

## UNDERTAKING J6.X

### UNDERTAKING

On Hearing Day 2 (September 13, 2013)<sup>1</sup> and Hearing Day 3 (September 16, 2013)<sup>2</sup>, the Joint Panel committed to provide an indicative impact of the Settlement Term Sheet with TransCanada. On Hearing Day 4 (September 17, 2013)<sup>3</sup>, Union committed to provide the impact through Undertaking J4.5 and Enbridge committed to respond to the same request on Hearing Day 6 (September 26, 2013)<sup>4</sup>, however no separate undertaking number was assigned. The following response is provided on behalf of Enbridge.

### RESPONSE

This response provides an indicative impact of the Settlement Term Sheet with TransCanada. Impacts of the Settlement Term Sheet include an increase in transportation costs as a result of higher TransCanada tolls and a decrease in transportation costs as a result of access to short haul transport to the Enbridge EDA, made possible as a result of the settlement.

The estimated range of toll impacts provided by TransCanada is a 45% to 55% increase in short haul tolls and a 13% to 20% increase in long haul tolls to the Enbridge Franchise.

Based on the range of toll impacts provided by TransCanada the impact on tolls for transportation service utilized by Enbridge are as follows:

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<sup>1</sup> Refer to Hearing Day 2 (September 13, 2013) transcript at page 120, line 28 to page 121, line 7.

<sup>2</sup> Refer to Hearing Day 3 (September 16, 2013) transcript at page 127, lines 4 to 16.

<sup>3</sup> Refer to Hearing Day 4 (September 17, 2013) transcript at page 54, line 22 to page 55, line 21.

<sup>4</sup> Refer to Hearing Day 6 (September 26, 2013) transcript at page 63, lines 10 to 17.

Witnesses: J. Denomy  
M. Giridhar

<b>\$/GJ</b>	<b>Compliance Filing Toll</b>	<b>13% Increase in Long Haul &amp; 45% Increase in Short Haul</b>	<b>20% Increase in Long Haul &amp; 55% Increase in Short Haul</b>
Empress to Enbridge CDA	1.57	1.77	1.88
Empress to Enbridge EDA	1.62	1.83	1.94
Dawn to Enbridge CDA	0.24	0.34	0.37
Dawn to Enbridge EDA	0.44	0.63	0.68
Dawn to Iroquois	0.42	0.61	0.65
Parkway to Enbridge CDA	0.12	0.18	0.19
STS to Enbridge CDA	0.12	0.18	0.19
STS to Enbridge EDA	0.32	0.47	0.50
Parkway to Enbridge CDA SN	0.13	0.19	0.20

The annual increase in gas costs from the range of tolls provided above relative to the compliance tolls and using the October 2013 QRAM gas supply portfolio is shown below and ranges from \$50M to \$68M. The bridging contribution accounts for approximately 1/3rd of the impact on gas costs with the remaining impact accounting for cost recovery of the Eastern Ontario Triangle.

<b>\$ Millions</b>	<b>Total TCPL Transportation Costs October 2013 QRAM</b>	<b>13% Increase in Long Haul Tolls, 45% Increase in Short Haul Tolls</b>	<b>20% Increase in Long Haul Tolls, 55% Increase in Short Haul Tolls</b>
	234.7	284.1	302.3
Difference Relative to October 2013 QRAM		49.5	67.7

The average annual decrease in gas supply costs resulting from the ability to displace 170,000 GJ/d of long haul transport to the Enbridge EDA with short haul transport in 2016 is estimated to be approximately \$49 million per year. This expected benefit was calculated using TCPL Compliance Filing Tolls, an average Empress to Dawn basis differential of \$0.51 /GJ and 100% utilization of long haul capacity.

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The table below shows the annual average expected gas supply benefits for Enbridge's ratepayers arising from the GTA Project over the 2015 to 2025 timeframe for a range of basis and utilization scenarios.

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<b>Annual Average GTA Project Benefits Calculations for Current Base Case - Basis and Utilization Scenarios @ Compliance Filing Tolls - 2015-2025</b>				
<b>\$ Millions</b>		<b>Average Empres- Dawn Basis = 0.51 \$/GJ</b>	<b>Average Empres- Dawn Basis = 0.92 \$/GJ</b>	<b>Average Empres- Dawn Basis = 1.50 \$/GJ</b>
<b>Enbridge CDA</b>				
<b>Long Haul Load Factor = 100% (January to December)</b>	System Gas	109	62	(2)
	Direct Purchase	64	39	5
	<b>Total</b>	<b>173</b>	<b>101</b>	<b>3</b>
<b>Long Haul Load Factor = 42% (November to March)</b>	System Gas	138	119	92
	Direct Purchase	64	39	5
	<b>Total</b>	<b>202</b>	<b>158</b>	<b>96</b>
<b>Long Haul Load Factor = 25% (December to February)</b>	System Gas	145	134	118
	Direct Purchase	64	39	5
	<b>Total</b>	<b>210</b>	<b>173</b>	<b>122</b>
<b>Enbridge EDA</b>				
<b>Long Haul Load Factor = 100% (January to December)</b>	System Gas	49	21	(15)
<b>Long Haul Load Factor = 42% (November to March)</b>	System Gas	65	53	38
<b>Long Haul Load Factor = 25% (December to February)</b>	System Gas	69	62	53
<b>Grand Total</b>				
<b>Long Haul Load Factor = 100% (January to December)</b>		222	122	(12)
<b>Long Haul Load Factor = 42% (November to March)</b>		267	211	134
<b>Long Haul Load Factor = 25% (December to February)</b>		279	235	175

Enbridge has not updated the benefits resulting from the GTA Project using the range of indicative tolls provided by TransCanada. While the unit increase in long haul tolls underpinning this range is higher than the unit increase in short haul tolls, these increases are based on a six year surcharge recovery for long haul vs. a fifteen year surcharge recovery for short haul. Over the term of the settlement the differential in tolls is expected to be approximately the same as the differential in compliance tolls.

The combined benefits of the GTA Project and the term sheet are substantial and far exceed the increase in short haul and long haul tolls resulting from the term sheet under all but the scenario where Enbridge uses all its contracts at a 100% load factor and the basis differential between Alberta and Dawn is \$1.50 or more.

As noted in evidence, 100% utilization is an unrealistic assumption given that Enbridge operates its distribution system at approximately 30% utilization factor. In addition, Enbridge has not included upstream arrangements necessary to meet growth in peak demand. The absence of short haul supply will result in ever decreasing utilization of long haul transport increments resulting in a transfer of wealth from Enbridge rate payers to other shippers on the TransCanada system. Enbridge has or is in the process of firming up approximately 360 TJ/d of long haul transport in lieu of previously contracted STFT for 2014. Enbridge would note that while the determination of final Mainline tolls were based on an average throughput from Alberta they did not explicitly incorporate firming up of Enbridge's 2013 peak day demand or growth in Enbridge's peak day demand over time.

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Finally, the basis differentials reflected in the table do not reflect changes in Marcellus basis relative to Alberta. Enbridge notes that at TGP Zone 4 Marcellus, a trading point in the Marcellus formation, gas is currently trading at approximately \$2.00 /GJ, a discount of \$0.55 relative to AECO in Alberta. Enbridge's analysis has assumed that Marcellus basis would trade above Alberta basis.

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