheet does a couple of things. It acknowledges that the eastern LDCs that constitute over 60 percent of the market are directly served off the Eastern Ontario Triangle. And we are committing our volumes to the Eastern Ontario Triangle for the next 16 years. We are -- you know, the term "bypass" has been used here, in the sense of not creating alternate transportation paths that will lead to loss of volumes.

MR. WOLNIK: Mm-hmm.

MS. GIRIDHAR: So we were very, very focused on ensuring that the viability of the Eastern Triangle can be maintained through retention of adequate volumes. And that's been accomplished through, you know, the agreement that we have all struck.

So I think your concern that shippers might leave the system is really not shippers that are actually physically served off of the system, which wouldn't be any of the shippers in Eastern Canada, it would be really shippers, for example, like the Alberta northeast or the U.S. LDCs.

MR. WOLNIK: Exactly.

MS. GIRIDHAR: I think what we need to keep in mind there is that there is a changing supply dynamic, and that goes beyond the level of the tolls here. It's really that the Marcellus basin is growing.

I don't think any of us can make any commitments on behalf of that market, but we are very focused on keeping the short-haul tolls at a level that the market can bear and try and incent customers to stay on.

MR. WOLNIK: I understand that, and I think that's why --

MR. ISHERWOOD: Just to add to that, though, John, is the -- to get to your point about, how do you know if you get it right or not --

MR. WOLNIK: Right.

MR. ISHERWOOD: -- a six-year period is divided into two three-year periods, so there is an adjustment in the middle of that six-year period that we'll make sure we get as right as possible.

MR. WOLNIK: Well, I'll still go back to my original question, and that is, to the extent that you don't get it right -- I appreciate that there's an adjustment mechanism there, but my understanding from our discussion prior was that that adjustment mechanism is more mechanical in nature to change the billing determinants.

So what happens if you don't get it right here? Are there off-ramps to change this settlement agreement over the next 16 years?

MS. GIRIDHAR: The settlement agreement is only for six. What we have here is a bridging contribution that endures for 16 years.

MR. WOLNIK: Right. Mm-hmm.

MS. GIRIDHAR: And a tolling methodology that we have stated will have no specific expiry date, so it will endure until it is changed. So we really are looking at the next six years, and are allowing for a true-up after the first three.

MR. WOLNIK: Okay. Well, let's not debate sort of the latter ten years. Over the next six years, if you don't get it right, are you -- are the four parties bound by the settlement agreement then and the provisions of this over the next six years, regardless of what happens?

MR. CABANA: Yes, it's the case. What we're saying, it's not -- it's not different than when you say before to invest some money in some infrastructure and have signed a contract, when we have our own customer and our own franchise, and we asked them before to invest some money, that they sign a contract. It's exactly the same.

So we need -- we haven't signed something for four years in advance. But we said it's a matter of security. We're trying to balance what needs to be done for this infrastructure to happen.

MR. WOLNIK: Okay. So you're basically committing to the tolling methodology for the period -- for the six years, at least, and perhaps longer.

MS. GIRIDHAR: Six years; that's correct.

MR. WOLNIK: Going back, Malini, you had talked about this bridging amount, and I got the impression there was -- that there was going to be some negotiation between the four -- three LDCs and TransCanada on what that amount is.

Given that you only represent roughly 50 or 60 percent of the throughput, do you expect to consult with, or does

TransCanada expect to consult with, the other -- the balance of the marketplace to try to get that number right?

MR. BELL: Yes. Donald Bell. John, as I said, we are going on to the road with this settlement, and we're taking it on to the road to meet with other key stakeholders and to discuss what the terms are of this agreement.

However, we also have a binding agreement with the LDCs, and it is not our -- and we also have a commitment, and we've made a commitment to the LDCs that if this agreement is contested then we'll litigate it in its current format. So...

MR. WOLNIK: No, no, I understand that. It's just that we're facing the prospect here of at least a 50 percent increase in rates or something in that order of magnitude, so I'm just trying to understand. There seems to be -- I got the impression that there was perhaps some flexibility in terms of how that amount was ultimately going to be determined, so I'm trying to just --

MR. BELL: Well, the commitment we made is that we'll try to keep that surcharge to below 50 percent.

MR. WOLNIK: Which by most standards is a pretty significant increase. So I'm just trying to understand, how do you get to that number, and what's the process to get to that amount?

MS. GIRIDHAR: I think the process over the next few weeks would be for all of us to get a really good understanding of the volumes, the potential for discretionary revenues, the potential for additional firm contracts on the TransCanada system, in relation, obviously, to the costs to serve us.

So the intent is to come up with a very robust set of numbers that we can take to the National Energy Board that would be the most probable numbers that we think should underlie the tolls. That's what we're committing to work on for the next few weeks.

MR. WOLNIK: Okay.

MR. CABANA: Patrick. If I may add to that, just to highlight the fact that we understand that 50 percent is significant, but we have to remember that, from that 50 percent, 30 to 35 percent is related to cost of service of the EOT only.

So -- and also, what we're trying to achieve, I know -- I understand when you say that we represent only 60 percent of the market. But we must be mindful also that we said -- and we had that discussion about the need to accelerate the process and be as fast as we can at the NEB with the right thing.

So we sometimes say on our side sometime what's best is the enemy of what's good. So what we need to be mindful is that it would be good to have everyone and speak about these, but we'll try to consider as much we can, but we will do our best -- a good job, a really good job, and the best we can to represent everyone.

MR. WOLNIK: Okay. Thanks. Those are my questions.

QUESTIONS BY MR. BEAUCHAMP:

MR. BEAUCHAMP: John Beauchamp on behalf of APPrO. I have a couple of just really quick questions. Some of them were actually asked by Mr. Brett and Mr. DeRose. Some of these things were actually addressed yesterday before the Panel, but just to get a little bit of clarity and get some things on the record.

With respect confidentiality, I know Mr. Mondrow mentioned yesterday that he was reserving his right to make arguments with respect to confidentiality.

Just, again, to get it on the record, and in case anything's changed since yesterday, at this point what exactly do the parties intend to be held as confidential, and for how long?

MR. SMITH: Well, I think as I indicated yesterday before the Board, obviously we expect the term sheet to be kept confidential. To the extent there have been communications in my correspondence, Mr. Cameron's correspondence, I think -- and Enbridge's update, I think it's fair to say from our perspective that is as far as we are prepared to go at this stage on a public basis.

There are obviously some details that need to be reduced in the form of the settlement agreement, and as everybody in this room can fully understand, that drafting process is properly undertaken not in -- in a public way but in the normal, commercial way.

And the Board's guidelines reflect that.

As you have also heard, I mean, today from a number of people, it is our collective -- the companies' collective intention to try and get this reduced to writing as quickly as possible, and once it's reduced to writing, filed with the National Energy Board.

And so once that happens, I expect that we will be looking to make the matter public.

Obviously, I can't say for certain right now when that will be. But you've heard, you know, the best efforts are going to be made to have that done in a number of weeks, and once that's done it will all become public.

MR. BEAUCHAMP: That's helpful. Thanks.

QUESTIONS BY MR. RUBENSTEIN:

MR. RUBENSTEIN: Crawford, just to clarify, is it -- once a settlement agreement is filed, is it your expectation, then, that the term sheet would also be? Or is it just this settlement agreement that would become public?

MR. CAMERON: The settlement agreement will supersede the term sheet, so the term sheet will no longer be an operative document.

MR. RUBENSTEIN: I understand that, but...

MR. SMITH: Well, let's put it this way. When parties reach a commercial agreement and that commercial agreement becomes public, they don't normally produce along it their various drafts.

So I would have thought that the term sheet reflects that the settlement agreement will embody in it the terms of the term sheet, so it will, by its nature, be a superseding document that would then be filed and publicly available.

MR. RUBENSTEIN: Okay, but I mean -- yeah.

Understanding from what -- with respect to this process going forward, the Board will hear -- will be having an in cam -- if it stays confidential throughout the proceeding until the settlement agreement is filed, we'll all be referring to a document that is confidential. And then essentially even once the settlement agreement is filed and that is public, would the record, would the transcripts from cross-examination and all that, remain confidential because it is referring to the term sheet, not the final settlement?

MR. SMITH: Our expectation is the record in this proceeding would be made public.

MR. RUBENSTEIN: Okay. Thank you.

QUESTIONS BY MR. BEAUCHAMP:

MR. BEAUCHAMP: Okay. Just one other really quick one. I'm not even sure of counsel can comment on this, but I'm just wondering if you can describe what, if any, limits you think the OEB Panel or parties before the OEB in this proceeding may have in actually reviewing or challenging the settlement agreement, draft and final, if approved by the NEB.

MR. SMITH: I'd invite people to comment on this, but the answer to that question is none.

As I indicated at the outset, this is an agreement that falls within the jurisdiction of the National Energy Board, because ultimately it's a review of tariffs which are regulated by the National Energy Board.

So, you know, if you think back, take it out of this context, but think to any other facilities application or, frankly, any proceeding in which gas costs are considered to the extent what you're talking about is tolls regulated by another jurisdiction, the Ontario Energy Board is not passing or approving those tolls.

The tolls that are reflected in Union's rates and which are reflected in Enbridge's rates are an amalgam of tolls which are approved by other regulators in other jurisdictions, and nothing about this agreement changes that fundamental, underlying legal reality.

MR. RUBENSTEIN: So if I can just follow up, but there are certain aspects of the settlement agreement with respect to how you source your supply, with respect to the 13 floor on long-haul.

It might not be in this proceeding, but at some point the OEB will have to determine if that is appropriate.

MR. SMITH: I absolutely accept that. I accept and certainly Union accepts that the overall cost of gas charged to customers is reviewed in different proceedings, and that will continue to be so.

The toll falling out of this agreement, which would be reflected in the settlement agreement approved by the National Energy Board, will eventually -- assuming it's approved -- make its way into Union's and Enbridge's and presumably GMI's rates.

There will be a proceeding at which the cost of gas charged to customers will be approved by this Board. And, you know, obviously that will have to be considered at that time.

MR. MILLAR: Is that all, John?

MR. BEAUCHAMP: Yeah, thanks.

MR. MILLAR: I have a question on behalf of Mr. -- oh, I'm sorry. Mr. Crane?

MR. CRANE: It doesn't matter what order we go in.

MR. MILLAR: Go ahead.

MR. CRANE: Mark Crane on behalf of IGUA. A few questions, just to get them on the record.

Does the term sheet -- I guess a question for Mark -- does the term sheet impact the evidence for how the costs associated with the Parkway West project will be allocated amongst Union's in-franchise rate classes?

MR. ISHERWOOD: No.

MR. CRANE: And is the same true for the Brantford-Kirkwall-Parkway decompressor project?

MR. SMITH: Yes, that's correct.

MR. CRANE: And so there's no change in the evidence, I guess, then, to schedule 12-8 with respect to the –- the Parkway West application and, I guess, schedule 12 altogether?

MR. SMITH: That's correct. There is no change.

MR. CRANE: And with respect to the evidence as it relates to the M12s that I think you can find at schedule 12-5 of the Parkway West application, is it also your understanding that the change in the M12 rate class as a result of the Parkway West project would also stay unchanged in light of the settlement?

MR. SMITH: Sorry, I'm not quite sure I understand the nature of the question.

MR. CRANE: Well, schedule 12-5 with respect to the Parkway West application, there's some evidence on the anticipated transportation demand charges, the impact as it relates uniquely to the Parkway West project, and it's provided an estimated --

MR. SMITH: Yes. That won't change.

MR. CRANE: Thank you.

And I would ask the same question with respect to the Brantford-Kirkwall, the second application.

MR. SMITH: That's the same answer. It won't change.

MR. CRANE: Thank you.

MR. SMITH: I wonder -- we've been going for a little bit. Have we exhausted the questions on this first part, and if so, can I propose a break?

MR. MILLAR: Mr. Elson had contacted me. He wanted me to ask two questions, which he expects will require undertakings.

MR. SMITH: We're not giving undertakings.

MR. MILLAR: Well --

MR. SMITH: Let's hear the questions.

MR. MILLAR: I'll put the questions, then, and you can answer however you wish. Hopefully it will just take a moment and then we can get to our break.

His first question is -- again, this is on behalf of Mr. Elson, who represents Environmental Defence, who couldn't be here this morning.

"Please provide the present value of each of the following. Number 1, the upfront capital cost of the GTA pipeline project."

And these are questions for Enbridge, I should say. Are you able to give us the answer to that?

MS. GIRIDHAR: I am here to talk about the settlement term sheet. I don't have any of the rest of the schedules in front of me right now. But if you want to read the questions out, we could...

MR. MILLAR: I'll read them out, and we'll see where we get. These are Mr. Elson's questions, so I told him I'd read them and I will.

So the first is the upfront capital cost of the GTA pipeline problem. Two, the forecast total transportation savings up to 2025. And three, the forecast total transportation service charges up to 2025.

And he asked that you use the definition of "transportation savings" and "transportation service changes" as set out in Exhibit A, tab 3, schedule 9, attachment 3.

I'm assuming you can't give me an answer to that right now?

MS. GIRIDHAR: I believe they're all in our evidence. It will just be a matter of us picking out the numbers and giving them to you right after the break.

MR. CASS: Mike, I'm not really even sure what this has do with this technical conference today. So perhaps we'll take those away. Perhaps we can deal with Mr. Elson offline, but I don't think we'll give any undertaking at this point.

MR. MILLAR: Okay. Thank you. And just let me give the second question. I'll read it. If you have the same answer, then --

MR. CASS: Oh, I'm sorry, I thought those were the two. I wrote down two --

MR. CASS: That was a three-part first question.

MR. CASS: Oh, there's still more. Okay.

[Laughter]

I'm sorry.

MR. MILLAR: One final one: Please provide an estimate of the total additional costs, gross and present value, that will be borne by Ontario gas consumers resulting from the potential increases in TCPL rates that will result from Enbridge's and Union's projects being built. Please assume that the companies receive the approvals they are seeking and that the projects are built as proposed. Please make and state any other assumptions as necessary.

MR. CASS: Mike, my answer is the same as with respect to the other questions. We will talk about this offline and see if we can help Mr. Elson in another fashion.

MR. MILLAR: Okay.

MR. CASS: But we'll just leave it that way for now.

MR. MILLAR: Thank you for that.

MR. POCH: I can be helpful. I'm assuming in that last question at least Mr. Elson was referring to in the light of this new terms sheet. I think that would be of interest to a broader audience.

MR. MILLAR: Okay. With that, we will take a break. Let's come back at five after 11:00, please. Thank you.

--- Recess taken at 10:46 a.m.

--- On resuming at 11:10 a.m.

MR. MILLAR: Let's take our seats, everyone, and get started.

We have finished the high-level principles section. It's going a bit slowly, and I think some of the questions probably for other sections have actually already been asked and answered.

There's a suggestion that we move to going to party to party instead of section by section, because there's a hope that that will improve efficiency and get us done today.

MR. SMITH: Sorry, Mike, I mean, I would say yes to that, but I also think that it has become apparent through the questioning that the questioning does cross a variety of topics. And so I think the thing do is we just go around the room, people ask all of their questions, and then we move to the next person.

MR. BRETT: I would like to suggest for myself that we stick with our practice of going topic by topic. I think a number of the questions that are being asked may cover others, but it's much more efficient, I think, and focussed, and will make a better record if we go topic by topic.

MR. SMITH: I just don't see it as --

MR. BRETT: We'd continue to do what we're doing.

MR. SMITH: No, I understand that. I just don't think that that's really been working thus far in either moving us along or -- because the questions that have been asked thus far cover a broader array of topics.

If it would be of assistance, Tom, you could certainly go last, which would provide you with the opportunity to ask, I suppose, the broadest array of questions.

MR. BRETT: Well, the other point, I guess, worth making is that from now on the actual topics are narrower. So the questions, I think, would almost by necessity be more focussed.

MR. MILLAR: I don't know what you want me to do here. This is the parties' technical conference.

MR. SMITH: I'm in your hands, Mike.

MR. CAMERON: The point, I think, that we're observing is that the topics do overlap, and so it's very difficult to just stick to one topic. I take what you're saying, Tom, about there are some narrower topics in there. And I certainly think we should stick to the usual practice of other people asking follow-ups when they hear an answer and whatnot. I'm not trying to suggest otherwise.

But it's just that it's been a very wide-ranging discussion so far.

MR. QUINN: May I make a suggestion, Michael? It's Dwayne Quinn.

I think the party by party would have some efficacy here if the parties, for the benefit of the record, were to state what the category of question is. So is it under rate of return or something like that? So I have some questions under rate of return.

And that way, hopefully from the Panel's perspective, the record is clear that this is a question about rate of return.

MR. MILLAR: Yeah, that's a good idea.

MS. SMITH: Good suggestion, Dwayne.

MR. POCH: I could proceed in that manner, and if you like, all of my questions, I'll just go through –- I can go through the agreement --

MR. MILLAR: By the power vested in me by nobody, we'll do it that way.

[Laughter]

MR. BRETT: I know all the Ottawa guys will, because they want to go home.

MR. POCH: Just in terms of timetabling, I know we had mentioned yesterday that we might have a little update or discussion about the hearing schedule. I know Josh has been working on that.

Speaking for Vince and I, I think we both have hopes of escaping this big city sooner than later and may not be here for the duration today.

I'm wondering if we could have that discussion sooner than later.

MR. MILLAR: Well, why don't you two go first? I don't think it will make sense to hold that discussion on the record. Maybe when we break for lunch, we can at least start those discussions and get your views.

Okay. Vince or David, do you want to go first?

QUESTIONS BY MR. DEROSE:

MR. DeROSE: I'll go ahead. So under the heading "Term of the Settlement Proposal on All Toll Aspects", as of December the 31st, 2020, as I understand it, I've identified that there would be two changes which continue beyond 2020. One being there would be a continuation of bridging contributions, or the payment of; and secondly, there will be the change of tolling methodology in that the Prairies, the northern line and the Eastern Triangle would each be tolled independent of one another.

So first of all, with respect to those two changes, am I correct that those two will continue beyond 2020?

MS. GIRIDHAR: That is correct.

Just with respect to your latter question --

MR. DeROSE: Okay?

MS. GIRIDHAR: -- the intent is for the Eastern Ontario Triangle to recover its costs, its cost of service, starting January 1, 2015.

To the extent that there shall shortfalls in recovery from the Prairies and the Northern Ontario Line, essentially what we're saying is that the Eastern Ontario Triangle is picking up its share of the shortfall from 2015 to 2020, in the form of that bridging contribution, which will continue for another 10 years.

So they're kind of the same thing.

MR. DeROSE: But as of 2020, there will be a toll for the Prairies?

MS. GIRIDHAR: Correct.

MR. DeROSE: A toll for the northern line and a toll for the Eastern Triangle?

MS. GIRIDHAR: Correct.

MR. DeROSE: And are there any other -- other than the bridging contribution and that tolling methodology change, are there other significant changes beyond 2020 that flow from this term sheet?

MR. ISHERWOOD: I was going to say not financially, but there are in the "Commitment" section, where we're agreeing not to bypass and to commit to use their system, they're committing to use our system, et cetera. Those commitments go on for 16 years, financially.

MR. DeROSE: Thank you. Fair enough. I was thinking more on the financial side. Okay. Thank you.

Under "Rate of Return and Sharing Mechanism," first of all, TransCanada is agreeing to an ROE of 10.1 percent. Am I correct that the current Board-approved ROE is 11 and a half percent?

MR. BELL: That's correct.

MR. DeROSE: Okay. And the period -- so you are agreeing to the 10.1 percent for 2015 to 2020. Is that only with respect to costs for the Eastern Triangle? What does the 10.1 percent of ROE apply to?

MR. BELL: The 10.1 percent of ROE applies on a system basis from 20 -- on a system basis from ––

MR. DeROSE: So it would be the entire Mainline? It would include the Prairies and the Northern line?

MR. BELL: That's correct.

MR. DeROSE: Okay. And in terms of -- and, I'm sorry, at one time the NEB had what I'd call an ROE formula.

You are not under an ROE formula? You are on a fixed ROE that is not adjusted annually; correct?

MR. BELL: That's correct.

MR. DeROSE: Okay. And so subject to the NEB approving this, you would be agreeing to be bound by 10.1 percent between now and 2020, regardless of what happens?

MR. BELL: Well, subject to the sharing, the cost-sharing mechanism, the incentive sharing program.

MR. DeROSE: Okay. Fair enough.

In terms of the -- you used the phrase "excess net revenue" or -- well, you use the phrase "net revenue" in both the positive net revenue and the negative net revenue.

Am I -- is my understanding correct that as of today or until you negotiate the settlement, what the net revenue target or baseline is or is not known?

MR. BELL: That's correct. That's one of the things that we're determining through the open season that we're going to have and the discussions that we're having with the LDCs, and part of the definitive settlement.

MR. DeROSE: Okay. And is the establishment of net revenue for the purpose of your rate of return and sharing mechanism section, do you anticipate that being formulaic, in that whatever comes out of the open season, it will -- will there be a set of inputs that you can identify that will establish what the net revenue is? Or is it something that you have to negotiate between the parties, so you actually have to agree what the net revenue target or baseline is?

MR. BELL: No. When I was referring to the net revenue, I was talking about we're going to have an open season in 2016. We won't go know what the capital costs of those facilities are. If we put in 2- or $300 million of new facilities, that's going to have an impact on what our revenue requirement is.

MR. DeROSE: Okay. And so if -- what the net revenue you're referring to here is your net revenue requirement, subject to any negotiations between the parties. So you would propose what you think your revenue requirement is, and then -- almost like a cost of service proceeding -- presumably the parties would look at it and say: Well, we don't accept this cost or that cost, or we think it should be slightly different?

MR. BELL: No, I'd say that we know what our cost of service is. We know what it is today. We don't know what the cost of service is going to be November 1, 2016. We're not really -- I guess we know what it's going to be in 2015. We know what we've agreed to in terms of a return on equity.

What we're referring to by "net revenue" is, if we need a revenue -- if we need a revenue requirement of a billion dollars, let's say, and that's what is deemed to give us a return of 10.1 percent, that billion -- the billion dollars, if we end up with a net revenue requirement less than that, then there would be a sharing of what -- of that under-recovery. And if there's a net revenue greater than that, there will be a sharing of the over-recovery, as laid out in the points below.

MR. DeROSE: Okay. Thank you.

Go right ahead, Tom.

QUESTIONS BY MR. BRETT:

MR. BRETT: Just a punctuation question on that. But when you say what you've just said, you're talking about the entire system. In other words, you may have changes that affect your rate base or your revenues arising from a number of causes across the system. Some will have nothing to do with the Eastern Triangle.

You might -- for example, you're going to have the oil east, which will take a chunk of your northern pipeline out and will -- and will reduce your depreciation accordingly. That will change your revenue requirement.

So when you speak -- just let me finish, please -- when you speak of revenue requirement, are you talking in the conventional sense for all of TransCanada, or are you speaking in some sense of only the Eastern Triangle? Because you keep referring to this revenue from the Kings North pipeline.

MR. BELL: No, when we're talking about revenue requirement we're talking about the integrated system revenue requirement. And with respect to Energy East, if Energy East goes ahead --

MR. BRETT: It is going ahead.

MR. BELL: -- the Board has said -- well...

MR. ISHERWOOD: Is that rustling to my right?

MR. BRETT: Unless you're the Chairman and have changed the Board's decision. Anyway, sorry. Go ahead.

MR. CAMERON: The NEB might have something to say about that.

MR. BELL: All right. Yes, let me rephrase that. TransCanada supports the project, and we're proceeding with the project, but it has to be approved.

But what I meant was, the National Energy Board has stated that there's some material changes in RH-3, they stated, and some material changes, and they'll have -- like, Energy East, they'll have to take another look at it.

Our assumption would be Energy East is not part of this agreement, and it's going to be subject to another regulatory proceeding, likely, unless we can agree otherwise. And that will have an impact on what we've agreed here, depending on what's decided by the National Energy Board with respect to Energy East.

MR. BRETT: Sorry, this is one last. So Energy East is sort of in a separate category all by itself because of what the Board said about it in the RH-3-0011 decision?

MR. BELL: That's one reason, and the other reason is the parties to this agreement agreed to put that aside, and that will be determined through another regulatory proceeding.

DR. HIGGIN: Excuse me, are we allowed to follow up with questions on this topic, Vince? Is that your --

MR. DeROSE: I'm not really sure what the rules are, but I guess go ahead.

[Laughter]

QUESTIONS BY DR. HIGGIN:

DR. HIGGIN: All right. So I have a question from James Wightman. It's regarding the structure and operation of the sharing. And the question is this, that the ROE is capped at 11.5 percent. So what happens if the cap is hit and there is additional revenue? What happens to that additional revenue?

MR. BELL: It goes to the account of the shippers.

DR. HIGGIN: Goes to the shippers.

Now, on the other side, the ROE floor is 8.7 percent, so what happens if the actual net revenue is below that? Basically then what happens to that?

MR. BELL: It's a symmetrical sharing mechanism, so that would go to the account of the shippers.

DR. HIGGIN: To the shippers.

MR. BELL: Yes.

DR. HIGGIN: Okay. So then has -- the other question is, has there been, like in many ESMs, been any consideration of an off-ramp at a certain number of basis points?

MR. BELL: That's currently not contemplated in this agreement.

DR. HIGGIN: Thank you. That was the question.

MS. GIRIDHAR: Just, the agreement does allow for a review of the tolls after three years. So within the six-year period it does split into two three-year periods in that sense.

DR. HIGGIN: But that's on the tolls. It doesn't speak to the actual earnings of TransCanada.

MS. GIRIDHAR: Right.

DR. HIGGIN: As a normal -- you are very familiar with off-ramps and ESMs, as is Union. And so that was the question. In many structures there is an off-ramp, and there is a level at which that kicks in. Thank you.

MR. SMITH: But there is, of course, a relationship between tolls and earnings.

DR. HIGGIN: Right. We know.

MR. DeROSE: Can I move then to, under "commitments"? And my understanding is I'm just going keep sort of moving along here, but it's not taking way anyone's rights to go back and ask questions on these -- that commitments:

> "Union agrees to replace existing firm service from Dawn and Parkway to the Union CDA with service from Kirkwall to the Union CDA that produces a similar or higher level of revenues for at least the next 16 years."

First of all, am I right that you currently -- your firm service from Dawn and Parkway to the Union CDA, you have a toll that you pay, correct? There's...

MR. ISHERWOOD: We currently have capacity in

TransCanada going from both Dawn to CDA, as well as Parkway to the CDA.

MR. DeROSE: Okay. And so is what is contemplated by this paragraph or this bullet that you are going to cancel or not renew your Dawn and Parkway to CDA capacity and replace it with Kirkwall to Union CDA capacity?

MR. ISHERWOOD: And it's all in the context of a project that we've been working on for the last year or so, where we want to build a pipeline from our Dawn to Parkway system into the Bronte area, basically, to -- it's kind of a large growth area for us, in terms of new housing attachments and such, so if we do build a line -- it's still under review on our side, but if we do build the line, the impact to that would be to turn back the Dawn to CDA and the Parkway to CDA, but in the spirit of this agreement -- we were trying to keep each other whole, in terms of some of our actions -- Union's committed to actually contract on the path from Kirkwall to CDA to replace that same revenue.

MR. DeROSE: And if it -- when you've been contemplating your -- and I'm sorry, did you say it's a pipeline from Dawn to Bronte, or...

MR. ISHERWOOD: Sorry, we have a -- our system runs from Dawn to Parkway, our --

MR. DeROSE: Yes.

MR. ISHERWOOD: -- transmission line, and we would build off that line down to Bronte.

MR. DeROSE: Okay. If you weren't agreeing to move your gas from Kirkwall to Union CDA, how would you have got your gas to the CDA but for this agreement? What would have been --

MR. ISHERWOOD: From Kirkwall, you mean, or from...

MR. DeROSE: Well, you've been planning the pipeline, we'll call it the Bronte pipeline.

MR. ISHERWOOD: Yes.

MR. DeROSE: And your plan was to, I take it, not renew some or all of your Parkway or Dawn to Union CDA with TransCanada?

MR. ISHERWOOD: Yes, but to be fair, the only time you would turn back that capacity, or the only time we would need to turn back that capacity, would be if we did build this new pipeline. So if we don't build the pipeline, we continue with the same two contracts.

MR. DeROSE: Okay. Let's assume you build the pipeline.

MR. ISHERWOOD: Okay.

MR. DeROSE: If it was not for this agreement, you would turn back some of your transportation capacity, Dawn-Parkway to Union CDA.

MR. ISHERWOOD: Without this agreement, and you we are just looking at this strictly from Union Gas perspective and not from the common good, if you want, of the -- across the four companies, we would have turned back those two contracts and built the pipeline.

MR. DeROSE: Okay. And in terms of the -- you used the phrase "at a similar or higher level of revenues". Is what is contemplated there that you will have tolls from Kirkwall to Union CDA that are similar, or if the volumes -- I guess the other option is from revenues. To me it suggests that if your volumes drop you're agreeing to pay higher tolls to sort of keep TransCanada whole. Is that what's contemplated here?

MR. ISHERWOOD: I think what's contemplated here is really the fact -- well, there's different tolls for each of those three paths, so Dawn to CDA is a different toll than Parkway to CDA, is a different toll than Kirkwall to CDA.

So -- and as well, our market requirements are different in the CDA part of our franchise served by Parkway, is different than the demands on our CDA from the Kirkwall area.

So there's both demands and tolls are changing, so to make it simpler in this agreement -- and it's just to keep the revenue the same. And we did the math before going down that path, and we actually need a bit more capacity going into the Kirkwall CDA. So the revenue actually would be just a touch higher.

MR. DeROSE: Okay. So -- and is the Kirkwall CDA path, is the toll currently a little bit lower than Dawn or Parkway to CDA or are they similar?

MR. ISHERWOOD: Parkway to CDA and Kirkwall to CDA is pretty close. Parkway is 10.1 cents and Kirkwall is 10.8. But the Dawn to CDA is quite a bit higher, because more distance. It's 20 cents.

MR. DeROSE: Okay. And so is there a possibility that, sort of for the greater good, you're going to pay a bit of a premium with your Kirkwall-to-CDA toll?

MR. ISHERWOOD: So the two contracts we have on TransCanada today for serving the CDA from Parkway and from Dawn is about $5 million, $5.1 million.

We actually need more capacity going into the Kirkwall-CDA, so even though the toll is about the same as the Parkway-to-CDA, it's obviously less than the Dawn-to-CDA. But we need more capacity; we need probably in the 140 to 150 range -- sorry, 140,000 gJs to 150,000 gJs. And that would be around a five to 5.5 million, I think is the calculation.

QUESTIONS BY MR. DEROSE:

MR. DeROSE: It would be pretty close to being a wash?

MR. ISHERWOOD: Pretty close to a wash. That was the whole intent, to keep TCPL whole and still allow for some flexibility.

MR. DeROSE: Okay. Thank you.

In the last bullet of that section, this is the agreement that the LDCs would commit to maintain a minimum of 13 percent of their system supply transportation portfolio in long-haul paths.

You are not seeking any type of Board approval in this hearing of that contractual commitment, are you?

MR. SMITH: I'm sorry, Vince, my apologies. Which contractual commitment?

MR. DeROSE: Sorry, the commitment to maintain a minimum 13 percent of your system supply transportation?

MR. SMITH: No. No, we're not.

MR. DeROSE: Okay. In terms of -- I'll now move to the next section, "contract Duration and Renewal Notice."

The third bullet where you say:

"A shipper with a long-haul contract will have the option and full flexibility of converting to short-haul within the term of their contract, subject to existing capacity being available (and the 13 percent portfolio long-haul minimum noted)."

I take it that that -- what that contemplates is that the LDCs -- being the three LDCs here -- have already made that commitment, and what you're saying is that there are other shippers that are not part of this term sheet, and they would be offered the ability to move to short-haul under the same terms that you have agreed to, which is the 13 percent minimum maintenance of long-haul?

MR. CABANA: No, it's -- what we said, the commitment for 13 percent is taken by the LDC, but the flexibility to transfer from long-haul to short-haul would be for all -- for everyone that would have in their hand a contract in long-haul.

MR. DeROSE: So in that third bullet, the:

"... (and the 13 percent of portfolio long-haul minimum noted above)."

MR. CABANA: It's for LDCs.

MR. DeROSE: That's referring only to the three of you?

MR. CABANA: Yeah.

MR. DeROSE: So, so long as the three LDCs here maintain 13 percent --

MR. CABANA: Yes.

MR. DeROSE: -- of your system supply portfolio, any shipper on the system can move to short-haul?

MS. GIRIDHAR: Correct. So I think I said this earlier. You know, we need to view the bridging contribution as a price for market access. What this agreement does is it provides open and non-discriminatory access to all customers on them system.

MR. DeROSE: And the other shippers on the system would not be paying any of the contribution, the bridging contribution?

MS. GIRIDHAR: The bridging contribution will be paid by all shippers on the system. In return, everybody gets open and non-discriminatory access to short-haul.

MR. DeROSE: But the 13 percent only applies to --

MS. GIRIDHAR: Correct.

MR. DeROSE: -- the LDCs?

MS. GIRIDHAR: Well, it's a reflection of the fact that the LDCs constitute the majority of the loads on the EOT, and therefore we have the ability to ensure, you know, stability and a transition in terms of how tolls evolve.

So the commitment is for us, because between the three of us, we are the majority of the volumes on the EOT.

MR. ISHERWOOD: And also the majority of the volumes on the long-haul path as well.

MR. BRETT: But that includes western -- that includes bundled-T customers, eh? When you say transportation --

MR. ISHERWOOD: Just system supply. We don't control, necessarily, the bundled-T and the T-service customers and their choices, but this is really around what we do contract for on system supply.

DR. HIGGIN: I have -- sorry. What is the basis of the 13 percent? Could you tell us that, and how it was negotiated and what's the basis of the 13 percent?

MS. GIRIDHAR: The 13 percent, we should remind you, is a minimum number that we have committed to. So we are free to be above that number. Right.

The 13 percent was arrived at based on a review of each of our portfolios and the existing level of long-haul that we have in order to serve our system supply customers.

And it's also recognition of the fact that we do want to ensure that the overall rate impacts are contained, to the extent we can.

So it's a number that fell out of those two considerations.

DR. HIGGIN: Excuse me. Just as a follow-up, is that a number that was kind of an aggregate of the -- what you just said? The -- for each of the -- or were there differences between, for example, yourselves and Union?

MR. ISHERWOOD: I think the 13 percent would apply individually to each of the three LDCs. They may individually choose to have a number anywhere above that, individually. So it's really an individual consideration. It's not a combined consideration; it's individual.

DR. HIGGIN: So then the actual amount that each LDC may decide in their gas supply plan to allocate long-haul to system gas could be quite different from 13 percent?

MS. GIRIDHAR: That's correct.

MR. ISHERWOOD: That's correct.

MR. DeROSE: Okay. I'm now going to move to "Tolling Methodology" on page 4.

In the first bullet, you referred to -- after the three sort of -- an adjustment. It's what I would call a three-year sanity check or a three-year adjustment opportunity. And you refer -- you use the phrase that:

"Billing determinants will be reviewed and adjusted accordingly."

First of all, billing determinants, as I understand it, the volumes for the past three years would be one billing determinant; is that right?

MS. GIRIDHAR: One?

MR. DeROSE: Is it the only determinant, is the volumes?

MS. GIRIDHAR: By "billing determinants," we usually mean the denominator in the calculation. So it would be the volumes.

MR. DeROSE: Does the phrase "billing determinants" in this paragraph mean anything other than the denominator, the volumes, is really my question.

MS. GIRIDHAR: No, it is volumes.

MR. ISHERWOOD: Throughput.

MR. CABANA: Throughout.

MR. DeROSE: And when you say "reviewed and adjusted accordingly," what is the process or methodology for reviewing it and adjusting it?

MR. BELL: I would make one point of clarification.

So it's volume and distance, and that's how the tolls are determined.

MR. DeROSE: Okay.

MR. BELL: And that generates the tolls, the billing determinants.

MR. DeROSE: And what is the process for -- what's the adjustment process? Is it a negotiation?

MR. BELL: No. No, it's not a negotiation, but in terms of how they will be specifically adjusted, that's one of the things that we still have to talk about in terms of the final, because there's a number of ways that you can do that.

MR. DeROSE: Okay.

MR. BELL: But the idea is, so that you don't end up with a large deferral account at the end of the six years, that you have an opportunity to rebase and collect those costs, if you require it.

MR. DeROSE: Is that something that you would expect in terms of how that adjustment process occurs, is something that would be addressed in the settlement agreement, or fleshed out?

MR. BELL: Yeah, I think that's fair. Yeah.

MR. DeROSE: Thank you.

In terms of the "Bridging Contribution for Supply Flexibility" section, first of all, I guess, for Union and Enbridge the bridging contribution that you are going to be paying, in terms of the way in which you recover that bridging contribution from your ratepayers in Ontario, that would be part of your -- am I right that that would be included in your gas costs?

MS. GIRIDHAR: Correct.

MR. ISHERWOOD: That's correct.

MR. DeROSE: Okay. And would it be -- and right now, through your gas costs, we would see, for instance, NEB tolls.

Do you anticipate that there would be a separate heading or an identification of the bridging contribution or a surcharge? Or would it just be folded into NEB tolls?

MR. ISHERWOOD: I would expect it to be folded into NEB tolls.

MR. DeROSE: Okay. And so from a -- in terms of what would be going -- would this occur through a QRAM, or would it be through a rate hearing? Are you even able to say that today?

MR. ISHERWOOD: Generally speaking, our gas costs are reviewed through QRAMs. I would assume this is through a QRAM.

MR. DeROSE: Okay. And so it would -- again, from an Ontario ratepayer perspective, when that becomes incorporated into your gas costs, unless someone asks you specifically for a break-out, it wouldn't show the increase in tolls separate from the bridging contribution or the surcharge?

MR. ISHERWOOD: It would be similar to what we just went through in the spring when we went from the old tolls -- yes. It would be similar to what we did in the spring when we went from the old TCPL tolls to compliance tolls. It's just handled through QRAM as a change in tolls. It may be a description of what's happening, but it's all calculated within the spreadsheets.

MR. DeROSE: Okay.

MR. KITCHEN: Vince, I think -- it's Mark Kitchen. I think that one of the other things just to remember is that through the IRM we will be having annual stakeholder meetings, at which one of the things we'll be discussing is the gas supply plan, so that will be another opportunity for us to raise that.

MR. DeROSE: Thanks, Mark. And my concern there is just trying to understand how from an Ontario ratepayer perspective we identify the increase in short-haul tolls and the -- what the bridging contribution piece of it is, just trying to get that more as a reporting perspective.

Is it -- the next bullet, where you talk about the fixed surcharge being applied to all TransCanada rates on a percentage basis to recover, and then you go through A, B, C, I have to admit I read that and I didn't entirely understand how the A, B, C worked. Is that A, B, C there intended to demonstrate how the fixed surcharge is established, or is the methodology for establishing the fixed surcharge something that will be included in your negotiated settlement?

MR. ISHERWOOD: I think the A, B, C is really intended just to show how it kind of builds up. So the shippers that use only the Prairies section would pay a surcharge based on the Prairies, and NOL would pay the combined Prairies, and NOL and EOT pays all three.

MR. DeROSE: Okay.

MS. GIRIDHAR: It's faithful to the segmentation concept, but it also recognizes that shippers within each segment will not necessarily be able to recover all the costs of that segment.

MR. DeROSE: Okay. But in terms of the methodology for actually calculating or establishing what the bridging contribution is, is something that is not addressed in this document, it's something that has to be finalized in the settlement agreement.

MR. BELL: I think that's fair. This is conceptually how it will work, and what we're trying to determine is what the -- what the actual surcharge will be. And as I mentioned earlier, it's driven by a number of things. It's driven by how much long-haul we have, how much plant we need to put into the ground for 2016, those types of things.

MR. DeROSE: Right. And --

MR. BELL: But this will guide these concepts. So for example, anybody going or using the Prairies line will make a contribution, a bridging contribution. Anybody going to the Prairies line and Northern Ontario Line will make a contribution. Anybody going -- using the Eastern Ontario Line will make a contribution.

MR. DeROSE: Fair enough; it's guiding principles. But in terms of what the contribution is or how you determine the quantum of the contribution, can't be done today?

MR. BELL: That's correct.

MR. DeROSE: Thank you.

I then actually am going to jump right to the Parkway to Maple issues on page 6.

QUESTIONS BY MR. CRANE:

MR. CRANE: If I can just ask a quick follow-up question, Vince.

Mark Crane from IGUA. I took from what I just heard is that the quantum of the contribution is to be determined at a later date, and is it also true that the allocation between the different areas would also be determined at a later date? So the -- what share will be absorbed by the Prairies or the NOL or the EOT will be determined at a later date?

MS. GIRIDHAR: I believe it is a function of the volumes that we will -- volume and volume distances that we will have for each of those segments. So, yes, the actual numbers will be determined at a later date.

QUESTIONS BY MR. QUINN:

MR. QUINN: Dwayne Quinn from FRPO. Do you mean that if you're in the eastern EOT you're going to pay the full length of Prairies, then the full length of Northern Ontario, then whatever distance is in the Eastern Triangle that you were actually covering that distance? So in other words, if somebody in the Prairies was -- only used half of their -- they got their deliveries halfway down the Prairie Line, they would only pay maybe half of the Prairie Line under recovery, but for an Eastern Triangle customer, for every unit that they use, they're going to be paying 100 per cent -- full units of Prairie Line under recovery and Northern Line under-recovery?

MS. GIRIDHAR: I don't know if it's 100 per cent, but it's the remainder. So --

MR. QUINN: I don't think I phrased that well. What I'm trying to articulate is, all of your deliveries use all of the pipe in the Prairies and all of the pipe in Northern Ontario, therefore in an allocation methodology, which I thought I heard you describe, eastern customers will consistently pay for units that are attracting a full allocation of Prairie Line under-recovery.

So if you're a Prairie customers -- just put units to it -- and you use one unit of gas, you're going to pay half a unit of under-recovery, but for every unit delivered to Ontario you're going to be paying a full unit of under-recovery, by the nature of the fact that you used the entire Prairie Line to get your gas to the Eastern Triangle.

MS. GIRIDHAR: It will be volumetrically weighted.

MR. QUINN: Volume and distance, as I heard Don said.

MS. GIRIDHAR: Yeah. but it is true that -- so if I was taking long-haul into the Eastern Triangle, then, yes, I'm going to be paying each of those units. If I'm taking shortfall as -- short-haul as well, I will be bearing a portion of the Prairies and the Northern Ontario Line. But, you know, but obviously only until 2020.

So the bridging contribution does allow for the under-recovery in the Prairies and the Northern Ontario Line to be borne by every unit that is coming into the EOT.

MR. QUINN: So that's a way to separate it, if I may. On the long-haul you're going to pay one unit of Prairie Line under-recovery. On short-haul are you paying a full unit of Prairie Line under-recovery? Is that implicit in the deal?

MS. GIRIDHAR: Well, the short-haul -- for the period -- the bridging -- the notion of the bridging contribution is to pick up the short-falls across the system, right? So the methodology does allow for the short-haul as well to pick up the under-recovery.

The point to note is that long-haul -- any unit of gas that's coming into the Eastern Triangle will pick up a share of the under-recovery of the Prairies and the Northern Ontario Line.

If you happen to be long-haul, then you are explicitly picking up the portion of the Prairies and the portion of the Northern Ontario Line that constitute your share of the billing determinant. I think an example might help, but we don't have one at this point.

MR. QUINN: Said differently then, you're paying the same under-recovery bridging contribution whether you're doing long-haul or short-haul.

MS. GIRIDHAR: To the extent of the under-recovery, yes. Yeah. Correct.

MR. QUINN: And this is wherein we would like at some point -- I'll wait til my questions, but I think I have a way of getting at the math behind this, so I'll wait til my questions. Thank you.

MR. DeROSE: Okay. In terms of the Parkway to Maple issues, two sets of questions on this section.

The first, just in terms of the mechanics of the fourth bullet that talks about the Enbridge open season, you currently have an open season. As I understand it, you're going to -- you continue with the open season. You have received the bids, but you agree not to take any action or award any capacity pursuant to that open season.

MS. GIRIDHAR: Correct.

MR. DeROSE: And then, if we assume that this settlement agreement is negotiated, finalized, the NEB approves it, at that stage I'm assuming that, Enbridge, you need to then decide whether you are either going to -- would you -- you're either going assign, I guess, assign the open season or the results of the open season to TransCanada or, alternatively, TransCanada will carry on its own open season. Is that what is contemplated?

MS. GIRIDHAR: What is contemplated is that the NEB approves the settlement deal. We've had an open season that's been compliant with STAR.

MR. DeROSE: Right.

MS. GIRIDHAR: Under which parties that bid into the open season receive capacities, right? So to the extent that Union -- and I'll just have examples here -- so Union and Gaz Metro bid into the open season. They would receive their capacities, they would assign it over to TransCanada.

Enbridge allocated some capacity to itself for its EDA, right, so we can't actually assign that over, because you don't have a contract with ourselves. We have -- we'll have to find a way of giving that capacity to TransCanada.

To the extent that there have been other parties that have bid into our open season, other than Union and Gaz Métro, we are not making a decision for them. The reality is that the downstream service provider is TransCanada.

They could either also assign their Parkway-to-Albion capacity to TransCanada for a seamless path, which is what I presume they would do, but alternatively, they could decide to hold that capacity themselves and turn the gas over to TransCanada at Albion.

Most shippers don't like doing that, because that means they've got to nominate one extra time and --

MR. DeROSE: Is the alternative –- maybe let me try and cut to the chase.

My question really was: Why do you have these two alternatives? And are the two alternatives -- one being that the capacity is used by TransCanada and assigned, and the other is that TransCanada carries on its open season -- is it because you weren't entirely sure that you were entitled to transfer everything over to TransCanada? Or is there another reason why TransCanada might want to carry on an open season as opposed to using the one you've just conducted?

MS. GIRIDHAR: Well, the integrity of an open season process is that I can't just receive bids and take that and award it to somebody who hasn't bid into the open season. So we're just covering off the possibilities in this language.

MR. DeROSE: Okay. But if everybody that bid in consented and agreed, you wouldn't have to carry on another open season?

MS. GIRIDHAR: No, well -- so to the extent that TransCanada is conducting an open season for 2016, we don't know how much capacity it may want resulting from that subsequent open season that they're going to be conducting.

So we're just allowing for all of those possibilities. There may be an outcome where Union and Gaz Métro assign their capacities over; in fact, all parties assign their capacities over.

To the extent that there is more capacity requirement, then we'll come back to this open season and TransCanada can receive all the remaining capacity.

MR. RUBENSTEIN: Sorry, Vince, if I can just clarify something that was said, I think you said that Enbridge will assign its capacity that it has reserved for itself, its transmission capacity it has reserved for itself. I assume that was capacity for gas to its EDA, to TransCanada as well?

MS. GIRIDHAR: Well, so I can't actually -- I'm not a lawyer, but I don't believe I can use the word "assign" when a contract doesn't exist. And we cannot contract with ourselves, so I'll have to do it through another means. Probably hold the open season and have them take the capacity at that point.

MR. CASS: Yeah, Mark. That's what Malini was explaining.

There would be no intent to assign, but the intent would be to end up with the same result, that the capacity would be with TransCanada.

DR. HIGGIN: So just to Malini -- Roger Higgin -- so that 170 gJ that you're doing for the eastern, would that be charged into rates as transportation?

MS. GIRIDHAR: Yes.

DR. HIGGIN: Or distribution?

MS. GIRIDHAR: Transportation.

DR. HIGGIN: Okay. Thank you.

MR. BRETT: My quick question is: After you get approval, let's assume you -- you've had your open season, right? It closed on the 6th of September?

MS. GIRIDHAR: Right.

MR. BRETT: As an aside, are you able to make available or have you made available documentation from that open season? I mean, the actual RFP, whatever you used, and so on?

Can you make that available, as an undertaking?

MS. GIRIDHAR: All of the open season materials were filed in interrogatory responses, so they're on the record already.

MR. BRETT: All right. Thank you. I guess I missed that. There are a lot of open seasons.

The other question is: If you get NEB approval, as you expect, your next step then would be to sign precedent agreements and sign contracts with the shippers?

MS. GIRIDHAR: Correct.

MR. BRETT: With your shippers?

MS. GIRIDHAR: Correct.

MR. BRETT: Is that right?

MS. GIRIDHAR: Mm-hmm.

MR. BRETT: And then when you had completed your -- signing your contracts with your shippers, you would then proceed to construct the line?

MS. GIRIDHAR: No, we would proceed to construct the line after we receive OEB approval.

MR. BRETT: But before you sign contracts with your shippers?

MS. GIRIDHAR: Correct. The contracts with the shippers will be pursuant to the award of capacity, which will occur after NEB approval.

MR. BRETT: Okay.

MS. GIRIDHAR: If there is no change to our facilities application resulting from the open season.

MR. BRETT: I'll pursue this in my own questions. This is an issue of some importance to me, but I don't want to interrupt Vince's flow.

My only last question is the -- when you speak of "TransCanada's open season" -- you made several references to "TransCanada's open season" -- is that TransCanada's open season on their Kings North pipeline, or is it their open season on the capacity that is assigned to them by other shippers on your pipeline, or is it both? Which is it?

MR. BELL: I think there's a couple -- neither, yeah. I think there's a couple of things.

One is, with respect to the use of capacity for Kings North, this agreement has a condition where we'll work to reinstate the commitments we had from Union and GMI for the open season of 2012. And we'll use that capacity to meet those requirements for 2015.

In addition to that, we have a commitment under this agreement to hold another open season for capacity for November 2016. So anybody that bids into that open season will have -- be awarded capacity if the -- if successful at bidding into them, we'll build additional capacity over and above what we'll be assigning or using for -- to meet the obligations to GMI and Union in 2015.

MR. BRETT: And is that what you mean by "open season"?

MS. GIRIDHAR: Yes, I mean TransCanada's subsequent open season to offer short-haul on its system to shippers.

MR. DeROSE: And what's been contemplated being built with the second part, the November 1, 2016?

MR. BELL: That depends -– I mean, that was one of the uncertainties I was talking about in terms of determining what our capital costs are going to be, what the volume requests are going to be. You know, we need to conduct the open season, and then do a design and figure out what we need for facilities.

MR. CRANE: And one quick follow-up. Does -- with respect to the last bullet on the Parkway-to-Maple issue, does the Union open season contemplate a further build, or is it subsumed within projects currently identified?

MR. ISHERWOOD: We held an open season in 2012 for the facilities currently before the Board, the Brantford-Kirkwall loop, as well as the new compressor at Parkway West, the Parkway decompressor.

If we do an open season -- and we will do an open season for 2016 -- there may be more facilities required as a result of that. That will be to be determined.

MR. DeROSE: No problem at all.

In terms of the build of Kings North, just in terms of the approvals that would be required, I just want to make sure that I understand it.

The settlement agreement which is going to be -- come out of this term sheet, that would be subject to NEB approval; correct?

MR. BELL: That's correct.

MR. DeROSE: And once you receive -- let's assume you receive that approval. You would then need to file a section 58 application for a leave-to-construct with the NEB; correct?

MR. BELL: Actually, what we've done is we've reinitiated Kings North right now. And so we brought the team back together and we're doing these two things in parallel, so that the filing for approval of the settlement and developing our project would continue, and we'd develop our application and file it as that occurred.

MR. DeROSE: Okay. And so they aren't necessarily sequential?

MR. BELL: No. We're actually doing to work now.

MR. DeROSE: But the Kings North would be a section 58 leave-to-construct? I guess you haven't decided it for sure, but --

MR. BELL: Well, no.

MR. DeROSE: -- you're going to need approval to construct?

MR. BELL: Yes, we will.

MR. DeROSE: And do you anticipate needing any further OEB approval?

MR. BELL: No, we don't.

MR. DeROSE: No. Okay. And for Union and Enbridge, if your applications that you currently have filed before the Board are approved, you would not need any further leave-to-construct or any further approvals to connect to Kings North or to use the downstream capacity; correct?

MS. GIRIDHAR: That is correct. We are seeking all of those approvals through this application.

MR. ISHERWOOD: And we're seeking all the approvals we need, as well, in this application for the 2015 volumes.

MR. DeROSE: Okay. Thank you very much.

In terms of -- I'm just going jump to the "Access to Financial Information."

Second sentence, you say:

> "All parties agree that this settlement is based on the overall principles contained within this term sheet, without having the final toll impacts known."

Am I right that the -- well, first of all, when would the final toll impacts actually be known? Do you have any idea?

MR. BELL: I mean, as I said before, we're doing runs now. We're in discussions now. We started developing the detailed, definitive agreement. We anticipate that we'll have -- I think there's -- I hate to say there are going to be definitive tolls, because, as I was saying earlier, we need to run an open season, and that's going to have an impact. The facilities is going to have an impact on what the tolls are going to be, so -- and we're going to be running an open season for 2016 soon.

So I think we'll have -- at the time we have the definitive agreement done, which we're targeting for the end of September, beginning of October, we'll have a good idea, probably absent the actual interest that we get in the open season, what the toll impact will be.

MR. DeROSE: Okay. And I take it that in terms of until you get to that point in time, you would not be in a position to run any type of illustrations of the toll impacts or the potential impacts? I mean, you just aren't in a position to do it until --

MR. BELL: No, I think we need more information before we can do that.

MR. DeROSE: Okay.

MR. QUINN: I keep deferring this question, but you're on this topic, Vince, and I think I'd like to run this by the utilities and TCPL. I think there may be a way. Frankly, if TCPL were to assume in its open season that all the capacity that was bid for in Enbridge's open season, the 930 tJs, if that were the number that would come to you in your open season, just using that as a base line, that's a baseline assumption to say that is what you'll get in your open season.

If you then looked at your under-recovery -- and I don't know what's on the record in your motion to review and vary the RH-3-2011, but you must have had some level of understanding of what you expected your under-recovery to be with the compliance tolls.

If that formed the basis for under-recovery on the Prairie Line and the Northern Line, you should be able to come up with an illustrative calculation that would then say, how will this bridging surcharge -- what would the result of that calculation mean, in terms of your bridging the surcharge?

MR. BELL: Yeah, there's a number of ways that we could kind of pull numbers out of the air and estimate what the toll impact will be.

And we've done some of that, you know. But, you know, we're still -- there's still a lot of work that we need to do to get the kind of precision that we want to include as part of a definitive agreement.

MR. QUINN: To be clear, Don, I guess I'm not asking for precision. I think a bunch of us are struggling with the quantum, the impact, what does it look like, the questions I was asking Malini before, in terms of how much of the Prairie Line goes with the long-haul toll and the short-haul toll. All of those things could be illustrated using a baseline assumption of an open season and 930 tJs and the under-recovery which you projected you would have when you asked to vary the NEB decision in the first place.

MS. GIRIDHAR: Let me -- sorry, just -- sorry, maybe I should let you finish.

MR. QUINN: I'm just saying, those are baseline assumptions. And it's all without prejudice. It's not to be, you know, something that --

MR. SMITH: We've heard that before.

MS. GIRIDHAR: So Dwayne, I think what we have indicated on the terms sheet is that all parties are working together in order to come up with those tolls, assess the assumptions.

We are working with the expectation that we will be able to contain the toll impact to less than 50 percent of the short-haul tolls.

You know, by way of example, our toll to the EDA is 33 cents today. If you're talking about a range of impacts, you're talking between 15 cents and 20 cents on the furthest point you can think of within Ontario, on the short-haul tolls.

The toll impacts for the long-haul, we're talking about maintaining that differential, so you're probably looking at that same 15- to 20-cent number being layered on top of the long-haul toll, coming out of the compliance tolls.

I guess what I'm trying to tell you is there is enough in this terms sheet that explains what those impacts are. We can tell you what our short-haul tolls are as a component of our total gas costs.

The reality is, as Don said, we could pull out a number of things from the air and do scenarios, but we're really working to arrive at definitive tolls and to complete the settlement agreement that we'd like to take to the NEB as soon as possible.

So I think we're happy to assist with whatever we can, but at this point this is all we know. We're going to be working to try and contain that toll impact to the extent we can.

And the determinant is not just the 930. It's what assumptions are we making overall, in terms of volume. TransCanada may be able to inform its numbers to a better extent than what it did when it filed its review and variance. It's got more months of experience since then with its discretionary pricing flexibility.

So there are a number of things. We are very focused on trying to get to the best number we can and to paper the settlement agreement. And in the meantime, this terms sheet has embodied the principles we're working with.

MR. QUINN: I guess -- and I'll leave it at this -- I'm not asking for numbers to be pulled out of the air. I thought we would have some baseline numbers just to provide an illustrative calculation so we could know how the mechanics worked, but I will leave it to the utilities and TCPL to figure out what the best course of action, but I'll be asking this panel -- in my view, there should be some comfort here in Ontario as to what the impact will be before approvals are given.

MR. CABANA: May I try something? I fully concur that it's difficult to give some precise figures, but I'm going to try, based on the principle to explain maybe related to the comment you had previously, when you were trying to say which part will be borne by the Prairie, by the NOL, and the EOT.

The principle is that if there's the status quo right now, right, like we explained, at the NEB, is that TransCanada is allowed to recuperate its cost of service based on a certain volume.

MR. QUINN: I understand.

MR. CABANA: Okay. So if we don't do anything, without that deal, what would happen is that they would reassess based on everyone displacing, and they would say, okay, everyone bears the cost equally of the shortfall, so meaning that the Prairie would bear their share, the NOL, and the EOT on an equally basis.

What we're saying here is that that's a possibility. If that would have to happen, the weight on everyone would be equal. What we're suggesting is to say, remember that after 2020 we're asking to all the customers in the Prairie and in the NOL, we're saying that the EOT shippers won't be there to bear their share of the shortfall that will be created in their segment.

So we cannot ask until then to them to say, until then you're going to bear all the cost of all the short -- all on an equal basis. What we're saying basically is that we're going to look. You're going to pay your fair share of the shortfall on your own segment in the Prairie, same thing for the NOL, and the remaining shortfall is going to be borne by the EOT shippers, but we've made some scenarios, and in all scenarios, when we look at that, to get our freedom -- I will use that word -- to get the freedom from the burden of having to bear the shortfall past 2020 from the two segment in the NOL and the Prairie, we need to give something else on the other side. That is what is embedded in these principle.

And when we look -- after that, what we've said is that when -- instead of having that burden borne on six year, we're trying to bring it to a level where we know that after 2020 we won't be responsible to pay for any short-haul, even if we know that there's going to be some in the Prairies.

So we spread it over 15 years to decrease the level of the burden on the -- on our collective costs in the EOT segment.

So in all cases, when you look at that compared to the scenario where that settlement would not be accepted, the costs at the end are lower than what we would get if we don't do nothing.

I don't know if it was helpful or not --

MR. QUINN: No, I think I follow, and thank you for the principles again. But what I did hear from you is, you've done some scenarios. I think it would be very informative for us as ratepayers to understand what those scenarios look like. But I'm just leaving it there, and we can discuss it further next week.

MR. DeROSE: My final area is on the litigation issues, and it's just a couple of quick snappers.

First of all, I just want to confirm that all of the agreements under the heading "litigation issues" are not conditional upon any pre-approval. As I understand, they've either already happened or they're about to happen.

MR. ISHERWOOD: That's correct.

MS. GIRIDHAR: That's correct.

MR. DeROSE: And what I would invite you to do, just because I think it would close the loop for the Board on these various issues, is at some point next week it would probably be appropriate to just file with the Board -- or we can just put it in as an exhibit -- just the letters, withdrawing the complaint from the NEB, the section 71 application, and the order dismissing the litigation, just so that that has finality on it, and that way that loop is closed.

MR. CASS: That's fine. We can do that.

MR. DeROSE: I'm not really asking for an undertaking as much as just: Can we close the loop on that?

MR. DeROSE: Those were all of my questions on the agreement. Thank you very much.

MR. POCH: I just had a couple of quick ones left. David Poch for GEC.

Under for the term of the settlement proposal on page 1, there you say, the first sentence says that:

> "Term related to the toll segmentation agreement is the five-year term, 2015 to 2020."

And up above in the third bullet under "High-level Principles," you make the more general point that there will be the -- in effect, there will be segmented tolls carrying on after this agreement.

I'm just trying to reconcile those two statements. I've missed something in the nuance of the language, I think.

MR. CABANA: If I may, basically the segmentation agreement is really based on the -- what I explained you, the bridging contribution. Basically, what -- we need to assess the fact that the shippers won't be responsible –- oh, no, I think it's on. Now it's good? I'm good?

Okay. So we wanted to make sure that within the agreement that the short –- and different ways, not only in a class, in one specific bullet, that the shortfall that would be generated would be from 2015 to 2020.

MR. POCH: So just interrupting you there, what you're saying is that the bridging is intended to deal with the five-year shortfall?

MR. CABANA: It's six years.

MS. POCH: Six years. Excuse me, yes, 2015.

MR. CABANA: Six years spread over -- until --

MR. POCH: Amortized over six years.

MR. CABANA: Amortized over a longer period, but it's really meant to do that.

MR. POCH: Okay. No, I think I was tripping over the words "toll segmentation," as opposed to bridging for that period.

The toll segmentation is arguably in perpetuity?

MS. GIRIDHAR: It does say the methodology will have no specific expiry date. So it will endure until it's changed.

MR. POCH: Thank you on that.

And one other question I had right now was: On page 3, at the very bottom under "Contract Duration and Renewal Notice," you say:

> "Loss of revenues on long-haul paths will not be used to assess the viability of a new build to service the market via short-haul."

I assume that applies so that if -- because you've got all these mechanisms in here to hold TCPL whole, or whole with some contribution, you don't want them to say: Well, we're not going to build you your short-haul path because of that, you're compensated for that?

MR. CABANA: That's correct.

MR. POCH: Does this clause apply to the LDCs if they want to build a short-haul path, as is indeed the case in this application?

MS. GIRIDHAR: Well, we're not bypassing -- we have a commitment to remain on the TransCanada system once these facilities are constructed.

MR. POCH: I understand. Does this clause apply to you?

MR. ISHERWOOD: To the extent we're going from long-haul to short-haul, that would apply to us, yes.

Is that what you mean?

MR. POCH: Well, I'm thinking, you know, segment A is a situation where...

MR. CABANA: I believe I know where you are going, if I may help in that.

That's why it was important to precise, right up front, which project would be completed and accepted by all parties, you know, that they are within the overall interest. After that, after that settlement was signed, it says that if there's -- no, we would not come. And it's not only for TCPL; it's for each of us.

MR. POCH: That's what was my question, and that's the answer I'm looking for.

MS. GIRIDHAR: Yeah.

MR. CABANA: It's for each of us. Then all these negotiations were not only three LDCs with TransCanada. It was also a lot of negotiation among ourselves also, to make sure that it was fair for all of us.

MR. POCH: Okay. Thank you. Those are my questions.

MR. MILLAR: I know that there's a couple of people that wanted to finish before lunch.

COC just had one question; is that right?

And then, Mr. Gruenbauer, are you looking to go as well?

MR. GRUENBAUER: Yes. I only have two questions.

MR. MILLAR: Let's work our way through it. We'll start –- sorry.

QUESTIONS BY MR. SHRYBMAN:

MR. SHRYBMAN: Steven Shrybman for the Council of Canadians. I just have one remaining question.

Could you explain the rationale for the December 31, 2020 date?

MS. GIRIDHAR: It's the date -- it's the point when the Northern Ontario Line gets completely depreciated, and therefore the -- it was appropriate that the bridging contributions be considered at that point in time.

MR. SHRYBMAN: And can you explain what the Northern Ontario Line is, just in a little more detail?

MR. ISHERWOOD: On that map, you can see Emerson in the top left-hand corner. It basically goes from that point all the way to the North Bay Junction.

MR. SHRYBMAN: And I understand there are three distinct pipes that comprise that line?

MR. ISHERWOOD: That's correct.

MR. SHRYBMAN: And can you just describe those briefly, and their age?

MR. ISHERWOOD: The original pipe was built in 19...

MS. GIRIDHAR: '50s.

MR. ISHERWOOD: '50, I guess, yeah. It's a 30-inch pipe that goes across.

The second pipe is a 36-inch pipe that was built in the '70s, I believe.

And the last pipe, the 42-inch, was built in the '90s.

MR. SHRYBMAN: And which of those pipes would be converted to the Canada East (sic) project, if it's to proceed?

MR. BELL: It's Energy East.

MR. SHRYBMAN: Energy East, yes.

MR. BELL: The Energy East project, it's a 42-inch, CNPS 42-inch line.

MR. SHRYBMAN: And is that the one that's going to be fully paid by 2020?

MR. BELL: No. That's the pipeline that has the most undepreciated value associated with the pipe, and therefore when it's removed will have the biggest impact on tolls.

MR. SHRYBMAN: And is that the 2020 date that the --

MR. BELL: No. The entire system is --

MR. ISHERWOOD: Entire system is depreciated by 2020.

MR. BELL: That's right. So each pipe has its own net book value associated with each pipe.

MR. CABANA: And maybe to make a link also with the discussion we had previously, after 2020, the shortfall that we agreed that would have to be borne by the Prairies in the segment where it wouldn't be tied anymore, should be closer than what it is before 2020.

MR. SHRYBMAN: Okay. Thank you.

MR. CABANA: Okay.

MR. MILLAR: Mr. Gruenbauer, you had two questions?

MR. GRUENBAUER: Yes, I do. Thank you. I suspect they're both for you, Don.

"Tolling Methodology," the third bullet that the tolls of all the users, long-haul and short-haul of the EOT segment will be based on the EOT cost of service, how will the EOT cost of service be determined, and on what frequency? Are we talking an annual cost of service? Is this a filing you would be making with the NEB every year? How would that work?

MR. BELL: I think that it's fixed, the annual cost of service.

MR. GRUENBAUER: Sorry, I didn't catch that.

MR. BELL: It's fixed.

MR. GRUENBAUER: It's fixed?

MR. ISHERWOOD: For three years.

MS. GIRIDHAR: Well, fixed for six years, with the ability -- with an automatic review at the end of three.

QUESTIONS BY MR. GRUENBAUER:

MR. GRUENBAUER: Okay. Subject to this midpoint review of the billing determinants, so the denominator may change but the numerator is not; is that fair?

MR. BRETT: A clarification there, Jim. Does that mean that there's no deferral account clearing at the end of years 1, 2 and 3? There's nothing cleared until the end of the six-year period if there's under- or over-recoveries.

MR. BELL: Well, the reason that we have the three-year check is to ensure that there would not be large deferral accounts by the sixth year.

So there may be a need to do something at the third year point. That's what we talked about earlier.

MR. GRUENBAUER: Okay. Thank you.

And my second question was: Energy East -- and I know it's -- is it part of -- there's moving parts to this determination of this surcharge with respect to the bridging mechanism. I'm getting a sense that there's lots of moving parts to that.

Could the rollout and impact of moving to Energy East within the 2015 to 2020 period significantly affect what that surcharge is?

MR. BELL: I don't know if I'd use the word "significantly," but that -- these negotiations in the term sheet doesn't take into account any impact on tolls or rate base or the surcharge associated with what may happen with Energy East.

MR. GRUENBAUER: That's clear as a bell.

MR. BELL: Good pun.

MR. GRUENBAUER: And I had one observation, and maybe it's a question that can be corrected. When Dwayne was talking earlier about sort of baseline calculations that the companies may be willing to share with ratepayers, I almost assumed that was part and parcel of the condition in "access to financial information", that first sentence. It says:

> "TransCanada will provide all the financial information and related assumptions to the LDCs to allow them to review it to assess final results before final sign-off of this settlement."

To me that implies the senior executive at the utilities wouldn't be prepared to sign off on this unless they had some idea of base case and highs and lows. Am I wrong in that assumption?

MR. CABANA: You are not wrong that we needed before to have the comfort that it works well to look at different scenarios. But at this point, what we believe is that we cannot give the figures precisely. It's a matter of a couple of week, probably, on our side to assess where exactly it would be.

And we firmly believe that it's preferable to have all these assumption, main assumption, to agree on that and to have a shorter range before we expose what is the result of these figures to everyone.

MR. GRUENBAUER: Thank you.

MR. MILLAR: John, did you have a quick one or two?

MR. WOLNIK: Well, not a quick one. Probably ten to 15 minutes max.

MR. MILLAR: Why don't we go ahead.

QUESTIONS BY MR. WOLNIK:

MR. WOLNIK: Okay. John Wolnik for APPrO.

Starting with the rate-of-return hearing mechanism, could you comment on how the sort of the bookends of rate of return were established at 10.1 and 8.7 percent?

MR. BELL: Well, I think the rate of return was established through this negotiation. So there was, you know, there was not anything. We had -- we have currently 11-and-a-half percent.

MR. WOLNIK: Right.

MR. BELL: The rate base on the NGTL system is 10.1 percent. So this was consistent with the rate base of the NGTL system. And it was really part of an overall negotiation to reach this agreement.

MR. CABANA: If I may just add to that, these clause -- and I've done quite a lot of these -- are always considered at the end of the process. So at the end, when you're able to assess all the different angle and all the different principle, we enter into a negotiation saying about the risk we see, and I think you're very familiar about how it works for rate of return, and that's exactly what we did, but within probably eight executives to make sure that at the end it makes sense.

MR. WOLNIK: Okay. And the $20 million, do you have a rough approximation of what that represents in terms of

ROE?

MR. BELL: 9.3 post-tax, I think.

MR. WOLNIK: Okay. So the 10.1 then would really be 9.3.

MR. BELL: 9.3.

MR. WOLNIK: Okay. Thanks. That's all.

And moving to the commitment section, just, there's discussion there about TransCanada's ability to use the Great Lakes back-haul. My recollection was that there was a five-year agreement at least between Union and TransCanada for that Dawn-to-Dawn service, and I presume there was a related agreement with Great Lakes.

Does TransCanada have an intention at this point as to what it's going to do post that five-year period?

MR. BELL: No, I would say, I say that, John, as you know, we operate our system as an integrated system. So that will be factored in, in terms of our 2016 build, the 2015 build.

So we will operate the system in the least-cost way possible. So if it makes sense at that point because we have a capacity coming out of the 2016 build that would be available to serve that market, then we would look at that time at shifting the Great Lakes capacity. We may look at shifting it to forward-haul capacity. It would depend on what the costs were compared to the Great Lake cost.

MR. WOLNIK: Okay. And moving to tolling methodology, I know you're going to the sort of the cost-of-service approach here, and I understand the rate base is presumably the existing rate base that you've been using for each of the segments, depreciated based on the rates that you've currently got approved; is that right?

MR. BELL: That's correct.

MR. WOLNIK: Right. So what's your intention, in terms of allocating existing debt costs and also incremental debt costs for the EOT?

MR. CABANA: If you want -- yeah, I can help you out if --

MR. BELL: Go ahead.

[Laughter]

MR. CABANA: I think from TCPL perspective, they're financed right now, you know, at the corporate level, okay? So they have one credit rating. So that's the way it's been done over the past, and that's probably what's going to happen in the future also.

So we have to agree on what would be the fair methodology after that to assess, you know, which part of these costs are for the EOT, the Prairie, and the segment. There has never been a discussion. I don't think -- I don't believe that the intention is to have separate financing for all these segments. That's not the intent of what you have right here.

So you can say that if the capital structure is 40 percent equity and 60 percent debt, you can probably use these figures to easily spread the cost of the debt for all the segment.

MR. WOLNIK: Mr. Bell, does TransCanada agree with that?

MR. BELL: Yes, we certainly agree, but there was no discussion.

[Laughter]

MS. GIRIDHAR: I suppose one might view this as the norm in the regulated industry --

MR. BELL: Yeah, we did talk about --

MS. GIRIDHAR: -- structures by entity, not by pipe. Segment within an entity.

MR. BELL: There was a discussion about the equity thickness on that 10.1, 40/60 equity thickness between --

MR. WOLNIK: So no change on that.

MR. BELL: Yeah, no change.

MR. WOLNIK: And on Great Lakes costs, in terms of cost of service, do you know how those will be allocated?

MR. ISHERWOOD: I'm not sure we actually discussed that either, really.

MR. WOLNIK: To be determined?

MR. BELL: We haven't discussed any of that.

MR. WOLNIK: Okay. And my understanding is the long-term adjustment count, I think -- correct me if I am wrong -- is about 250 million today?

MR. BELL: I think that's close.

MR. WOLNIK: Okay. And you're adding to it, I think, to the tune of roughly 95 or $100 million a year up to 2015.

MR. BELL: That's right. That's right.

MR. WOLNIK: Can you comment on how those costs will be allocated among the three segments?

MR. BELL: The way the costs will be allocated is as per RH-3. So at the end of 2014 they'll be -- they'll go into the rate base and be recovered over --

MR. WOLNIK: So it will be proportionate to the rate base then? Is that --

MR. BELL: Yes. That's correct.

MR. WOLNIK: And will that be the same for the Energy East, to the extent that it's removed from the rate base?

MR. BELL: You know, I'm not prepared to talk about Energy East. Energy East is going to be subject to its own hearing and -- or further discussions. It's not part of this agreement.

MR. WOLNIK: Okay.

MR. CABANA: You don't want to us begin to say that --

MR. WOLNIK: We don't want to see a fight --

MR. CABANA: Yeah, about the Energy East assumption.

[Laughter]

MR. WOLNIK: And in terms of the bridging contribution, I'm not sure I've got this correct. If I look at sort of the first line, it talks about:

> "The bridging contribution for supply flexibility is appropriate and will be payable for 16 -- for the 16-year term of the settlement by all shippers."

But I thought, Patrick, you had indicated earlier that bridging contribution for the Prairies and Northern Ontario section would be identified and paid over six years. Did I get that wrong?

MR. BELL: No, that's right.

MR. WOLNIK: So I don't understand. This says 16 years then, so...

MR. CABANA: 16 years. We must understand that we said we agree at the start to pay for a higher proportion of the short-haul overall. So if we don't have to have a big increase, and we want to maintain the impact on our rate as low as possible, we agree after numerous negotiation to have it spread over 15 years.

MR. WOLNIK: So if I've got it right, then it's the shortfall that exists between now and 2020.

MS. GIRIDHAR: Correct.

MR. WOLNIK: But that shortfall will be collected over 16 years.

MR. CABANA: Yes.

MR. WOLNIK: Sort of the extent that that shortfall continues --

MR. CABANA: Exactly.

MR. WOLNIK: -- that -- okay. That's --

MR. CABANA: Make sure we maintain the toll as low as we can.

MR. WOLNIK: Okay. And in terms of the discretionary services, I understand that there's still flexibility as exist under the RH-3 decision, so will that bridging contribution be applied to the discretionary volumes? And this probably affects the revenue-sharing that TransCanada gets at the end of the day.

MR. BELL: All transportation service will pay a surcharge based on whether or not they use the Prairies, the Northern Ontario Line, or the Eastern Ontario Triangle.

MR. WOLNIK: So the amount that's sort of used to determine that net revenue, I guess, for sharing purposes, it'll have that --

MR. CABANA: Yes, yes --

MR. BELL: Yes, it will take into account some -- some form of...

MR. CABANA: I think I -- yeah.

[Reporter appeals]

MR. BELL: Sorry. We're so excited up here.

[Laughter]

MR. CABANA: We're so excited too, yeah.

MR. BELL: Lunch time.

[Laughter]

MR. CABANA: But basically, yes, it was consistent to say that TCPL would still have the flexibility, but as a tool to create a surcharge that all of us would have to bear after that.

MR. WOLNIK: Right.

MR. CABANA: So the counterpart is that the IT revenue that will be generated will be included in that -- the establishment of the revenue requirement.

MR. WOLNIK: The last paragraph of this section talks about sort of compliance tolls for the Empress-to-North Bay section between now and 2021, and -- but as I understand it, the EOT is going to be based on cost of service, so it sounds like we've got kind of a hybrid system where we've got compliance tolls -- which in itself will continue to generate shortfalls, as I understand it -- but cost of service in the EOT.

So why not move to cost of service for all three segments?

MR. CABANA: You probably understand what would be the impact if we say that we all shift to Dawn. And if the Prairies would have to bear alone their own cost of service, their toll would be huge. I think we understand that.

So what we said -- what we said, the principle of that is -- I will use my words to say that.

The principle of that is to buy our freedom after 2020, and say that we won't have to bear the costs of the Prairies and the NOL segment.

The overall rolled-in principle that was there since the beginning, after 2020 will be different. If we go right away with a full cost of service approach, what I can tell you right now is that -- and we're going to shift, we're going to move our supply. The resulting tolls for all of us, long-haul, short-haul, will be higher than what we will get with that settlement.

MR. BELL: I think another consideration is that where the growth is going to be in the system is going to be in the Eastern Ontario Triangle. That's where the growth is. There's not going to be growth in Prairies and Northern Ontario Line.

And you're aware, John, that the current cost compliance tolls don't cover the cost to the Eastern Ontario Triangle.

So to deal with the issue of how do you build infrastructure and how do you cover the cost of the Eastern Ontario Triangle when there's volume shifted from long-haul to short-haul, you have to do something in terms of how you -- the cost of service, right?

MS. GIRIDHAR: So, John, I think it's fair to say that we believe that the Eastern Triangle will ultimately be required to bear its cost of service, whether you have this deal now or later. I mean, it's inevitable.

MR. WOLNIK: Mm-hmm.

MS. GIRIDHAR: It's the price of continuing to grow our franchise, is the price of continuing to receive access and so on.

So that's a given. What we were dealing with was really a bridging contribution, to facilitate access as and when we want it, and make it available to everybody.

MR. WOLNIK: So given continuation of the compliance tolls for the upstream section, I guess I'm a bit confused in terms of things like the TSA.

I thought that was going away, but maybe it is going away and any shortfalls for the upstream portion may be just going into this bridging contribution; is that right?

MR. BELL: No. I think that the TSA goes away after 2015, and I think there's ways to deal with shortages beyond 2020 or 2015. And that's something that we're working through.

You can do it through adjustment accounts, bill to collect any shortage in revenue. After 2020, there is no bridging contribution on the Northern Ontario Line or the Prairies line.

MR. WOLNIK: Well, I was thinking more about sort of before 20 -- or 2020 and before. And presumably part of that TSA recognized throughput volumes for the Prairies and northern Ontario section.

MR. BELL: Yes. Right.

MR. WOLNIK: So there's going to be variances there, and I'm just trying to understand how --

MR. BELL: No, so I think the same response applies. After 2014, the TSA is treated like the RH-3, as in RH-3. And then we need to determine beyond that. I -- well, actually, there will be a bridging -- a deferral account also required to deal with shortfalls in revenue after 2020 on the Prairies and Northern Ontario Line.

MR. WOLNIK: And those shortfalls will be borne by whom? Or do we know yet?

MR. ISHERWOOD: Not by the EOT.

MR. BELL: Not by the EOT. So, yeah, it's the users of the system.

MR. WOLNIK: And that would be true if there's excess revenues in the Prairies section of the --

MR. BELL: Yes, sure.

MR. WOLNIK: Get the benefit of that. Okay. Fine.

Again, just another question in terms of those compliance tolls. Don, I understand earlier you talked about the return on the system was the 10.1 percent modified down to 9.3. And I thought you said that was for the entire system.

So if that's true, does that mean the compliance tolls would be adjusted to reflect the lower ROE?

MR. CABANA: I'm not sure that I understand the -- your question.

MR. WOLNIK: Well, I thought to an earlier question on ROE, Don had indicated that the 10.1 percent ROE applied across the entire system?

MR. CABANA: Okay. But what it says is that that settlement deal will be implemented in 2015. It doesn't mean that until then, that the new rate of return would become, for TCPL, 9.3.

MR. WOLNIK: Right, so its --

MR. CABANA: So the compliance tolls that are now -- right now will continue the way they are.

MR. WOLNIK: Right, but I'm talking more about the upstream segments.

So for the Prairies and the northern Ontario section, you're going to continue the compliance toll, right?

MR. CABANA: Yeah.

MR. WOLNIK: But I thought, Don, I understood you to say earlier that the ROE commencing December 15, or January 15 ––

MR. BELL: Right.

MR. WOLNIK: -- it's going to reduce to 10.1 percent, as suggested?

MR. BELL: That's right.

MR. WOLNIK: So the compliance toll is based on a higher ROE, so I guess the question --

MR. CABANA: The deal is that the compliance tolls we have right now will remain.

MR. WOLNIK: So they'll continue independent --

MR. CABANA: No, it will be a never-ending story.

MR. WOLNIK: So it's just they continue in the current numerical amount? It's not as if you're going readjust the compliance tolls based on the ROE?

MR. CABANA: No.

MR. WOLNIK: Okay. Thank. That's helpful.

MR. QUINN: Can I ask a clarifying question on that, John?

MR. WOLNIK: Sure.

MR. QUINN: Dwayne Quinn here. You're saying that the compliance toll will stay in place, but there still would be the application of a surcharge?

MR. CABANA: Yeah, exactly.

MR. QUINN: I just want to make sure we --

MR. CABANA: The starting point won't be adjusted to reflect 9.3.

MR. QUINN: I just want to make sure we're clear.

MR. BRETT: Excuse me. I just want on the add a brief question.

The actual -- maybe you've answered this, and if you have, so much the better. But the 10.1 return that you --

as adjusted, that you have in this document, is that based on the compliance tolls, as they exist today?

MR. BELL: No.

MR. CABANA: No, it's not related to the compliance tolls.

MR. BRETT: So in fact, you're return is going to be higher than 10.1; is that right?

MR. BELL: No.

MR. BRETT: Then I don't understand what you're saying.

MR. CABANA: When we'll set the revenue requirement, effectively what's going to happen is the rate of return, the starting point for TCPL is going to be 9.3. Effectively.

It's 10.1 percent, less a contribution.

MR. BELL: 10.1 percent with a contribution. Sorry.

MR. CABANA: Okay. Okay. Sorry.

So it's 10.1, less a contribution of 20 million, but a question was asked to say: What does it mean effectively?

Effectively, when we look at the calculation, mathematically, it's 9.3, but -- okay?

MR. BRETT: I guess -- okay. But my question was different. My question was: Let's assume that everything you said is correct, and I may just not -- but that the existing compliance tolls on TransCanada as a whole generate cash?

MR. CABANA: Yeah.

MR. BRETT: That results in a rate of return, in fact, of higher than 9.3.

Are you saying that the compliance tolls, then, are adjusted to --

MR. CABANA: That's correct --

MR. BRETT: -- reach a 9.3 percent return? Or where does that excess cash go? It goes into the account that is then shared?

MR. BELL: Forget the 9.3.

It says 10.1 percent. That's what the tolls will be calculated on, is a 10.1 --

MR. BRETT: On the compliance tolls?

MR. BELL: No. It's got to do with -- it's calculated based on the revenue requirement --

MR. BRETT: All right?

MR. BELL: -- from 2015 onwards. And that's what the tolls will be calculated on.

And then, in addition to setting the tolls at the 10.1 percent based on the revenue requirement, the -- TransCanada will make a contribution, shareholder contribution of $20 million.

MR. BRETT: I understand that. But you just said the compliance tolls remain in effect.

MR. CABANA: Yeah, but I think --

MR. BELL: Sorry, sorry. Let me back up. Okay. Forget the compliance tolls. As of January 1, 2015, we're going to rebase the tolls based on what our assessed revenue requirements are and a return of 10.1 percent.

MR. BRETT: So you're saying you're going to have a new set of tolls which are based on this agreement that will replace the compliance tolls --

MR. BELL: That's correct. That's correct. After 2015 --

MR. BRETT: All right. That's the confusion that I --

MR. BELL: After 2015.

MR. BRETT: -- wanted cleared up.

MR. BELL: Yeah. After January the 1st, 2015.

MR. BELL: That's right.

MR. BRETT: Okay. I'm with you now.

MR. WOLNIK: And my last question sort of is in the discretionary-pricing section, in terms of this new service that you're looking to introduce to Dawn, from Empress to Dawn.

It talks about this being for storage injection, but would that be offered on a non-discriminatory basis to anyone wishing to contract for it?

MR. BELL: It's really a storage service similar to the current storage service that we have, the STS service, that it was intended to kind of replace.

MR. WOLNIK: So will having storage be a condition of that service then?

MR. BELL: Anybody who has -- wishes to take gas from Empress and inject it into storage will be able to use the service.

MR. WOLNIK: Okay. Thank you.

MR. SMITH: Why don't we take the lunch break? Who other than Tom is left?

MR. MILLAR: We have Mark, who has to be done by 2:00, so maybe -- Mark, you've got about ten minutes, I think?

MR. CRANE: Maybe even less.

MR. MILLAR: Okay. So we can still take lunch and have him out of here by 2:00. And then Dwayne has 20 to 30 minutes, I believe. Mark, say five to 10. John, did you have anything? Mr. Viraney had a few questions, but probably not more than five minutes or so. How long will you be, Tom?

MR. BRETT: About 20.

MR. MILLAR: Oh, okay. And then Roger, did you have questions for Enbridge not relating to -- about the updated evidence?

DR. HIGGIN: No, we can decide how to deal with those, but I have other questions on the terms sheet.

MR. MILLAR: Okay. And how long --

DR. HIGGIN: I've tried to -- so I need 15 minutes more, because I'm doing for both Wightman and myself, okay?

MR. MILLAR: That's fine. So it looks like we'll have plenty of time to wrap up at a reasonable hour today.

Why don't we come back in just under an hour to start at 20 to 2:00 so Mark can get out of here by 2:00. So we will resume at 20 to 2:00.

MR. SMITH: We're happy to come back at 1:30.

MR. MILLAR: Court reporter, is 1:30 okay for you? Okay. Let's do 1:30. Thank you.

--- Luncheon recess taken at 12:43 p.m.

--- On resuming at 1:35 p.m.

MR. MILLAR: Welcome back, everyone. Why don't we reconvene with Mr. Rubenstein? Are you prepared to go?

MR. RUBENSTEIN: Yeah.

MR. CAMERON: Michael, can I address a couple of preliminary issues?

MR. MILLAR: Give us one moment for the court reporter.

Okay. Five minutes or –- okay. We'll adjourn very briefly...

Was there something from TCPL?

MR. CAMERON: Yeah. Given Dave's enthusiasm to pursue that issue with the TransCanada witness, we've decided to call as the representative on the joint panel the most senior and I'll say most versatile of the witnesses who are going to attend. And he will certainly be able to speak to the issue that Dave mentioned, and probably most of the issues that others have mentioned.

So hopefully that will address his concern. And I don't see him back here, but I'll give him a call and find out if that --

MR. MILLAR: So is it now the intention, then, to call the joint panel first? Is that confirmed?

MR. SMITH: No. Logistically we're just not in a position to do that, so we'll leave it exactly where the joint panel was. And I believe in the schedule that was somewhere around September 30 or October 1st.

MR. MILLAR: Okay. So just to be clear, we will not be having the joint panel first; we'll have panel 1 first?

MR. CAMERON: That's right.

MR. MILLAR: Okay. Thank you.

MR. CAMERON: And one other thing.

We think there was a little bit of confusion -- and again, unfortunately he's not here to be clarified, but hopefully he'll pick it up in the transcript -- a bit of confusion in some of the questions and answers that GEC was asking. And Don Bell, I think, can clarify that.

And it had to do with the questions about the -- let me find the --

MR. BELL: "Contract Duration and Renewal Notice."

MR. CAMERON: The last bullet on page 3.

MR. BELL: Yeah, last bullet, page 3.

MR. BELL: So in the discussion, I think there may have been some confusion about the last bullet point, 4, on page 3, which says:

> "Loss of revenues on long-haul paths will not be used to assess the viability of a new build to serve the market via short-haul."

And that is a condition that applies to TransCanada. And there is some question as to whether or not that would also apply to the LDCs.

And I think there might have been an understand that it did, and in fact, it does not. It's a condition that applies only to TransCanada.

Kind of the mutuality of that point is covered through the condition with LDCs that they will not bypass TransCanada over the term of the agreement.

So that's how the agreement was intended to work.

MR. CAMERON: And that's how it will be manifested in the final document when it's completed?

MR. BELL: Yes.

MR. MILLAR: Thank you.

Mr. Rubenstein?

QUESTIONS BY MR. RUBENSTEIN:

MR. RUBENSTEIN: Thank you very much. I just have two areas I want to discuss. The first involves the actual process of approval and what that means of the settlement agreement.

So correct me if I am wrong, and this is -- well, you probably will need to correct me. My understanding would be this term sheet is turned into a settlement agreement. That settlement agreement is filed with the National Energy Board, and I assume the settlement agreement or some ancillary document seeks a number of approvals that would be needed to effect the settlement agreement.

And the Board -- and if it's approved by the NEB, the NEB issues a decision which approves the settlement agreement.

And my question is: If there is a breach of the settlement agreement by one of the parties, would the recourse be to the NEB, as it's been a breach of its order? Or through the courts, or some other method?

MR. SMITH: Well, obviously what you are talking about is pure conjecture, because, first of all, nobody's contemplating a breach. And even if there were a breach, I don't know what breach it might be.

So I think it is entirely speculative to talk about something that, at this point, is absolutely not real.

MR. RUBENSTEIN: All right. So --

MR. CAMERON: The answer is something like: either or both. So -- which is to say the same thing that Crawford said. You would really need to know the breach, and so forth.

MR. RUBENSTEIN: Certain terms in the term sheet, which will be turned into a settlement agreement, involve things which would require provincial regulatory approvals.

So, specifically, the 13 percent minimum on long-haul.

Now, at some point, Union and GMI at the Régie and EGD here, will go before their regulatory -- the provincial regulatory authorities to seek the cost consequences approval of this change.

And I just want to confirm that if the Board -- if the OEB, if -- in Union's case does not approve the 13 percent amount or the cost consequences of that 13 percent amount, that then would not be a breach of the agreement?

MR. SMITH: Well, Fred should chime in after me, but just as an underlying premise to your question, the Board is not, as part of this settlement agreement -- and by "Board" I mean this Board, the Ontario Energy Board, is not being asked in this proceeding to comment on the 13 percent minimum long-haul, which, you will be aware, is less than the gas supply portfolios of the LDCs currently.

The cost consequences, as we discussed earlier today, associated with a gas supply plan by an Ontario regulated LDC are obviously subject to a review, a prudence review, by the Board.

But that is not a specific commentary on whether or not the 13 percent is or is not the right number.

What the Board does at any period of time is review the cost of gas, and whether that's appropriate.

MR. CASS: Yeah, Mark, my comment was going to be this.

My understanding of this situation that you're positing is one in which the outcome of the settlement goes to the NEB and the NEB approves a toll.

The NEB having approved that toll, it then becomes part of costs that Enbridge Gas Distribution, for example bring brings to the OEB. It would certainly be our expectation on behalf of Enbridge that that toll would be something that the OEB would be prepared to reflect in Enbridge's costs, because it is an NEB-approved toll.

Now, you're positing a situation where there perhaps would be inconsistent decisions among these regulators that might stop something like that from happening.

I'm certainly very hopeful that that will never happen, but if it does happen, sitting here today, I hope it's a remote circumstance. I can't tell you what the remedy will be or what will happen if the NEB reaches a particular decision, based on the settlement agreement, and then a provincial regulator determines something that's inconsistent with that.

MR. RUBENSTEIN: Yeah, I mean, the issue that I just want to make sure is that if this Board at some other future date does not approve the cost consequences of the 13 percent minimum, this doesn't -- it does not unravel a settlement agreement that's been approved by the NEB and the consequences that flow from it.

MR. SMITH: That's right.

MR. RUBENSTEIN: Okay. Thank you.

The second issue I just want to confirm is with respect to the impact, if any, of this term sheet on the current Segment A transportation costs. And this would be the Rate 332.

So just to break this down into pieces, originally, when -- what was originally filed and what was embodied in the MOU, as I understand it, was that the transportation capacity at that point from Segment A would essentially be paid for by TransCanada, and that if there was a delay in the downstream facilities, TransCanada would still have had to pay for their -- that allocated capacity; is that correct? That was at that point.

MR. BELL: Certainly the -- certainly the first part of your question was correct. It's TransCanada's intent to contract for all of the TBO capacity, similar to what was indicated in the MOU. So for a 42-inch pipe it would be -- would pay the TBO costs on the 60 percent -- for 60 percent of the capacity.

MR. RUBENSTEIN: Sorry, just for clarity, I just want to -- at that point, was that -- the evidence in this application was that, what I had said?

MR. BELL: Right.

MR. RUBENSTEIN: So then, from the point after the MOU to, let's say before this was filed with the Board, that had -- that changed, and that the shippers would be responsible for their portion of the capacity which was allocated to them, and my question then would be, at that point, if no actual gas flows, because there would again be -- either the NEB hadn't approved the various applications that were before it at that time or there was a delay of some amount, my understanding would be then distribution ratepayers would have been responsible for the entire pipe.

MS. GIRIDHAR: So that is correct. We're only -- pursuant to this terms sheet, we're only awarding capacity after the NEB rules on market access. We are seeking approval of NPS42-inch Segment A from this board, and we requested approval by December.

We will be proceeding on the basis of the NPS42 after that point. We have evidence on the record that shows that the project is feasible, sized as an NPS42, and that is what we will be requesting.

Now, to the extent that market-access decisions are made in a timely fashion, as we expect, then obviously that's just a hypothetical scenario, because Union and Gaz Métro are requesting service for November 1, 2015, which is the exact same date when the facility comes into service for distribution purposes as well.

MR. RUBENSTEIN: But if the downstream facility -- and this is before the terms sheet -- the downstream facilities were delayed outside of the control of Enbridge, so there would be no transportation gas that actually flows through that pipe, distribution ratepayers would have been responsible for the entire revenue requirement.

MS. GIRIDHAR: So let me pose two scenarios there. So in the one case where the downstream facilities were approved by the NEB but delayed for construction reasons or whatever, Enbridge's precedent agreement with TransCanada would have clauses that would provide for appropriate risk-sharing and so on.

In the event, obviously, that the downstream facilities don't get built because the NEB hasn't ruled on market access, the expectation is that distribution customers would pick it up, pick that cost up, until market access was ruled on, and the evidence in this case shows that the NPS42 is feasible as a distribution pipe.

MR. RUBENSTEIN: Okay. Thank you. Those are my questions.

MR. MILLAR: Thank you, Mr. Rubenstein.

Who would like to go next? Mark?

QUESTIONS BY MR. CRANE:

MR. CRANE: Mark Crane, on behalf of IGUA.

I've got a couple of questions with respect to access to financial information, which is on page 7 of the terms sheet. And just generally speaking, I'm just trying to reconcile my understanding of, I guess -- the access to financial information contemplates there being an increase in the EOT tolls of up to or less than 50 percent. And if you break that down in the first paragraph it talks about the expectation that, of that increase of 50 percent in tolls, 30 to 35 percent would be attributable to recovery of EOT cost of service and the remainder attributable to the bridging contribution.

And if I go back to the bridging-contribution portion of the document on page 4, and item number C, under the first bullet it talks about, under item C:

"Tolls for service in the EOT will be adjusted to ensure recovery of the forecast EOT cost of service plus their share of revenues, shortfall generated before January 1, 2021."

And it goes on from there.

I guess my question is, is the 30 to 35 percent the bridging contribution? Like, if I -- am I under -- I don't see a difference between -- under the access to financial information it talks about 30 to 35 percent being attributable to the recovery of EOT cost of service and the remainder being the bridging contribution. Does that --

MR. ISHERWOOD: Just to have some clarity, I guess, the 30 to 35 percent of the 50 --

MR. CRANE: Yes?

MR. ISHERWOOD: -- is to ensure that the Eastern Ontario Triangle is recovering its true cost of service, including any expansion facilities. And then the bridging contribution, which is to recover system-wide revenue shortfalls, would be on top of that. It would be the remaining 15 to 20 percent, is our target.

MR. CRANE: Okay. And so maybe I'm having difficulty with item C under the bridging contribution then, because is item C not the same as -- is the first three lines of item C not the same as the 30 to 35 percent that you just described?

MS. GIRIDHAR: No. The item C is referring to the 15 to 20 percent.

MR. ISHERWOOD: The headline is "bridging contribution" on the top of that. So it's really referring to the --

MR. CRANE: Right. So maybe I'm just not clear then, on what the difference is between recovery under the access to financial information, recovery of EOT cost of service, with recovery of forecast EOT cost of service, which is referenced in item C, as part of item C, under the bridging contribution.

MS. GIRIDHAR: I think the -- I'm sorry, if I could just try. The reason why you have the first part of that sentence that says "tolls for service in the EOT will be adjusted to ensure recovery of the forecast EOT cost of service", that first part of the sentence is not really referring to the bridging contribution. It's referring to the segmentation of tolls.

The reason why it's there is because clearly, under parts A and B, the Prairies and the NOL are not recovering their forecast cost of service because the bridging contribution is making a contribution to that cost.

So the bridging contribution is really, under access to financial information, you're talking about 15 to 20 percent of the total increase being attributable to the bridging contribution, and the bridging contribution will be spread over 16 years.

MR. CRANE: Okay.

MS. GIRIDHAR: Does that make sense?

MR. CRANE: It does. So it's by way of perhaps preamble a little bit in the bridging-contribution section.

MS. GIRIDHAR: Yeah.

MR. CRANE: And then what would the -- with respect to the -- if I take you back to the access to financial information, if that covers off then -- the bridging contribution. I see. Okay. I think I've got it.

With respect to access to financial information, it talks about that:

> "Full and final financial disclosure from TCPL is pending."

And I guess my question is, what steps have Enbridge and Union taken to satisfy themselves that the potential toll increases that are contemplated within this settlement agreement, including with the anticipated 50 percent increase, are reasonable?

MR. ISHERWOOD: I think the first step in that is just to look at what it takes to get back to cost of service. So although 50 percent is a total, the vast majority of that, 30 to 35 percent of that, is just to get back to cost of service.

So the part that's really on the table to be looked at and to be negotiated is still the last 15 or 20 percent of that 50. So the majority of it is just cost-of-service calculation.

MR. BRETT: I'm sorry, could I just ask a question there?

MR. CRANE: Yes.

MR. BRETT: You mentioned 30 to 35 percent.

MR. MILLAR: Your mic's not on.

MR. BRETT: And then you mentioned 15 to 20. But those don't add up to 100 percent. What --

MS. GIRIDHAR: 50 percent.

MR. ISHERWOOD: They add up to 50 percent. So of the 50 percent that's going up, 30 to 35 basis points of the 50.

MR. BRETT: Okay. I've got you. Thank you.

MR. CRANE: And so I guess my question is, what steps did Enbridge and Union take? Is it that if I accept that you've taken out the 30 to 35 percent to recover the EOT's cost of service, then the remaining 15 to 20 percent, is that an estimate that the utilities have taken as what they anticipate?

I mean, I guess without the financial disclosure, we're just trying to get a sense of what steps Enbridge and Union would have taken to satisfy themselves that this is the likely or the anticipated outcome.

MS. GIRIDHAR: So this is really what we're going to be doing collectively between the four companies over the next little while.

In order to get to the definitive tolls, we will all be getting a better understanding of the cost of service, the cost associated with accommodating additional short-haul, the extent to which TransCanada is able to generate revenues, either by ensuring more FT contracts are in place or through the discretionary revenues.

All of those assumptions will be revisited, tested, challenged, examined over the next little while. And those are the steps we'll be taking to make sure we come up with reasonable numbers.

MR. CRANE: Thank you.

QUESTIONS BY MR. QUINN:

MR. QUINN: Okay. Thank you, Michael.

I'm going to try to work from this sheet. I e-mailed this sheet of questions last night through to Edith and Karen. They are basically in order of the document, and so I'll try to guide, at least, the transcript to where we're talking about.

The first area came up under the issue of this Burlington-Oakville project. And I don't know -- I see you have a map there and I don't know if the folks on the computer are able to project anything for us so that we have better clarity on Burlington-to-Oakville.

MR. MILLAR: No.

MR. QUINN: No. Okay. All right.

Well, maybe, then, verbally, I guess, Mark, if you would, could you just help us again to understand -- I understand you want to take the load off of the Dawn-Trafalgar system down what you called, earlier today, Bronte. That's the same as the Burlington-Oakville project?

I guess I'll start there.

MR. ISHERWOOD: Which map would be easier to look at?

MS. GIRIDHAR: This one [indicating].

MR. QUINN: Oh. The one behind the pillar.

[Witness panel confers with counsel]

MR. QUINN: Yeah, I think we can probably see, Mark, if you want to just describe. That would be helpful.

MR. ISHERWOOD: Yeah, I'll try this. First time in my life I want to be four foot tall.

[Laughter]

MR. ISHERWOOD: So there's really two parts of Union's CDA.

There's a part that's fed from Parkway, and it's basically if you conceptually think of Burlington, Oakville, Bronte. Those volumes are fed from us at Parkway into TCPL's system, and go down the domestic line.

MR. QUINN: So that orange line that is just west of --

MR. ISHERWOOD: Yeah, the orange line between the lake and the Dawn-to-Parkway system.

So it goes down there, and I think there's two take-offs, one at Bronte, one at Burlington, and that feeds that part of our CDA.

Another feed off TransCanada –- there's another feed from Kirkwall that feeds CDA volumes, but it's CDA in the Hamilton area, and also Nanticoke. So Nanticoke is down by Point Pelee, which –- sorry, Long Point.

MR. QUINN: Okay?

MR. ISHERWOOD: And although it's one CDA, it's really fed two different ways, I guess.

So today, as I mentioned, we're feeding the CDA of Burlington and Bronte through two contracts. One is from Dawn to the CDA, and one is Parkway to the CDA.

We also buy a market-based service as well, but in terms of TransCanada revenue -- which we're trying to keep whole -- it's really those two contracts. And as mentioned this morning, it's about $5 million for those two contracts.

And for whatever reason -- I don't know the history here, but at Kirkwall, we've been doing an operational exchange essentially, where we'd give gas to TransCanada at Kirkwall and, on a daily basis, schedule it through operator to operator, basically, and that gets delivered primarily to Nanticoke; there's some that goes to Hamilton as well.

So what we've recommended to keep TransCanada revenue-neutral, which is in the spirit of the agreement, is really to -- if we do build the new pipeline -- and it's still an if; we haven't gone down the path of applying for the facilities yet -- but if we did, we would replace the CDA contracts out of Parkway with CDA contracts out of Kirkwall, which would provide about the same revenue. And the calculation was actually a little bit more.

MR. QUINN: Okay. I think you went through some numbers this morning, but I remembered 140- to 150,000. This document speaks to 200,000.

Is that just the difference in rates and making the revenue equivalent?

MR. ISHERWOOD: Sorry, what 200,000?

MR. QUINN: Is the 200,000 -- it's on page 3, bullet number 2, it says TransCanada agrees beyond the Kirkwall-to-Parkway -- beyond the total flow from Kirkwall --

MR. ISHERWOOD: That's actually a different -- that's a different concept altogether, so --

MR. QUINN: Well, help me understand which -- that's where I'm getting, maybe, my confused.

MR. ISHERWOOD: So this part that I just mentioned, that's a separate issue, and what you're referring to here is a commitment, really, for TransCanada.

You'll see the domestic line basically goes from Parkway, goes around Hamilton Bay, basically, and then on to Niagara. That line is really serving distribution load, primarily, along the way, on the Enbridge CDA, St. Catharines and Niagara Falls, et cetera, as well as our CDA in Bronte and Oakville.

There's a proposal TransCanada has to reverse that line and actually take volume from Niagara to Parkway, and that volume would be up to 200,000 a day.

So that's a different concept embedded in here.

MR. QUINN: Okay. We'll get into -- handle it one at a time, then, if I may.

The first one, shifting gas from Dawn or Parkway to Kirkwall to the CDA, is that Union CDA or Enbridge CDA?

MR. ISHERWOOD: That whole issue of switching from Dawn -- Parkway to Kirkwall is all Union Gas CDA.

MR. QUINN: All Union CDA? Okay. So the practical effect of that change is it reduces the amount of flow Dawn-to-Kirkwall and increases the amount of flow Kirkwall-to-Parkway?

MR. ISHERWOOD: No, I think the same gas is flowing today, Dawn-to-Kirkwall. It's just it's being handled between the two companies as an operational exchange.

So it's not really changing the 140,000 a day going out of Kirkwall to feed Nanticoke and to feed Hamilton. That's been happening for years and would continue to happen. It will mean there will be less gas leaving Parkway to go to CDA.

But we're just trying to keep -- again, the premise of the whole structure of this arrangement is to try and keep TCPL whole in revenue.

MR. QUINN: But I thought you were moving gas that would have been gone Dawn to CDA or Parkway to CDA, moving it to Kirkwall to CDA?

MR. ISHERWOOD: No. No, the gas that's going out at Parkway, if the project got built on our system, it would flow down the new pipe into that growing area.

MR. QUINN: And that's what you're talking about here. I was trying to separate the two, Mark, and I think I got us both confused. So the first one we talked about, the change -- maybe somebody can pull it out here. I didn't put a reference in.

You've got a change that you agreed to keep TransCanada whole. Which page is that on? Do you have that page?

MR. ISHERWOOD: I'm just trying to find it. Slide 2, or page 2, sorry.

MS. GIRIDHAR: Page 2.

MR. QUINN: Okay. So this is bullet 2, then, under "Commitments"?

MR. ISHERWOOD: That's correct.

MR. QUINN: Okay. So you're taking a firm service from Dawn and Parkway to Union CDA, and you're replacing it with Kirkwall to CDA.

So how much is the current service from Dawn to Union CDA that you're going to replace?

MR. ISHERWOOD: Today we have 60,000 gJs a day going from Dawn to CDA.

MR. QUINN: Okay.

MR. ISHERWOOD: And 16,000 from Parkway to CDA.

MR. QUINN: Okay. Thank you. And so the 60,000 now will not flow down to Kirkwall, it will flow Kirkwall to Parkway.

MR. ISHERWOOD: No. That --

MR. QUINN: Sorry, Kirkwall to CDA?

MR. ISHERWOOD: No, that gas would essentially flow down the new pipe.

MR. QUINN: The Burlington-Oakville pipe.

MR. ISHERWOOD: Right.

MR. QUINN: So these two are linked, but -- that's what I --

MR. ISHERWOOD: No, they are linked, so up in the first bullet point it talks about, as well as Union's proposed Burlington-Oakville pipeline.

MR. QUINN: Right.

MR. ISHERWOOD: So that partial sentence is linked to the next bullet point for sure.

MR. SMITH: Sorry, just so it's clear, when you're talking about linked, but not linked to, over on page 3, second bullet point.

MR. ISHERWOOD: No.

MR. QUINN: The reversal --

MR. ISHERWOOD: That's a different project.

MR. QUINN: So the second we'll call the reversal by TransCanada then, that is going to bring gas north to Parkway on its line?

MS. GIRIDHAR: To the Enbridge franchise. The reversal of the domestic line brings gas from Niagara into the Enbridge franchise at Parkway.

MR. QUINN: Okay. So it will not impact the Dawn-Parkway flow at all.

MS. GIRIDHAR: That's correct.

MR. QUINN: So it will be flowing on its system.

Okay. Well, that is helpful. I appreciate your patience in walking that through with me, because I had the two mixed up in my mind, but I think I have clarity now. Thank you.

The second --

DR. HIGGIN: Can I just add a follow-up --

MR. QUINN: Yes. Go ahead, Roger.

DR. HIGGIN: -- for clarification? Just on the paragraph in the 200 gJ per day, am I correct that that is one portion of EGD's 800 gJ per day for Segment A that will flow on that Segment A?

MS. GIRIDHAR: Actually, it's -- in effect, that is true, but physically, those volumes coming off the domestic line will come in at lower pressures. So they will actually eventually find their way into our distribution system, off our existing 36-inch line. What that does mean is we'll have to displace an equivalent 200 --

DR. HIGGIN: So that frees up another 200 for -- 200. And you're taking 400 from Union you've contracted for.

MS. GIRIDHAR: Right.

DR. HIGGIN: The question is, where is the other 200?

MS. GIRIDHAR: The other 200 is for growth. So over the next ten years our peak day in the GTA project will grow each year. The expectation is that we'll be contracting for additional amounts for peak day.

DR. HIGGIN: So in 2015 the incremental amount will be --

MS. GIRIDHAR: 600.

DR. HIGGIN: -- the 200 plus the 400.

MS. GIRIDHAR: Correct.

DR. HIGGIN: Correct. Thank you.

MS. GIRIDHAR: We're creating the capacity for 800. We only need to make upstream arrangements for 600.

DR. HIGGIN: That's good.

MR. QUINN: Okay. Just moving on to the second question, which was the -- it referred to the system supply commitment, which is under -- still under the section of "commitments", last bullet point:

"All LDCs will continue to maintain a minimum 13 percent system supply."

The question was asked yesterday, what is the current percentage of system supply for the utilities that is being carried on long-haul.

MS. GIRIDHAR: We -- I understand we do have a response to that question already on the record. I'm told it's BOMA J110. And I understand that the proportion of system supply that's coming on the TransCanada Mainline long-haul is approximately 40 percent.

MR. QUINN: Okay. Thank you. Union's numbers?

MR. ISHERWOOD: It would be approximately about the same, actually. I was going to say 39 percent, but call it 40.

MR. QUINN: Now, Mark, is that south and north, or is that just north?

MR. ISHERWOOD: No, total -- I would say total system supply today on TransCanada is approximately 180,000 gJs per day, which is -- which is about 39, 40 percent.

MR. QUINN: Of Union's total north and south --

MR. ISHERWOOD: Total system supply, although most of it is north, but a percent of the total is about 40 percent.

MR. QUINN: But in this case here you're -- okay. Maybe I'm jumping ahead.

Okay. Well, then I'll ask the question differently. Mark, this morning you were -- and in response to somebody else's question, and I don't want to make this sound like I'm challenging this, but you talked about not controlling your bundled direct purchase customers' delivery point?

MR. ISHERWOOD: Right.

MR. QUINN: But your Parkway obligation in effect does do exactly that, does it not?

MR. ISHERWOOD: We do, but over the term of this agreement, as you know, we are trying to commit to get that moved to Dawn.

MR. QUINN: Well, that's in another forum, and I don't want to bog us down in the detail there, but that's Union's proposal. It's not necessarily what either has agreed to or certainly the Board has approved.

MR. ISHERWOOD: Right.

MR. QUINN: So in effect, you do have today a significant amount of control over where your bundled-T customers deliver.

MR. ISHERWOOD: And I say -- yes, it has control, sure.

MR. QUINN: Okay. So in that event, in the spirit of this agreement, you are saying 13 percent. You currently have 37. But you didn't break it down between south and north. Do you have a percentage that is system gas for the south?

MR. ISHERWOOD: I don't, actually.

MR. QUINN: I know you're not taking undertakings today, but possibly that can be available to the panel next week so that we can just ask that question and understand implications?

MR. ISHERWOOD: I think, just going back to the principle of this agreement, I think what we need to do -- this agreement is really intended to talk to the capacity that we're committing to TransCanada for the system supply. And our obligation or our commitment is 13 percent of that.

And we purposely looked at it from the point of view of system supply only so that there is room around the direct-purchase volumes.

MR. QUINN: I think I understand all of that. And I'd like to understand what the south commitment is right now to system supply that is delivered in the long-haul. So I'll defer that question til next week, because I know you don't have it here now.

MR. ISHERWOOD: Right.

MR. QUINN: Okay. The next section, question 3, was under the bridging contribution. And I got some clarity from other people's questions this morning, so thank you for that. I think I understand the process of calculations. I asked again that we be provided illustrative calculations. The utilities can consider that.

But one part that challenged me in understanding this calculation, it's going into effect for a six-year period, to be recovered over a 16-year period -- stop me if I'm wrong on any of this -- but in the middle of that six-year period TransCanada is planning to, although it's not approved, move a good percentage of its newest assets to oil service.

I know I don't want to fight amongst the panellists, but does this agreement here contemplate that there will be no change to the rate base that forms part of the revenue requirement, even if those assets go into oil service in 2016?

MR. BELL: No.

MR. QUINN: No what?

MR. BELL: No, it doesn't contemplate that there will be no change.

MR. QUINN: So what does it contemplate then, Don? Maybe you can help me with that.

MR. BELL: Energy East is going to be dealt outside of this agreement in another proceeding, in an NEB proceeding, and on the basis of what the NEB approves, then we'll take another look at this agreement.

MR. QUINN: Well, it doesn't say that explicitly anywhere in here that I'm reading. Can you point me to something that says that?

MR. BELL: Well, I think we do have a statement which says that Energy East is not part of this. I think it's on page 7, Energy East project.

MR. QUINN: Sorry, I --

MR. BELL:

"The parties agree that the Energy East project and the proposed capacity to be transferred to the oil project will be dealt with through an NEB process and/or further discussions in the future."

MR. QUINN: And that says --

MR. SMITH: Sorry, Dwayne. Just, you know, obviously the details of the drafting will have to be worked out. But I think what I heard the witnesses say when this question was asked earlier today is, if it comes to litigating the Energy East project or ultimately a resolution, the impact of that resolution will be rolled into the agreement. It's not contemplated -- I know Mr. Bell used the word "we'll take a look at it", but -- vernacular. But the concept isn't the agreement would itself then be re-opened for a consideration, it would be the impact would be rolled in, whatever that may be.

MR. BELL: In fact, the NEB in RH-3 said that the impacts of Energy East would be -- there would be re-opening of their approval. And the same would apply coming out of the Energy East to this agreement.

MR. QUINN: And that's what I'm looking for, is that certainty that, to the extent that whatever decision is made on Energy East, the impacts would be applied to this agreement, so that if it changes the revenue requirement, which is obviously our concern, that would be taken into account at that point, not at the end of the six years?

MS. GIRIDHAR: Yes. That's correct.

MR. QUINN: Is that correct?

MS. GIRIDHAR: Yes.

MR. BELL: Yes.

MR. QUINN: Okay. Okay. That's very helpful. Thank you.

Moving further on, then, in the document on to page -- oh, sorry. We actually went to page 7. Don helped us with the reference.

But on the bottom of page 5, under "Other Items," we have the LMCI, and just for the benefit of anybody reading this, Don, can you just give us the 30-second on LMCI? I think I understand it, but it would be really helpful to provide that.

MR. BELL: The LMCI is a proceeding that the National Energy Board implemented across Canada for NEB-regulated pipes, to deal with -- in terms of how to deal with pipeline abandonment costs. And there's a separate proceeding and -- to deal with that.

And so like Energy East, LMCI is something that's going to be heard at the National Energy Board.

TransCanada has a proposal, other pipelines have different proposals, and on the basis of -- what this agreement is saying is that the LMCI costs or the decisions that will be reached by the NEB are not -- are outside of this agreement.

MR. QUINN: Okay. And the reason -- and Patrick is in dialogue, and so -- I just want to make sure he heard.

MS. GIRIDHAR: Sorry, just a minute.

[Witness panel confers]

MR. QUINN: Maybe you were anticipating my question, Patrick, but the phrase you used this morning is kind of "buying our freedom as of 2020." That -- I'm trying to understand that vis-à-vis this LMCI and the fact it's outside of this agreement.

So I asked the question: Would it be segmented also? Clearly, that's a decision that's going to be made differently in a different forum by the NEB, per Don's response. But is it the utility's position that they'll accept whatever the NEB suggests, including some ongoing responsibility to TransCanada for LMCI payments?

MR. CABANA: I think we will add that that discussion is out of the picture at this moment. If you want my feeling, it's that if the NEB accepts the concept of segmentation in the future, I think they will do their best to remain as coherent as possible, but I cannot tell you at this moment what will be the outcome at the end.

We just said that that subject will have to be treated differently, on a separate path.

MR. QUINN: Okay. Well, I guess the point and the concern I have is while we may -- we're trying to understand the premium we pay for our freedom, and that's why I keep asking about the cost. But freedom, maybe we get it on parole somehow, because may have to be another opportunity for TransCanada to say: There's costs still coming at us. Would you agree with that analogy?

MR. ISHERWOOD: But there will be a separate hearing on that. And to Patrick's point, we would hope the NEB would follow the segmentation principles, but ultimately we have to follow the NEB's decision.

MR. QUINN: Okay. I understand, and we can't make that decision here, so thank you. I wanted to understand where the parties stood on that, and I'm hearing it will be debated or discussed later.

So turning now specifically to page 6 and the Parkway-to-Maple issues, and this just came as a result of thinking this through.

Union, as I understand it, started some work on an environmental assessment from Albion to Maple, to get underway with its opportunity to build a pipe. Now, obviously that's changed. The open season's been cancelled. Are you seeking -- maybe I'll say it that way. Are there material costs that have been incurred for the work to this point in the environmental assessment, Mark?

MR. ISHERWOOD: Not material, no.

MR. QUINN: All right. Well, then maybe the scarce resource for us in this process -- and if money isn't important, maybe time -- is there any opportunity of any dialogue of sharing information you already have with TransCanada?

MR. ISHERWOOD: Absolutely.

MR. QUINN: Okay. That's all I need to hear. Thank you.

Okay. Moving on to the connection at Bram -- and I gave our Enbridge folks a little bit of a heads-up on this yesterday, and they also tried to give me some help on their perspective.

But the original plan was to connect to Parkway. Obviously there also was a connection at Bram under the MOU. Now we have a different environment with the terms of this agreement, but I'm hearing still that the connection point is Parkway.

And I don't want to put words in your month, Malini, but I understand that -- what I understood from yesterday is $26 million is the cost of the Parkway to Bram service; is that the right figure?

I have a interrogatory response from TransCanada, actually, that define that they would lose out $26 million if Enbridge had connected at Parkway as opposed to at Bram.

MS. GIRIDHAR: $26 million being the revenues associated with the Parkway to Bram West toll --

MR. QUINN: Yes.

MS. GIRIDHAR: -- on TransCanada?

MR. QUINN: Yes.

MS. GIRIDHAR: Well, subject to check, if that's what the number is, then yes.

MR. QUINN: Okay. Maybe I'm jumping ahead because I was trying to be efficient with our time here, but as opposed to my conjecture in what I've put in this question, can you tell me why it is in the interests of ratepayers to go back to Parkway, as opposed to the plan B, as it was, to connect at Bram?

MS. GIRIDHAR: Sure. So going back to Parkway does create capacity. I mean, the starting point is that the Parkway-to-Maple path is constrained today. Going back to Parkway instead of Bram West does create additional capacity. But by the same token, TransCanada's projected expansion is not merely to meet Union and Gaz Métro's 2015 requirements, but they will be following up with a subsequent open season for 2016.

So in that context, we do believe that building back to Parkway is the right decision. Certainly from the perspective of Enbridge's ratepayers, you have to contrast the fact that the benefits over the 10-year period that were shown were in excess of $200 million over 10 years.

When you contrast that with maybe 50 to 60 million to build back six kilometres, and maybe five or six million in terms of cost of service, it made sense from both perspectives. It made sense from the perspective of Enbridge's customers; it also makes sense from the perspective of creating capacity to meet the additional requirements that will come up as a result of the 2016 new capacity open season.

MR. QUINN: Well, I think we're potentially being somewhat speculative. I think from the numbers that were provided before, TransCanada is going to have the opportunity to have 1,200 tJs, I guess, of capacity. And you received interest in 930 tJs.

MS. GIRIDHAR: Right.

MR. QUINN: So right now there is, still, as far as, you know, the results you got last week, an excess of capacity on the system as it is currently planned.

Why wouldn't you -- why would you go ahead and -- how many times in this proceeding have people used the analogy: We can't put one pipe beside a pipe that was just put in recently, and isn't that in fact what Enbridge will be doing here, in looping the parkway to Bram section with a new piece of pipe?

MS. GIRIDHAR: I think there's two things we need to keep in minded. So the first is that when you're looking at expansions beyond the 2015 expansion, there will be additional downstream infrastructure that will be required on the TransCanada Mainline.

So I think we need to look at the capacity that's created from Parkway to Bram West in the context of what might or might not be required downstream.

So that does allow for additional rationalization of transmission infrastructure for the 2016 build.

In terms of you don't want to have pipelines, you know, additional pipelines next to each other, it is true, however, though, that the use of a single 42-inch to feed the existing TransCanada system as well as the new path will take some capacity away from the existing system.

So we are of the view that building back to Parkway is the right decision in the context of the term sheet, and it was really what was contemplated in our application, in any event.

MR. QUINN: Well, I understand it's contemplated in your application, but another way of looking at it is you're going to build this because you think you're going to be able to use all of it or TransCanada is going to be able to use all of it in the future.

But we're still paying for a piece of pipe that won't be collecting the $26 million, notionally, in this eastern zone or Eastern Ontario Triangle rate. We're going to be paying for that new piece of pipe under the cost of service, but it won't be utilized for the purpose it was put in place for. So are we not creating inefficient assets because you are creating a redundant pipeline?

MS. GIRIDHAR: I think the point is we are not creating a redundant pipeline. We are creating six kilometres of pipeline that will add capacity that we believe will be required by the market because there's a subsequent build required on the TransCanada system after the 2015 build.

MR. QUINN: I guess we're not hearing each other on this. Frankly, you're building it on the speculation that more is needed. The fact of the matter is you had an open season last week, and for 15 years people were accepting this, and you got bid 930. It's not likely that next month, when TransCanada goes out, if it's that early, that they're going to get bids for considerably more than that.

MS. GIRIDHAR: I agree that we're not hearing each other, because I think what I'm suggesting is that the 930, assuming that that number shows up in TransCanada's own open season as well, what they're building in 2015, in terms of the King's North Project, is to meet 350 or so of that number.

They need a subsequent build the following year to meet the remaining demand, assuming it's 930. They need to build to go from 930, the difference between 930 and whatever is constructed in 2015.

In that context, any additional capacity on the Parkway-to-Maple system could be created either by creating the six kilometres of pipeline upfront, because it allows additional volumes to flow on the existing Parkway-to-Maple system, or it could have impacts, in terms of the looping that's required to meet the subsequent needs.

The point we're making is that we don't believe that those six kilometres are redundant capacity. They will be required, even though it makes no net impact on the TBO that TransCanada will have on Segment A.

Because it is a linear path, eventually capacity, whether it's more pipe or compression or whatever, will be impacted by the fact that we have created capacity with these six kilometres of pipe.

MR. QUINN: This has the potential to get into a debate, so I'm just trying to find a factual way of understanding this. Maybe I'll ask it this way. When TransCanada builds from Albion to Vaughan, it's going build one size of pipe, which is going to be sized for 2016 and beyond; is that not correct?

MS. GIRIDHAR: No, it will be sized for 2015. The number of kilometres they put in, the size of pipe wouldn't change, but the number of kilometres that they're putting in will allow them to meet their 2015 requirements.

MR. QUINN: So is it contemplated that the latter part of the pipeline will run parallel to the existing Parkway-to-Maple corridor for some stretch, resulting in that stretch being shortened somehow by your connection to Parkway, as opposed to Bram?

MS. GIRIDHAR: My understanding is that the King's North is contemplated as 11-kilometre loop; is that right, Don?

MR. BELL: That's correct.

MR. QUINN: Is some of that parallel, Don, the existing Parkway-to-Maple pipe?

MR. BELL: Well, I mean, although it's not directly parallel, the whole loop is parallel to the pipe that happens to be, you know, ten kilometres away. We go across and then come back up, right? It's not -- so it's not right beside the same pipe that's there. It's not in the ditch. It's a different right-of-way.

MS. GIRIDHAR: Does it make sense maybe to show where on the map?

MR. BELL: I don't know where it is on the map, but...

MR. ISHERWOOD: It's drawn, actually.

MR. BELL: Is it?

MR. ISHERWOOD: We'll draw it for you.

[Laughter]

MR. BELL: Thank you.
MR. ISHERWOOD: It's Albion up to Vaughan.
MR. QUINN: What is the distance between Albion and Vaughan?
MR. BELL: The distance that Malini mentioned is correct. It's about 11 kilometres, that section.
MR. QUINN: Okay. If you go from Albion to the current pipeline corridor, what's the distance between Albion and the pipeline corridor? Is it significantly less than 11?
MS. GIRIDHAR: It's 11.
MR. BELL: It's 11.
MR. QUINN: Okay. So you're not going to build ten kilometres of pipe and stop it short. You have to build all the way to the pipeline, so the existing capacity doesn't shorten your build in any material way.
[Witness panel confers]
MR. BELL: Okay. I think I -- well, I hope I understand the concern. Basically, with this build you don't receive the full 1.2 Bcf a day of capacity. You're not getting that.
MR. QUINN: I understand.
MR. BELL: So what happens is, on the pipeline, we have a control point downstream of Maple, which is Oshawa. And that's the control point on the system. And in order to get additional flow through Maple or on that line we need to have -- lower the suction pressure at Maple, and the only way that we can lower the suction pressure at

Maple is by further looping the pipeline so that you can get more capacity.

Essentially what happens is that pipeline from Parkway up to Vaughan day one becomes fully utilized, because the flow -- we push more flow through the Segment A and up to Vaughan, and what that does is it allows us to drop the suction pressure at Maple. And that gives us with a -- with a 36 -- NPS36-inch pipe, that gives us about 450,000 gigajoules of incremental capacity.

So then the next thing we can do is further loop the pipeline, put in more loop, and what that does is it further reduces the suction pressure at Maple and allows us to move more gas between Maple and Parkway.

Another option is to put compression at Maple. So there's a number of build scenarios. And this is a line -- this particular situation is a line on a map, and the exact routing we have. We're a little sensitive about saying where it is, because we're starting our landowner consultation project -- process, and we don't like people seeing -- hearing in the news that a pipeline is coming through their backyard.

MR. QUINN: I understand.

MR. BELL: We'd rather go out there and start talking to them first. But that's essentially the situation.

So there's a misconception that, you know, we put in Segment A, we build this piece of pipe, and right away we got, you know, 2.2 Bcf, or TransCanada has 1.2 Bcf a day of capacity.

And it's important to know that TransCanada builds as closely as possible for its firm service commitments. And that was -- you know, we've discussed earlier today, is another consideration for the Great Lakes back-haul.

So depending on what we actually get for contracts and what the next build-out would be, we try to utilize all of the capacity to make sure that it was contracted and being utilized.

MR. QUINN: That's helpful. I think I understand the system operation now. I appreciate your patience with me on that.

My concern now shifts then to the appropriateness of recovery of that extra six kilometres from the distribution customers to aid a transmission corridor. In other words, if you were just building it for distribution purposes you -- and you can tie it in at Bram, you would have one cost. If you're tying it at parkway you have a different cost.

And to the extent your formula allocates only the incremental cost to TransCanada, is 100 percent of the cost from Bram to Parkway being absorbed by TransCanada?

MS. GIRIDHAR: Bram -- we are being building a single piece of pipe from Parkway --

MR. QUINN: Right.

MS. GIRIDHAR: -- to Albion. And we are applying the 40-60 cost allocation to -- you know, for the -- across the entire length of the pipeline.

To start splitting up that pipeline into its two different segments and asking who bears what, I mean, we have to understand that the original design of the pipeline for distribution purposes only was a 36-inch. The upsizing to 42 actually allows a significant reduction in the cost for distribution customers as a result of the sharing.

So at the end of the day the sharing of that single piece of pipe and upsizing it to meet transmission requirements allows for a lower cost for everybody.

We don't believe it's appropriate to look at a four- to five-kilometre segment of pipe and have a completely different treatment for that relative to the rest. We have to look at this holistically.

MR. QUINN: Well, that's your view. Maybe we would have something different. So we'll explore that next week. But I'm not sure how we do that comfortably. I'll have to put some thought into it, because we don't want to be bouncing in and out of in camera.

But the reality is, as I understand it now, that decision to go from Bram as a starting point back to Parkway is a transmission -- enhancing the capability of the transmission system, and why the distribution customers should pay 40 percent of that cost doesn't sit well with me.

MS. GIRIDHAR: There will be benefits to our distribution customers as well. There's additional flexibility. There's additional line pack that's created. You know, we have intra-day variations in demand. Our distribution customers will benefit from the additional six kilometres as well, from an operational perspective.

MR. QUINN: I'm not sure that the merits are sufficient.

But, Roger, you had a follow-up?

QUESTIONS BY DR. HIGGIN:

DR. HIGGIN: Yeah, I just had one follow-up question, and that is: Under the MOU, which was a joint build of the pipeline Segment A with TCPL -- and you know what the capacities were under that -- why has this changed? Why wouldn't you go back to the MOU design?

MS. GIRIDHAR: The MOU has been terminated, Roger. The current application before the Board is as a pipeline from Parkway to Albion.

We just spent some time explaining the benefits from building back to Parkway. From the perspective of Enbridge ratepayers we know that the build back to Parkway reduces costs for Enbridge customers on a net basis.

We think this is the right approach. It's the basis of our application, and we are prepared to defend that.

MR. QUINN: Okay. We'll leave it at that unless -- sorry, Roger, is that -- you're okay?

Okay. Last question. And I was trying to get my head wrapped around it, and I thought I just best, in this confidential forum, ask the question.

There's a bunch of covenants that the parties have made to one another not to bypass one another. And I understand that Enbridge and Union, with DTE, are sponsors of the NEXUS project, which would move Marcellus gas up through Ohio, Michigan, and into Dawn.

Does this agreement have any impact on the NEXUS project?

MS. GIRIDHAR: None.

MR. QUINN: None? So it is not considered a bypass of TransCanada's Niagara-to-Kirkwall system?

MR. ISHERWOOD: No.

MR. QUINN: Okay. Just trying to figure that out.

Can you just give us the status of NEXUS? That's more just for interest than this proceeding.

MR. ISHERWOOD: Probably not.

MR. QUINN: Okay. All right. Well, that's been less than helpful, then. I am sorry to take up the extra time, but I think I've got a better idea of what you're doing here. We may have some areas of disagreement, but I do appreciate the efforts of the parties to try to make this work for everybody. So thank you for that.

MR. MILLAR: Thank you, Mr. Quinn.

Mr. Viraney had a couple of questions he was hoping to squeeze in, so I'll turn it over to him.

QUESTIONS BY MR. VIRANEY:

MR. VIRANEY: Khalil Viraney, Board Staff. I have just a couple of questions for TCPL.

I believe some time back TCPL had received leave-to-construct approval for a Parkway-to-Maple expansion, and I believe they decided not to proceed with the project.

Now, is the Kings North project a replacement for Parkway-to-Maple, or is that something different?

MR. BELL: No, that's correct. The Kings North is the facilities that we were -- or the facilities that would be used -- that would have been used to serve the GMI and Union service.

But one thing I'm a little confused about. We never applied for a leave-to-construct. There have been a number of expansions between Parkway and Maple. We brought about 450,000 gigaJoules a day of pipeline capacity on at Niagara in 2012.

Out of that 450,000 gigaJoules a day of capacity, there were facilities that were constructed –– a loop in the Parkway-to-Maple corridor -- that moved an additional around 250,000 gigaJoules a day of capacity on the Parkway-to-Maple line.

We also had, as part of that open season that served that requirement, we had another tranche of capacity that would come on-stream this November, and we were proceeding with that build. So that is an additional compression at the Maple compressor station, and that will bring the capacity between Parkway and Maple up to about 350,000 gJ a day. And so that's going to happen in November 2013.

We had another open season that we had, and we had -- Union and GMI bid into it. And we had various design alternatives to meet that requirement.

The one we landed on was what we're calling now Kings North. We have not applied for that. We have not applied for a leave-to-construct. What happened between the time we applied for a leave-to-construct, came along the NEB decision. And under that current structure, it made it economically unviable for us to do that.

So now that we have this -- the settlement in place, one of the conditions of the settlement is that we immediately put that project back into place.

And we have done that; we brought our project team back together and we're starting to finalize the engineering, route selection, landowner consultation, and all the rest of it. And we will be filing an application with the National Energy Board, a facilities application to construct those facilities.

MR. VIRANEY: So in terms of the expected in-service date, would that align with the Enbridge and Union projects?

MR. BELL: Yes. We're targeting a November 1, 2015 in-service date. And as I said, we've mobilized and we're working towards that.

MR. VIRANEY: Thank you.

MR. MILLAR: Thank you, Mr. Viraney.

Mr. Wightman, did you have a couple of questions you wanted to squeeze in?

MR. WIGHTMAN: Yes. I'll -- I have done some squeezing. Two questions.

Will any variance -- this is about the tolling methodology, where you're going to look after the first three years and I think compare the tolls forecasted to the tolls received.

Will any such variance have any impact on the ratepayers of Union or Enbridge?

MR. ISHERWOOD: The actual variance will go into a deferral account and will be disposed of at the right time. So it will either affect the tolls up or down, depending on which way the deferral account is.

MR. WIGHTMAN: Okay. Thank you. One more question.

Assuming everything goes as planned, as you plan, what would be the first time -- suppose you had fully subscribed your Segment A, and I guess it's going be if it goes as planned. When is the first time that could have significant decontracting on that piece of pipe?

MS. GIRIDHAR: We -- we would be requiring a 15-year contract for service.

MR. WIGHTMAN: Thank you.

MR. MILLAR: Thanks, James.

Dr. Higgin, you still had some questions?

QUESTIONS BY DR. HIGGIN:

DR. HIGGIN: Just one or two left.

I've talked to counsel for EGD and we've agreed that some of my questions will be put to the panels next week because they may require some difficult, more difficult numeric calculations and so on.

So I've just come down to a couple left, clean-up ones.

So this is to the panel, and it's about the discretionary service, summer Dawn storage service. That's a nice name. I like it.

[Laughter]

DR. HIGGIN: Anyway, the question is: Have you estimated what savings will be generated using STSS relative to current tolls, which I believe is STS, for transportation to Dawn and storage? That's to both Union and EGD. Have you made estimates that there will be savings, and what sort of order of magnitude might those savings be?

MR. ISHERWOOD: I think STS is quite a different service than what's being proposed to get to Dawn. STS is really designed to keep our load factor on the TransCanada system as close to 100 percent as possible.

DR. HIGGIN: So what do you use in summer now for --

MR. ISHERWOOD: We use STS.

DR. HIGGIN: That's what I thought, yes.

MR. ISHERWOOD: But I do believe the Dawn special service may be more appropriate for somebody like a Tenaska or a BP, that have storage at Dawn as well and don't have STS. I think it's more for them to use it than it would be for the utility to use it.

That's not to say that we wouldn't use any of it, but I think it would be more likely they would use it.

DR. HIGGIN: What about EGD?

MS. GIRIDHAR: Well, I think my response would be the same as Mark's. I mean, we may use it, or we probably will use it for certain amounts, but it's really for the market to fill storage.

DR. HIGGIN: I'm trying to understand, then, why it's so critical to the LDCs for this service to be put in place. That's why I'm trying to understand.

MS. GIRIDHAR: It's critical because we need to ensure that storage is full at Dawn prior to the winter season. This adds -- this ensures that we have reliability in terms of our withdrawals in the wintertime. There's reliability in terms of the liquidity at Dawn.

So it's important for the LDC markets that storage fill up at Dawn, and this service allows that to happen.

MR. ISHERWOOD: I would just add it's in the interests of Ontario and Quebec to have full storage at Dawn going into the winter.

That's really the intent. That's why Dawn has been developed the way it has. So to have Dawn partially empty is not a good thing.

DR. HIGGIN: All right. I have an answer. Thank you.

MS. GIRIDHAR: Roger, maybe it might help if I explain that the way we use STS in the -- the STS, the B hold in the summertime, is really it's a -- it's a notional injection from Parkway, so the gas arrives long-haul to Parkway and then it flows backwards on Union's system to get to Dawn. This is really an Empress-to-Dawn service that could travel on any path on the TransCanada system.

DR. HIGGIN: Okay. Thanks.

QUESTIONS BY MR. QUINN:

MR. QUINN: Roger, would you mind if I follow that one up?

Isn't it true, though, that you're filling your storage -- sorry, Dwayne Quinn, FRPO.

The service you use to fill storage in the summer, it's your firm transport, is it not? Firm transport injection?

MR. ISHERWOOD: It's STS primarily from the north. So if we have a firm -- if we have FT going to sit at WDA, as an example --

MR. QUINN: Right.

MR. ISHERWOOD: -- WDA loads in the summertime would be less than the FTD volume, so we would have STS injection from the WDA to Dawn.

MR. QUINN: Okay. Maybe it's just vernacular, but it's basically coming from your firm transport contract to the WDA, that excess amount of gas --

MR. ISHERWOOD: That's right, then on to Dawn through STS.

MR. QUINN: Okay. Okay. Well, I just, I was just trying to get an understanding, because -- different issue. I think I'll leave it at that and let Roger carry on. Thank you.

DR. HIGGIN: Okay. Roger Higgin again.

I just have one follow-up question on the Segment A and on the NCOS that wasn't answered, and this is, the question of other shippers, leaving aside GMI and Union, who are, I guess, going to assign all their capacity to TCPL on Segment A, what about the other shippers? If they decide not to do that for whatever reason, then what impact will that have on the rate that they would be charged for that service on Segment A?

MS. GIRIDHAR: So Segment -- Rate 332 will be an open-access, non-discriminatory rate for all shippers. There will be a single rate that will be developed. The denominator will include the volumes for the shippers, who in this example choose not to assign their capacity to TransCanada. The expectation is TransCanada will take the remainder of the capacity, and so therefore they would pay the exact same rate as TransCanada.

DR. HIGGIN: That's somewhat unusual, because there are extra costs related to nominations and so on. If you're just shipping on that, wouldn't that be a normal rate design to include those costs in the nominations and so on?

MR. ISHERWOOD: I think the analogy would be the transportation is rather on Union Gas, so whether it's TransCanada shipping on Union Gas or whether it's another shipper on Union Gas, both pay the same toll. You have to have the same toll for the same path.

DR. HIGGIN: Okay. Thanks. That's my questions. Thank you.

MR. MILLAR: Thanks, Roger.

Is there anyone other than Tom? Okay. Tom, bring us home.

MR. SMITH: Sorry, Tom. How long do you think you'll be?

MR. BRETT: Oh, a half an hour.

MR. SMITH: Do we want to just take five minutes?

MR. MILLAR: Let's take ten -- let's go til 3:00, come back at 3:00.

MR. SMITH: Yes, okay.
MR. MILLAR: Thank you.
--- Recess taken at 2:49 p.m.
--- On resuming at 3:05 p.m.
MR. MILLAR: Okay. Why don't we get going?
Tom, you're the last thing keeping us from the weekend, so let's hear it.
[Laughter]
QUESTIONS BY MR. BRETT:
MR. BRETT: That's right. I'll do my best, but as a friend of mine said, my questions won't take long.
I first want to start with TransCanada, just to get myself clear. You have a build at Kings North, Don, you were saying. You have one build that will give service by the fall of 2015, and that is going to be for what capacity?
MR. BELL: I think it's about 450,000 gigaJoules, with a 30 -- NPS 42 and NPS 36.
MR. BRETT: Sorry, are there two pipelines, or which --
MR. BELL: There's two sizes of pipeline. The pipeline that Enbridge is building, Segment A, is a 42-inch, NPS 42, and the pipeline that TransCanada would build would be a 36.
MR. BRETT: So yours is a 36?
MR. BELL: Yeah. And the reason for that is --
MR. BRETT: And you said you had a second build, as I understood you, that would come into service in the fall of

2016?

MR. BELL: Assuming that when we have an open season for that capacity, we get sufficient interest to build for it.

MR. BRETT: And then – okay. And when do you have that open season? When does that take place?

MR. BELL: We're working on that now.

MR. BRETT: And what capacity would that be for?

MR. BELL: Whatever capacity we get bid. We're not limiting it. Obviously there's always a limit to something. If we get four Bcf a day of increase --

MR. BRETT: Yeah.

MR. BELL: -- of service, then we're going to have to probably schedule it over a couple of more years or another year, but...

MR. BRETT: And the other thing is if you have a -- how much would the 36-inch line with the appropriate -- whatever pressures you can put on it, what would it accommodate? Would you be building a second line or just putting more gas through the 36-inch line?

MR. BELL: No. Looping the 36, the piece between --

MR. BRETT: This is between --

MR. BELL: The piece between Albion and Vaughan.

MR. BRETT: Right.

MR. BELL: So the way the build would work is there would be a Segment A, a 42-inch, 36 between Albion and Vaughan. The next build would be between Vaughan and Maple. Next build would be a compression. And then there would be another loop you may be able to do around Brampton.

MR. BRETT: I see.

MR. BELL: So there are a number of build-up scenarios, depending on what we get for interest.

MR. BRETT: And as I understand -- you mentioned this number, but I didn't have all the context. What's the current capacity of your Parkway-to-Maple line?

MR. BELL: I think it's about one -- I'm not really sure. I think -- I was going to say around one –– I was just trying to think, because we're just in the process of expanding it, but I think it's around two Bcf.

MR. BRETT: Two Bcf?

MR. BELL: Yeah, after the expansion.

MR. BRETT: And you're not at the moment expanding the Parkway-to-Bram West piece of it or the Bram West-to-Maple piece of it? Other than what you just said, you're not doing any further expansion there this year or next year?

MR. BELL: Our plan -- right now we've reinstated Kings North.

MR. BRETT: Right.

MR. BELL: Which is the NPS 36 from Albion up to Vaughan or in that area.

MR. BRETT: Right. Okay. And then the next question, just shifting gears a bit, I just wanted to make sure I understood this morning.

My understanding was that when you have an executed agreement, a final agreement that you're going file with the NEB, that that document at that point would become a public document. Is everyone agreed with that?

MR. SMITH: Yes.

MR. BRETT: Okay. This is another question just arose in the hearing with some other folks. The Eastern Ontario Triangle, are any of those -- is any of that infrastructure at a stage where it needs to be retired in the next few years?

MR. BELL: I don't believe so, no.

MR. BRETT: Okay. I understand from looking at -- on page 6, the second bullet under the Parkway-to-Maple issues, you say that TransCanada is giving the shippers, FTNR contract shippers, the right to extend their non-renewable firm contracts for one year, right? Until November 1st, 2016?

My question is: Does that apply to the STFT shippers, the short-term firm transit shippers, as well?

MR. BELL: The way that we've contemplated in the agreement, no.

MR. BRETT: Okay. So just so -- the FTNR, these are the folks that started off with a long-term agreement, and then when the initial term -- and this is a question -- when the initial term expired, they got sort of serial one-year renewals? That's the --

MR. BELL: Yes. Yeah.

MR. BRETT: All right.

MR. ISHERWOOD: No, not really.

MS. GIRIDHAR: Not the FTNR.

MR. BELL: No, not FT -- but it was -- FTNR was -- okay. Yeah, I probably...

There were one-year renewable contracts that customers had on the pipe. How that transportation capacity was being used was with short-term firm transportation service. And as a result of -- as a result of interests we have to transfer a piece of pipe, take a piece of pipe out of service, we've contracted that capacity on a non-renewable basis. It's currently contracted on a firm transportation annual, non-renewable basis, until November 1, 2015.

And what this agreement does is we've said that we're going to extend those contracts to November 1, 2016.

MR. BRETT: Okay. And those are the contracts that --

MR. BELL: Those are the firm transportation contracts, right.

MR. BRETT: For a term of one year? Yeah.

MR. BELL: Well, they were actually -- it was capacity that was not contracted.

And then as a result of a couple of things -- the desire to enter into long-term contracts because of the pricing discretion that we've received from the National Energy Board, and the fact that we have a commitment for a party to transfer a 42-inch piece of pipe, including the North Bay shortcut to Energy East, if it gets approval for 2017 -- we sold that capacity as non-renewable capacity.

And parties have stood up and they've contracted for it, and it's renewable -- it's non-renewable today after November 1, 2015.

What we're saying under this agreement is we'll extend that to November 1, 2016.

MR. BRETT: Okay. And that was pursuant to that energy capacity management RFP that you put out at some point?

It doesn't matter. I don't think that matters. I'll take that back.

MR. BELL: Yeah, I think...

MR. BRETT: Okay. Mark, just shifting over for a moment to Burlington-Oakville, you did answer an IR of BOMA's, which was -- helped clarify the situation there.

I'm looking now back at page -- wherever this is. Page 2. This is under the title "Commitments," and it's item -- the second bullet. It's the matter that you discussed with Roger and with Dwayne.

And the question is: I take it that what would happen if you were to build the Burlington-Oakville line, it would -- for want of a better word -- deprive TransCanada of the revenue that they now get on their -- from you on their Hamilton line, if I can call it that, or domestic line, which takes gas from Parkway in to Burlington-Oakville area; is that right?

MR. BELL: That's correct.

MR. BRETT: So you would leave them short revenue.

And so this line is a line that's effectively not directed at new customers, but at your existing customer complex there?

MR. ISHERWOOD: The line's been there forever, basically, so it's serving the market area through that whole corridor.

MR. BRETT: But your own line, the line you would build, is -- it would be --

MR. ISHERWOOD: Oh, sorry. Yes. Yes.

MR. BRETT: -- it would take those customers and put them on your line, as opposed to being on TransCanada's line.

MR. ISHERWOOD: We already have -- we have today -- we have one feed that goes from our Dawn-to-Parkway system down to our line that's in the same vicinity as TransCanada's line. And so we're just building a second line further east to kind of make the system a bit more robust.

MR. BRETT: And is the Hamilton line -- is the Hamilton line and the domestic line just two names for the same line?

MR. ISHERWOOD: Yes, it is.

MR. BRETT: Okay. And I think in the IR response you said that there were four feeds into the Central Delivery Area. There were two from the Hamilton line, as I recall, to Bronte and the Oakville area, and there were two from the Niagara line -- sorry, there was one from the Niagara line --

MR. ISHERWOOD: There's two off the Hamilton line, for -- 100 percent off the Hamilton line --

MR. BRETT: Right.

MR. ISHERWOOD: -- then there's Nanticoke, which is

100 percent off the Kirkwall-to-Niagara line --

MR. BRETT: Right.

MR. ISHERWOOD: -- and the Hamilton Gate Three, which can go from either one.

MR. BRETT: All right. So I think you discussed this, but I just wanted to get it straight in my mind. The way you're replacing that revenue of the, I think it's 5 million, something in that, the way you're replacing that is to do -- is to do what exactly, to -- how is TransCanada getting that revenue back?

MR. ISHERWOOD: We'd be contracting on TransCanada to go from Kirkwall to the CDA, but it's primarily the feed, the Nanticoke area, and the Hamilton Gate Three area.

MR. BRETT: Okay. You would be contracting on TransCanada.

MR. ISHERWOOD: Yes.

MR. BRETT: Okay. All right. Okay.

Just if I may turn to Enbridge for a moment, Malini, you -- we talked a bit this morning about the fact that you were going to hold back on allocating capacity on your -- that's been -- that you have bid -- has been bid for in your open season until such time as -- well, there's three different options, but to simplify it for these purposes, until such time as the Board approves the settlement agreement.

MS. GIRIDHAR: Correct.

MR. BRETT: And at that point you mentioned you would then go on and you would sign precedent agreements and then later contracts with the shippers that you have. And let's assume you get all of your shippers. I think you said you have -- well, let's leave that for a moment.

Whatever shippers you still have interested, you will sign them up, and then at that point -- now, did I understand you to say this morning that you would actually start to construct the line prior to having signed those shippers up to contracts, to firm contracts?

MS. GIRIDHAR: We are seeking approval of an NPS42 Segment A in the facilities application.

MR. BRETT: Yes?

MS. GIRIDHAR: And we are seeking approval from the OEB before the end of this year. The OEB would approve our application. We would begin constructing immediately, because we need to have the facilities in place for November 1, 2015.

MR. BRETT: Whether or not you've signed contracts at that point?

MS. GIRIDHAR: Correct. That is correct.

MR. BRETT: So you then will take the risk, as Enbridge, that if the customers don't materialize who said they were going to materialize and don't sign contracts, this would be Enbridge's corporate risk? Or will you expect ratepayers to bear the risk in that circumstance?

MS. GIRIDHAR: The evidence in this case is that the NPS42 pipe size can be justified solely for distribution purposes. In that event it's a pipeline that could run at lower pressures.

We fully expect that market access will ultimately be required. We know Gaz Métro, for instance, requires market access pursuant to a decision by the Régie.

The evidence in this case is that it is appropriate to size the NPS42 -- Segment A as an NPS42, because in that event it meets the distribution needs, as well as the transmission needs, of downstream customers.

To the extent that market access is not approved right away by the NEB, based on what we have proposed, we have allowed for continued cooperation to seek approval of the terms and conditions from the NEB.

MR. BRETT: Right.

MS. GIRIDHAR: And the expectation is that it will be provided, and market access is required. The question in our mind is we are all working towards 2015 for distribution access. At a bare minimum we believe we've removed a significant amount of uncertainty from the marketplace through the settlement agreement. We believe there's a very good chance there'll be market access for transmission purposes by November 1, 2015. In the event that does not occur, it is possible it could slip by a year. In all instances the pipeline is feasible as an NPS42 even if it was used only for distribution purposes.

MR. BRETT: And just so I'm -- and I think you've said this, but just to be clear, you would build the line for your distribution purposes even if you didn't have any transmission customers.

MS. GIRIDHAR: Correct.

MR. BRETT: And you would want the -- and your expectation would be that the ratepayers would pay for that, just as they would pay for any other distribution facility.

MS. GIRIDHAR: Correct.

MR. BRETT: All right. Okay. Now, the next question is on page 3. And this is -- there's a reference here to -- somewhere to Great Lakes. Well, I don't know, it's -- there's a reference to Great Lakes back-haul.

MR. ISHERWOOD: The fourth bullet line down.

MR. BRETT: On page 3?

MR. ISHERWOOD: Yeah. Down four.

MR. BRETT: Oh, I see. Okay. Yes. Sorry.

Don, could you just -- perhaps you or Mark, could you explain just what that is, essentially? What is that service, and what happens contractually, and what happens physically with that service?

MR. BELL: That service is required and contracted by TransCanada in order to meet its contractual obligations for deliveries from Dawn, away from Dawn. And what we did a number of years ago is we entered into an agreement with Great Lakes whereby, rather than moving the gas to market on a forward-haul basis, we do it on a back-haul basis. So that's the service.

MR. BRETT: So effectively you physically move the gas back up Great Lakes to Emerson and around the top and --

MR. BELL: I wouldn't use the word "physically". Sometimes we do, sometimes it's done through exchange.

MR. BRETT: Or displacement. Okay. And the toll that you --what is the toll for that service then? You're paying a Great Lakes toll, I guess?

MR. BELL: Yes. There's a number of different contracts with different tolls, because they were negotiated at different points in time, and the range is between 8 and 12 cents.

MR. BRETT: I see. And that's a TransCanada toll paid to the shipper, and then TransCanada turns around and pays part of that to Great Lakes. Is that the idea? Or is that the Great Lakes toll?

MR. BELL: No, that's the TBO cost to TransCanada, is between 8 and 12 cents.

MR. BRETT: Okay. And then what is the toll to the ship -- to the ultimate, let's say it's to the Enbridge -- EDA -- Enbridge Central DA, CDA. What would the toll then be? Is it just toll as if it were forward-haul on the main line?

MR. BELL: Yes, that's correct.

MR. BRETT: Okay. Just give me a moment here.

MR. CABANA: Excuse me. May I just add something? Because I think you've asked a question to Malini about the importance of having that built transmission capacity for 2015. I just want to reiterate that Gaz Métro need and the Quebec need that for 2015, since on our side first we received the indication by the Régie that we need to transfer our supply, and we already contracted for part of these paths. So we need that capacity in between for that debt to serve our market.

MR. BRETT: And how are you moving that amount of gas now? You're moving that over the main line on short-term STFT interruptible?

MR. CABANA: Right now it's a different contract that some of them will stop at the -- at some precise date, but we count on that path to be available for November 1st, 2015.

MR. BRETT: Now, are you entitled to the one-year extension on the -- to 2016 that TransCanada is offering? Or do you have a different sort of service that doesn't qualify for that?

MR. CABANA: No. On our side when we were speaking about Kings North project that will happen also in 2015, there's some capacity for us on that section.

We also contracted some capacity before the GTA project with Union.

So we need the path in the middle.

MR. BRETT: No, I understand that, but that wasn't my question.

My question was at the moment --

MR. CABANA: Yeah.

MR. BRETT: My question was simply: Do you have the right to continue using whatever capacity you have now to move that gas to your franchise, and to extend those current arrangements until November 1st of 2016? Or are you in the position where you can't renew that on TransCanada?

MR. CABANA: I don't have all the figures right now with me, even my team could say that, but basically we need that capacity to be -- to appear. The way we calculate that, we need the contract in some position, and we don't have all the capacity to renew if that project is not available at that time.

I'm not saying that if we go on the secondary market or try to find other solutions, that it's impossible at this point, but that's not what we anticipate in the way our supply plan is built.

MR. ISHERWOOD: I would just add to that that the whole benefit of this settlement agreement is to provide open access back to Niagara and to Dawn. That's the whole benefit to the market, to all customers.

MR. BRETT: No, I understand that. I understand that. My question was just quite a narrow one.

I just was curious as to how broadly this renewal, this extension -- and I think Don answered my question earlier, that if a person were moving gas -- and I'm not criticizing people for moving gas under FT, STFT; that's another matter, but if you were moving it that way, you don't have the right to push that back a year, is what Don said.

Okay. Let me move on.

QUESTIONS BY MR. QUINN:

MR. QUINN: Tom, may I just follow up?

Patrick, it's Dwayne Quinn from FRPO. Patrick, you used the phrase a few times that the Régie has "ordered Gaz

Métro"?

MR. CABANA: Yes.

MR. QUINN: I happen to be looking at your evidence and what the Régie said, and maybe it loses a little something in the translation -- excuse the euphemism -- but I'm hearing that you applied to your Régie to ask them to do this?

MR. CABANA: Yeah.

MR. QUINN: And they approved your plan, as opposed to ordering you to do it.

MR. CABANA: Yeah. We had numerous debates, and what we understand is that when the Régie says to us that: Yes, you can do and you can follow that direction, if we want to do something different, we need to go to them and say: Should we do otherwise?

So at this point, what we can understand from the decision is that we should make all the effort to make sure to transfer our supply at Dawn. That's the decision; it's not up in the air.

MR. QUINN: So all efforts, but to the extent that we catch ourselves back --

MR. CABANA: To the extent it's possible, because like we said, there's still that 13 percent where we will have to explain to the Régie that we can do so much.

MR. QUINN: Well, when we put ourselves back two weeks ago, it wasn't possible, because there was not a pipeline built and TransCanada had said they were not going to deliver. So you're not –– I just want to make sure it's clear for this record you're to put in all efforts possible to follow through on the plan that you submitted to the Régie and they approved; is that an accurate way of saying it?

MR. CABANA: We said that we would supply, and what they say basically is that it's a fundamental strategy to make sure that we can transfer all of our supply at Dawn. They acknowledge that.

MR. QUINN: Okay.

MR. CABANA: So basically for sure they won't say: You need to invest by yourself two billion or three billion to make that happen at any cost.

So we're doing the best we can to do that. What we did -- because even if we were -- that's why we have followed all these paths at the same time, litigating and making sure that we would get -- and we would get that supply, so...

MR. QUINN: Okay. I just wanted to get clarity on that. Thank you.

MR. BRETT: Maybe just one last point on that. How, contractually, are you bringing that supply in now?

MR. CABANA: Right now?

MR. BRETT: Right now.

MR. CABANA: We have different paths. We have different paths. We have secondary markets, also. We have a lot of tools that we're using.

MR. BRETT: Do you have supply on TransCanada?

MR. CABANA: Yeah.

MR. BRETT: Right. The -- yes, I had a question. My understanding is, Malini, that -- my understanding is that when you build to Parkway, that you have the ability to connect your pipeline at Parkway West, Parkway West, to either the discharge side or the suction side; is that correct?

MS. GIRIDHAR: I think those questions might be best posed to Craig, finance. I'm not --

MR. BRETT: You mean a panel that deals with --

MS. GIRIDHAR: I'm not technically able to answer those sorts of things.

MR. BRETT: All right. Well, we'll wait until next week, then.

The -- just give me a moment here. Just...

I think that this may have been touched on, but if we go to page 4, you have -- under "Tolling Methodology," the fifth bullet, you talk about variances accruing in a deferral account. Now, as I understand this paragraph, you're saying you're going to set out your capital additions -- or TransCanada is, I guess, is going to set out its capital additions for the EOT, and then you're going to run a deferral account around that.

And will you be clearing those on an annual basis?

MR. BELL: Right now, this deals with the 2015 to 2020.

MR. BRETT: Right.

MR. BELL: So they will be -- accrue over that period of time, and then be collected after that.

MR. BRETT: At the end, eh?

MR. BELL: Yeah.

MR. BRETT: And then... okay. Those are my questions. Thanks very much.

MR. MILLAR: Thank you, Mr. Brett. Anybody else?

Okay. We are adjourned until 8:30 Monday morning.

--- Whereupon the conference adjourned at 3:33 p.m.