ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: USP - Exhibit C1/Tab 1/ Schedule 1/ pgs. 10-11

Question:

Enbridge Gas has indicated that the major contributing factor to Union Gas' recent infrastructure expansion relates to the growth in natural gas production from the Marcellus and Utica shale basins which are within 300 km of Ontario and shippers that are accessing the Dawn Hub. As a result, the flow of natural gas on the Canadian and U.S. pipeline grid is changing and continuing to evolve. Although difficult to forecast, going forward Enbridge Gas expects further growth along the Dawn Parkway System driven by further demand growth in the U.S. Northeast and Ontario Local Distribution Companies, as well as natural gas fired generation due to Ontario's nuclear refurbishment plan, when executed.

a) How integral will this source of supply be in satisfying Enbridge Gas' in-franchise customer needs in the future?
b) Is the decision to incorporate increasing amounts of Marcellus and Utica supply volumes exclusively driven by the need to acquire the lowest cost gas?
c) Are other factors considered such as the environmental effects of developing these sources of supply?

Response

a) Production in the Marcellus and Utica shale basins is expected to grow over the next 10 years and supply from these basins is an integral part of Enbridge Gas's balanced gas supply portfolio. Enbridge Gas sources supply directly from the Marcellus and Utica utilizing the combined 260,000 Dth/d long-term NEXUS contracts to deliver supply to Dawn. In addition, Enbridge Gas's gas supply plan is expected to continue to include commodity purchases from various supply points that are connected to the Marcellus and Utica basins including Dawn, Niagara, Chippawa, Michigan and Chicago.

b) Future gas supply and transportation procurement decisions will be made by balancing Enbridge Gas's gas supply planning principles. The guiding principles for the assessment of the gas supply plans include: Cost-effectiveness, Reliability and Security of Supply and Public Policy. Cost is a consideration; however, "the need to

acquire the lowest cost gas" is not the driver. The gas supply plan is developed to be cost-effective. Cost-effectiveness is achieved by appropriately balancing gas supply planning principles and executing the supply plan in an economically efficient manner.

c) The gas supply plan will be developed by appropriately balancing gas supply planning principles. Its development will consider alignment with public policy which is one of the principles.