ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
BOARD STAFF INTERROGATORY #48

INTERROGATORY

Issue: D-5
Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted?

REF: Exhibit A, Tab 2, Schedule 1, Page 5 of 12, par 11, LTC Application

Preamble
Enbridge discusses here the possibility of Segment A being NPS 36 or NPS 42, which cannot be confirmed at this time. Enbridge mentions that it will file an update to the evidence to reflect such change.

Questions
a) Please provide a complete list of the potential evidence updates known to Enbridge at this time, a brief description of each, and an estimate of the timing of such updates.

RESPONSE

a) In order to assist the Board and intervenors, prior to responding to the interrogatory, EGD wishes to provide a brief history of the negotiations between TransCanada and EGD leading to the binding Memorandum of Understanding (MOU) dated January 28th 2013 and two subsequent amendments dated April 26th, 2013 and May 21st, 2013. Please see response to CME Interrogatory #6 at Exhibit I.A1.EGD.CME.6 which attaches a copy of the MOU and subsequent amendments.

   The intent of the MOU is laid out under Section 2.1 of the MOU dated January 28th 2013. Sections 2.1 (b) and (c) state that the purpose of the MOU is to optimize use

Witness: M. Giridhar

of existing natural gas infrastructure to meet the capacity needs of the Parties current and future respective customers and plan for future infrastructure to meet medium and long term needs in a coordinated fashion. In particular, TransCanada was seeking to expand short haul capacity on its system pursuant to its May 2012 New Capacity Open Season in which Union Gas and Gaz Metro were awarded short haul capacity from Parkway to their markets.

In accordance with Section 3.2 of the MOU, EGD amended its application to shorten its Parkway to Albion pipeline ("Enbridge Pipeline") by interconnecting with TransCanada at Bram West, modify the size of the Enbridge Pipeline from NPS 36 to NPS 42, and share the pipeline in order to meet the distribution requirements of EGD and the transmission requirements of TransCanada.

Section 3.1 c) of the MOU also granted TransCanada the right to make one of three Elections as described in Schedules A, B and C of the MOU by April 29th, 2013, as summarized below:

- Election #1 contemplates sharing of the Enbridge Pipeline as of November 1, 2015.
- Election #2 provides TransCanada an option to share the Enbridge Pipeline, exercisable by November 1, 2014. If TransCanada did not exercise the option, the Parties would work together to ensure that the toll from Parkway to Bram West was reasonable relative to Enbridge building back to Parkway.
- Election #3 provides for Enbridge to construct the pipeline from Parkway to Maple, required TransCanada to accept delivery at Maple, and TransCanada was not obligated to support, but obligated to not oppose, intervene against, or delay Enbridge in its efforts to seek relevant approvals.

In light of the NEB Decision, TransCanada requested and EGD granted an extension to the Election Date to May 22nd, 2013 as described in Section 4 of Amendment #1 (attached to the response to CME Interrogatory #6 found at Exhibit I.A1.EGD.CME.6), dated April 26th, 2013. The two parties agreed to Amendment #2 (attached to the response to CME Interrogatory #6 response found at Exhibit I.A1.EGD.CME.6) dated May 21st, 2013 with the following salient changes:

- Explicit recognition that due to the impacts of the NEB Decision in RH-003-2011, the current intent of TransCanada's utilization of the Enbridge Pipeline has changed from meeting requests for service pursuant to its May 2012 New Capacity Open Season, to meeting future transportation requests or any existing or future system requirements..
- Agreement by TransCanada to work with the Eastern LDCs and the market in a cooperative and timely manner to establish terms and conditions, to be brought to the NEB for approval, under which TransCanada could expand its system for short haul service requests on a commercially reasonable basis.
- Agreement by TransCanada that in the event the sharing arrangement did not proceed and if the Parties agree, acting reasonably, that the tariff from Parkway to Bram West is not reasonable in relation to Enbridge's cost of extending the pipeline to Parkway, then they will work in good faith to develop a load retention rate, and that failing this, Enbridge will have the right to construct back to Parkway.
- In the event the sharing arrangement with TransCanada does not proceed, the entire capacity of the Enbridge Pipeline will be available for use by Enbridge.

On May 22nd, 2013, TransCanada elected Election #2 and expressed a desire to pursue the project keeping to a November 1, 2015 in service date. TransCanada expressed an interest in utilizing the capacity on the Enbridge Pipeline in order to replace back haul services currently contracted on the Great Lakes Gas Transmission pipeline with forward haul service on Union Gas' Dawn to Parkway system. The in-service date is subject to being able to secure necessary capacity from Dawn to Parkway. As a result of TransCanada's election, Enbridge's base case has reverted to NPS 36 for the Bram West to Albion pipeline and interrogatory responses have been provided on this basis.

In the event that TransCanada and the Eastern LDCs are able to establish terms and conditions under which TransCanada is able to expand short haul service, and TransCanada receives sufficient market interest for short haul service to justify reverting to the NPS 42 pipe size prior to the Settlement Conference, Enbridge may provide a further update to that effect. Otherwise, Enbridge expects that no further updates will be required with respect to pipe size. Other potential updates include changes to the NEB Decision pursuant to TransCanada's Review and Variance Application and updates on the sharing arrangement. The table below summarizes the potential updates known to Enbridge at this time with respect to the Shared Pipeline and associated timing.

Potential Update	Timing	Rationale
Pipe Size	Prior to Settlement Conference	Based on TransCanada's Election, EGD has reverted to NPS 36. Please see additional rationale above and impact on feasibility below.
TransCanada Tolls	Unknown	TransCanada has applied for Review and Variance of the NEB Decision. The timing is unknown. The outcome does not impact the feasibility of the project. Please see table at I.A3.EGD.STAFF.14.
Sharing arrangement	June 2013	Subject to TransCanada Board of Directors approval in June 2013 and NEB approval subsequently. The outcome does not impact the feasibility of the project as shown below.

Impact of Pipe Size and Sharing Arrangement on Project Feasibility

SUMMARY OF INPUTS

	2013-05-15 Update	2013-05-30 Update	Base Case	
	42" Shared	42" Shared	36" Shared[1]	36" Sole Use[2]
Capital Investment				
Mains	[redacted]	[redacted]	[redacted]	[redacted]
Stations	[redacted]	[redacted]	[redacted]	[redacted]
Land/Land Rights	[redacted]	[redacted]	[redacted]	[redacted]
Total	$595,280,523	$595,280,523	$554,575,341	$554,575,341
Future Reinforcement Projects				
2017	$21,000,000	$21,000,000	$21,000,000	$21,000,000
2018	$16,400,000	$16,400,000	$16,400,000	$16,400,000
2019	$13,000,000	$13,000,000	$13,000,000	$13,000,000
2020	$250,000	$250,000	$250,000	$250,000
Capital Maintenance Costs	$5,218,238	$5,218,238	$5,218,238	$5,218,238
Services[3]	$396,820,220	$379,533,696	$379,533,696	$379,533,696
Total Capital	$1,047,968,981	$1,030,682,457	$989,977,275	$989,977,275
Total Transportation Savings	$1,632,014,615	$1,632,014,615	$1,632,014,615	$1,801,373,015
Total Transportation Services Charge	$388,604,339	$388,604,339	$277,595,905	$0
Total Distribution Revenues	$4,841,881,321	$4,546,724,222	$4,546,724,222	$4,546,724,222
Total Customer Additions (2015 - 2024)	156,181	146,337	146,337	146,337
Net Present Value (40 years)	$659,207,816	$637,855,721	$633,574,507	$624,452,756
Profitability Index (40 years)	1.76	1.74	1.77	1.76

[1] Please see Attachment 1 for additional Summary of Inputs and the DCF Analysis
[2] Please see Attachment 2 for additional Summary of Inputs and the DCF Analysis
[3] Services include the costs for distribution mains, services and meters based on the 2013 capital budget.

Witness: M. Giridhar