

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
BOARD STAFF INTERROGATORY #4

INTERROGATORY

Issue: A-3

Are the costs of the facilities and the rate impacts to customers appropriate?

REF: Exhibit E, Tab 1, Schedule 2, page 2, paragraph 7

Preamble

Enbridge states that: "In the event there are no shippers for the transport service, distribution ratepayers will be allocated the entire revenue requirement. The Company will be working with shippers on the Segment A pipeline to include the placement of Financial Backstopping Agreements ("FBAs"). The shippers are expected to bear some of the risk on upfront costs associated with the Segment A pipeline, in particular the approximately \$55 million in costs associated with NPS 42 as compared to NPS 36, and any consequences of a delay in the Albion to Maple path."

Questions

- a) Please explain the purpose and content of a FBA.
- b) Please file a copy of a model or a form of the FBA.
- c) Please clarify if this means that shippers would be expected to pay the Parkway to Albion Transportation Service rate to Enbridge starting from the in-service date of Segment A regardless of when the Albion to Maple path is completed. If not, please indicate if Enbridge expects that distribution customers would be at risk for any delays.
- d) Please clarify how shippers would be expected to bear some of the upfront costs associated with Segment A. Would this be done by means of reduced financial securities? Please explain.
- e) Please provide the incremental benefits to distribution ratepayers for building capacity on the Segment A pipeline that is incremental to their needs.

Witness: C Fernandes
M. Giridhar

RESPONSE

- a) Please see response to CCC Interrogatory #31 at Exhibit I.A3.EGD (Update).CCC.31 (a).
- b) Please see response to BOMA Interrogatory #2 at Exhibit I.A1.EGD (Update).BOMA.2.
- c) In the event that Enbridge enters into definitive agreements with shippers with an in-service date of November 1, 2015, and if Enbridge's facilities are in service by this date, shippers will be obliged to take service as of this date or a later date as defined in the agreement. This is standard practice for transmission service in Ontario.
- d) Under the terms and conditions of the Precedent Agreement and FBA, shippers on the Albion Pipeline will agree to be liable and indemnify Enbridge for certain costs to develop and construct the facilities, the Pre-Service Costs. Per the FBA, based on shippers' failure to satisfy or if shippers have waived certain conditions precedent by the required date or other shipper breach of the Precedent Agreement, shippers will be required to reimburse Enbridge their proportionate share of the Pre-Service Costs. Enbridge may require the shipper to provide financial assurances in the form and amount reasonably required per the FBA.
- e) The NPS 42 Segment A pipeline is designed to meet the prevailing transmission pressure at Parkway/Parkway West, and thus account for the eventual coordinated build out of the Parkway to Maple path, utilizing the current discharge pressure from Parkway/Parkway West. With this arrangement, 60% of the revenue requirement of this pipe will be borne by ex-franchise shippers.

In the event that no shippers take transmission service, Enbridge has determined that the NPS 42 size for the Albion pipeline is required to meet its distribution needs of 800 TJ/d in the GTA, in conjunction with an inlet pressure of 530 psi which is in line with operating pressures of other distribution pipelines.

Thus, the NPS 42 for Segment A provides the flexibility of Segment A functioning as a transmission line at prevailing transmission pressure with accompanying revenue, or a distribution line at distribution pressures.

Witness: C Fernandes
M. Giridhar