ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
BOARD STAFF INTERROGATORY #1

## INTERROGATORY

Issue: A-3
*Are the costs of the facilities and the rate impacts to customers appropriate?*

REF: Exhibit A, Tab 2, Schedule 4, pages 5-6

Preamble
Enbridge states that the originally proposed Segment A initiation point was reinstated to Parkway West to interconnect with Union Gas as opposed to the previously proposed initiation point at Bram West with TransCanada.

Questions
a) Please provide the rationale, from an operational and economics standpoint, for the change in the initiation point from Bram West to Parkway West.

b) Please provide a comparison of the annual costs that Enbridge would otherwise pay to TransCanada for the use of TransCanada's Mainline from Parkway to the Bram West interconnect and Enbridge's revenue requirement for the segment proposed to be built from Parkway to Bram West.

c) Would the proposal for an initiation point at Parkway result in duplication of existing facilities and lead to the underutilization of existing natural gas infrastructure?

## RESPONSE

a) Please refer to Exhibit A, Tab 3, Schedule 9, paragraph 2. The rationale for changing the initiation point was due to the termination of the MOU with TransCanada. Although Enbridge continues to agree with the principles embodied within the MOU, specifically open market access to capacity on Segment A, and the coordinated regional development of infrastructure in the GTA region, the MOU is no longer in effect. Enbridge is continuing discussions with other market participants, including TransCanada, but at this point in time has no assurances that a Bram West interconnection to the mainline could be pursued and meet the required in service timeline, nor that TransCanada will provide the open market access at reasonable transportation rates for either Enbridge, or other shippers.

Witnesses: J. Denomy
C. Fernandes

Changing the initiation point resolves some of these issues and is directly within Enbridge's control, so it is prudent to make this change at this point in time. Operationally, the differences in gas flows will be minor, as with the previous Bram West interconnection, gas flows upstream were all through Parkway West. Therefore the only difference in the gas flows are the additional approximately 6.5 km of new pipeline from Parkway West to Bram West, which would occur in the same utility corridor, along the same path, but on newly constructed Enbridge pipeline currently, as opposed to existing TransCanada pipeline in the previous case.

From an economics standpoint, as outlined in Exhibit A, Tab 3, Schedule 9, paragraph 11 and Economic Sensitivity Results Attachment 3, there is a tradeoff of the capital cost of building the approximately 6.5 km of net new pipeline from Parkway West to Bram West, with the toll savings from TransCanada Parkway to Bram West transport service in the previous case.

b) The estimated annual costs for Enbridge for its customers in the GTA of the Parkway to Bram West toll is shown at Exhibit A, Tab 3, Schedule 9, Table A4. The 'Total Cost' row under 'Expected Contracting With GTA Project Facilities Approved', Service Path = 'TCPL FT – EGD & Direct Purchase Parkway to Bram West CDA' shows the estimated toll cost by year for this approximately 6.5 km segment of the path for the 800 TJ/d of capacity as per the previous submission. Forecast is $4.4 million for the 2015 calendar year, which is a partial gas year, and $26.3 million in the 2016 year, 1$^{st}$ full year of forecast toll. The table shows a forecast for all years from 2015 to 2025.

As a comparison, the Revenue Requirement for the entire 27.4 km Segment A is shown in Exhibit E, Tab 1, Schedule 2, Attachment 1. The revenue requirement is $4.2 million for the 2015 (partial gas year) and $33.7 million for 2016 (1$^{st}$ full gas year). As per Enbridge's proposed approach, for the 800 TJ/d of capacity for distribution rate payers, 40% of this revenue requirement (or approximately $13.5 million) would be allocated as described in Exhibit E, Tab 1, Schedule 2, paragraph 8.

The annualized operational costs in the current base case are lower than the annual costs of the expected Tolls for the Parkway to Bram West segment of the path.

c) The path from Parkway (West) to Bram West already has multiple lines, some as part of the Transmission system and others as part of the Distribution system, all in the same designated utility corridor. Parkway to Bram West is a portion of the Parkway to Maple path that is currently constrained on the Transmission system.

Witnesses: J. Denomy
C. Fernandes

Utilization of the existing facilities from Parkway to reach Bram West is a technically viable solution as previously proposed. However, twinning of this portion of the path will not result in underutilization of the existing infrastructure because the existing facilities along the entire path from Parkway to Maple are fully utilized. The coordinated build out of regional infrastructure to meet incremental demand for transport can be staged in a manner to ensure a high degree of correlation between incremental demand and capacity additions.

Witnesses: J. Denomy
C. Fernandes