ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
ENVIRONMENTAL DEFENCE INTERROGATORY #50

INTERROGATORY

Issue A.3 “Are the costs of the facilities and rate impacts to customers appropriate?”

Reference: Ex. A, Tab 3, Schedule 9, Attachment 3

A recent Globe and Mail article reported that Alberta natural gas is selling at a deep discount as compared to gas from the United States priced at Henry Hub. The article, which is provided as an attachment to this interrogatory, reported that:

> “The discount on natural gas prices in Alberta compared with Henry Hub, La., the pricing point for U.S. gas futures, has widened by 86 per cent in the last two months.
>
> Alberta gas for August delivery is selling for about $2.48 per gigajoule, down 25 per cent from the beginning of June. At Henry Hub, the equivalent amount of gas sells for about $3.50.”

It does not appear that the higher gas commodity costs associated with purchasing gas from the U.S. north east is accounted for in the calculations appearing at Ex. A, Tab 3, Schedule 9, Attachment 3.

a) Please indicate whether the higher commodity cost of Alberta gas as compared to gas from the United States is accounted for in the calculations appearing at Ex. A, Tab 3, Schedule 9, Attachment 3.

b) Please reproduce the calculations appearing at Ex. A, Tab 3, Schedule 9, Attachment 3 to include the present value of the forecast net gas cost savings (lower transportation tolls *plus higher gas commodity costs*) due to the GTA Pipeline assuming the following time horizons: a) 2015 to 2024; and b) 40 years. Please state the assumed natural gas throughput volumes for each year.

c) Please reproduce the above calculation on the assumption that gas from the United States (at Henry Hub) continues to sell at a 40% premium vis-à-vis the cost of Alberta gas.

Witnesses: J. Denomy
S. Murray

d) Please provide a table with an estimate of the natural gas commodity cost as priced at the AECO-C (Alberta) and at Henry Hub (United States) from 2012 to 2024. Please account for the impact on the Alberta price of the recent increases in the cost of moving natural gas to Ontario and Quebec via TransCanada Corp. Please explain and justify the estimates provided.

RESPONSE

a) For a discussion and sensitivity analysis of the impact of basis differentials on the expected gas supply benefits please refer to the response to TCPL Interrogatory #2 at Exhibit I.A1.EGD (Update).TCPL.2.

b) The base case forecast includes commodity forecasts per supply basin plus transportation. Please refer to Exhibit A, Tab 3, Schedule 9, Attachment 1, page 3 for commodity assumptions and page 1 for toll assumptions.

The base case assumes transportation savings for the period 2015 to 2025. For feasibility purposes, the amounts beyond 2025 have been assumed to be zero for conservatism. Reproducing the economics based on period of 2015 to 2024 instead of a period of 2015 to 2025 is burdensome and will not yield much new information. Reproducing the economics based on 40 years, as compared to the conservation assumption of zero savings beyond 2025 will only show an increase in the benefits of a project that is already well above feasible. This demonstrates that the project is beneficial to ratepayers.

Natural gas throughput volumes (average and cumulative) are shown in Exhibit E, Tab 1, Schedule 1, page 8.

c) Please see a) for the impact of basis differentials.

d) Please refer to Exhibit A, Tab 3, Schedule 9, Attachment 1, page 3 for commodity assumptions and page 1 for toll assumptions.

Witnesses: J. Denomy
S. Murray