

November 15, 2013

VIA RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

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Your reference

Our reference
01000241-0066

EB-2012-0451	Enbridge GTA Project
EB-2012-0433	Union Parkway West Project
EB-2013-0074	Union Brantford-Kirkwall Parkway D

Dear Ms. Walli:

Further to the Board's Procedural Order 13, please find attached Gaz Métro's Written Submission in the above mentioned files.

Yours very truly,



Marie-Christine Hivon

MCH/jb

c.c.: All parties via RESS

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 pre-approval 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.

WRITTEN SUBMISSIONS ON BEHALF OF INTERVENER

GAZ METRO

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1 Introduction

1 Gaz Métro is the largest natural gas distribution company in Quebec, where its 10,000 kilometer network of pipelines serves about 300 municipalities and approximately 190,000 customers.¹ Moreover, Gaz Métro is one of the largest shippers on the TransCanada Mainline.²

2 The source of supply and access to the necessarily associated transportation service, is of primary concern to Gaz Métro. The natural gas market in North America has undergone significant changes over the past several years and there has been an appreciable shift in the market towards short-haul transportation service.

3 By virtue of the location of Gaz Métro's market, the diversity of sources available at the Dawn hub, and the decreasing cost of purchasing at Dawn in recent years, the percentage of supply sourced by Gaz Métro from Dawn has steadily increased.³

4 In December 2012, the Régie de l'énergie approved Gaz Métro's request to shift its source of supply from Empress to Dawn, on the basis that, among other reasons, Dawn provided more choice and flexibility, the source of supply would be closer to Gaz Métro's market, the transportation costs would decrease, and the purchase at Dawn would result in significant gas cost savings (estimated to range from \$88 million to \$120 million).⁴

5 Accordingly, since the decision in December 2012, Gaz Métro has been taking, and continues to take, active steps to ensure that it will be able to meet its customers' demands in accordance with its obligations and the views expressed by the Régie de l'énergie.⁵

2 Gaz Métro's Interest in these Proceedings

6 Gaz Métro's overriding objective is to ensure a secure, diverse and affordable supply of natural gas for its customers. Moreover, by virtue of the fact that Gaz Métro is a public utility, it is under an obligation to serve its customers in Quebec and to ensure the

¹ Pre-filed evidence on behalf of Gaz Métro, June 28, 2013, at pp. 2 – 3.

² *Ibid.*

³ *Ibid.*, at pp. 3 – 5.

⁴ Pre-filed evidence on behalf of Gaz Métro, June 28, 2013, at p. 9-10; Decision D-2012-175 in the file R-3809-2012; Transcript, October 9, 2013, Vol. 8, at p. 52 (Dave Rhéaume).

⁵ Transcript, October 9, 2013, Vol. 8, at p. 52-53 (Dave Rhéaume).

security of supply.⁶ Currently, Gaz Métro does not possess sufficient capacity to service its market past November 1, 2015.⁷

7 It is not generally Gaz Métro's practice to intervene in Ontario Energy Board hearings.⁸ However, in this instance, it is Gaz Métro's view that the proposed projects as they currently stand,⁹ are essential and provide an integral part of the solution to the supply and capacity issues that Gaz Métro is currently facing.¹⁰ These very projects are crucial to ensuring that Gaz Métro has secure and stable access to Dawn.¹¹

8 The importance of these projects for the downstream markets is significant. The three projects, taken in conjunction, provide the Québec market, amongst others, with access to an affordable and secure supply. Indeed, the projects were structured so as to provide, among other things, "economical" and "efficient" market access.¹²

9 Accordingly, in view of the fact that the projects will allow the Quebec market to access the secure, diverse and affordable supply that it requires, Gaz Métro wholly supports the proposed projects.

3 The Settlement

10 Inherent in the notion of access to a viable and secure market is the presence of a degree of certainty and stability. With respect to access to short-haul services from Dawn, there has been an appreciable level of uncertainty in the marketplace in recent years. This uncertainty has been exacerbated by the significant number of formal disputes between the LDCs and TransCanada. This uncertainty has also impacted negatively on the market, and in particular, on Gaz Métro's market.¹³ During the technical conference, Patrick Cabana, Vice President, Gas Supply, Procurement and Regulatory Affairs at Gaz Métro, stated as follows:¹⁴

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

⁶ Transcript, October 9, 2013, Vol. 8, at p. 52 (Dave Rhéaume); Pre-filed evidence on behalf of Gaz Métro, June 28, 2013, at p. 10.

⁷ Transcript, October 9, 2013, Vol. 8, at p. 55 (Dave Rhéaume).

⁸ *Ibid*, at p. 52.

⁹ In particular, the NPS 42 Segment A Pipeline forming part of the GTA Project, capacity for which is envisioned to be awarded through a STAR compliant open season.

¹⁰ *Ibid*, at p. 55.

¹¹ *Ibid*, at pp. 52-53.

¹² Transcript Technical Conference, September 13, 2013, at p. 41 (Malini Giridhar).

¹³ Transcript, October 9, 2013, Vol. 8, at p. 53 (Dave Rhéaume).

¹⁴ Transcript Technical Conference, September 13, 2013, at p. 5 (Patrick Cabana).

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."

- 11 The settlement between TransCanada, Union, Gaz Métro and Enbridge, as evidenced by the Term Sheet and the Settlement Agreement,¹⁵ resolves much of the uncertainty surrounding short-haul transportation and market access to Dawn.¹⁶ Moreover, the settlement is the result of unprecedented cooperation and collective efforts between the parties to resolve the issues at hand. This agreement sets out a path moving forward for market access¹⁷ and supply flexibility.¹⁸ The settlement provides a viable solution for the market and enables a structured transition to short-haul services. The resolution of the outstanding claims involving TransCanada and, any or all, of the LDCs, will serve to alleviate the uncertainty that has existed in the market.
- 12 As to the proposed projects, their approval is integral to the performance of obligations contained in the settlement. This serves to demonstrate just how necessary these projects are moving forward and how essential it is to ensure that there is a coordinated build of this much needed infrastructure.
- 13 Finally, the approval of the projects as proposed is necessary for ensuring the rational, and in this case necessary, expansion of the transmission systems, in accordance with the Board's statutory objectives as stated in paragraph 2(3) of the *Ontario Energy Board Act*.¹⁹

4 Parkway West Project (EB-2012-0433)

- 14 The changing gas supply dynamics have put tremendous pressure on the Dawn-Parkway system in recent years resulting in significant growth of the flow of natural gas through Parkway. According to Union, those gas volumes going through Parkway are significant enough that Parkway is considered to be "*critical infrastructure*".²⁰ Of the sites in the Dawn-Parkway system, Parkway is the only site that does not have loss of critical unit ("LCU") coverage.²¹
- 15 Union's testimony addressed the issue that arises without such coverage:²²

¹⁵ Settlement Agreement, dated October 31, 2013.

¹⁶ Transcript, October 9, 2013, Vol. 8, at p. 54 (Dave Rhéaume).

¹⁷ Transcript, October 10, 2013, Vol. 9, at p. 98 (Malini Giridhar).

¹⁸ Exhibit K1.1., Term Sheet Cover Letter dated September 11, 2013, at p. 2.

¹⁹ *Ontario Energy Board Act*, S.O. 1998, Ch. 15, at section 2(3).

²⁰ Transcript, September 17, 2013, Vol. 3, at p. 19 (Mark Isherwood).

²¹ Argument-in-Chief of Union Gas (Parkway West Project), at p. 3.

²² Transcript, September 17, 2013, Vol. 3, at p. 17 (Mark Isherwood)

The issue with an outage at Parkway is gas is trapped at Dawn; it can't go from Dawn through Parkway to market. So it's basically trapped on our side of the compressor.

- 16 In view of the fact that recently this compressor is in operation over 90% of the time, a failure or outage, “*would impact markets in Ontario, Quebec, and the U.S. Northeast, including residential, commercial, power generation and industrial customers.*”²³ It is Gaz Métro’s belief that LCU protection is an important tool in ensuring reliable service and the delivery of natural gas to the Québec’s market. Parkway is essential infrastructure with regard to the movement of gas volumes in Ontario and Quebec, and therefore its protection is crucial.
- 17 As noted previously, Gaz Métro is under an obligation to ensure the security of supply. A compressor outage would significantly impact on Gaz Métro’s ability to meet the demands of its customers.²⁴
- 18 Accordingly, Gaz Métro supports the Parkway West project, with a view to ensuring that the risk of the supply being interrupted is mitigated against and that its natural gas supply portfolios are serviced by way of a secure supply.

5 Brantford-Kirkwall/Parkway D Project (EB-2013-0074)

- 19 As discussed previously, market participants, including Gaz Métro, are shifting their source of supply from Empress in favour of the markets closer to their customers. The resulting increase in demand at Dawn necessitates additional transportation capacity.
- 20 In keeping with Gaz Métro’s obligations in respect of ensuring a diverse and secure supply, Gaz Métro has contracted with Union for incremental transportation capacity on the Dawn to Parkway system commencing on November 1, 2015.²⁵ Union confirms that the expansion of Union’s Dawn-Parkway pipeline system is in fact required in order to deliver the volumes contracted for by, *inter alia*, Gaz Métro.²⁶
- 21 Given that the project is necessary to allow Union to perform its obligations in respect of the above mentioned contracts, and in view of the increasing demand for such transportation capacity and the projected gas cost savings, Gaz Métro supports the Brantford-Kirkwall/Parkway D project. Furthermore, the proposed project is part of an integrated build of infrastructure alongside Enbridge GTA’s project and TransCanada’s

²³ Argument-in-Chief of Union Gas (Parkway West Project), at p. 5.

²⁴ Pre-filed evidence on behalf of Gaz Métro, June 28, 2013, at p. 10.

²⁵ Amended Evidence of Union Gas, Filed August 23, 2013, at Section 7, pp. 12-13

²⁶ Argument-in-Chief of Union Gas (Parkway West Project), at pp. 5 & 24.

King's North project which will provide to the market access to one of the most highly liquid hubs in North-America, the Dawn Hub. The depth and liquidity of the Dawn Hub enables Gaz Métro to access affordable, secure and diverse sources of supply.

6 GTA Project (Segment A) (EB-2012-0451)

22 The GTA project consists of two segments, with Segment A being of interest to Gaz Métro. Although its primary purpose is to fulfill distribution needs, Segment A has been optimized to offer incremental transmission capacity to the market. In particular, the diameter of the pipe on Segment A has been increased from the originally planned NPS 36 to NPS 42 in order to ensure that the pipe has sufficient capacity to fulfil its dual purpose.

23 Currently, there is a bottleneck between Parkway and Maple that has hampered Gaz Métro's ability to ensure security and diversity of supply.²⁷ Segment A of the GTA project, supported by Union's projects and TransCanada's King's North project, will serve to relieve the present constraints between Parkway and Maple and will provide Gaz Métro and the Eastern market with an enhanced access to closer sources of supply and to short-haul transportation services. Indeed, resolving this bottleneck is one of the key objectives of the agreement that is evidenced by the Term Sheet and the Settlement Agreement.²⁸ In order to obtain this objective and provide the required transmission capacity to the market, it is crucial that Segment A is constructed using an NPS 42 pipeline.

24 Alongside ensuring security and diversity of supply, the cost element is also a key driver for Gaz Métro. During testimony, Enbridge spoke to this issue in the context of market access:²⁹

These applications provide for an economical way to provide market access, through a single 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.

25 In view of the foregoing, Gaz Métro considers that this project is essential to meeting both the existing and incremental demands, and consequently, Gaz Métro supports the GTA project.

²⁷ Pre-filed evidence on behalf of Gaz Métro, June 28, 2013, at p. 13.

²⁸ Exhibit K1.1., Term Sheet Cover Letter dated September 11, 2013, at p. 2.

²⁹ Transcript Technical Conference, September 13, 2013, at p. 41 (Malini Giridhar)

7 Conclusion

- 26 In conclusion, the proposed projects are an integral part of enabling Gaz Métro to secure, diverse and affordable supply of natural gas for its customers. For the foregoing reasons, Gaz Métro respectfully requests that the Board approve the Parkway West project, the Brantford-Kirkwall/Parkway D project and the GTA project.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Norton Rose Fulbright Canada LLP