

TCPL INTERROGATORY #3

INTERROGATORY

IR Number: Interrogatory #3

Reference: 1) Exhibit D1, Tab 2, Schedule 11, Page 2 of 14
2) Attachment 1: "Enbridge Inc. Reports Third Quarter 2017 Results"
– Enbridge.com News Release (excerpt), November 2, 2017, Page 4

Preamble: In Reference 1, EGDI states that NEXUS' in-service date has been delayed to 2018.

In Reference 2, Enbridge Inc. states that the "[t]otal capital cost for the [NEXUS] project has been updated to US\$1.3 billion with an expected in-service date in the third quarter of 2018."

Request: a) Please provide the most recent version of the EGDI-NEXUS Precedent Agreement. Has the agreement been amended since December 17, 2015? If so, please provide a summary of the changes as well as a blackline version of the updated Precedent Agreement.

b) Does the Precedent Agreement contain a clause or clauses allowing the Customer (EGDI) to cancel its commitment to NEXUS without liability, including with respect to pre-service costs, should the pipeline be delayed beyond a certain date? If so:

i. Please reference the clause(s), state the threshold date(s), and describe any provisions regarding notification to EGDI of such a delay.

c) Please state whether EGDI agrees with the following statement: Although the OEB has pre-approved the costs associated with the NEXUS pipeline, this pre-approval does not preclude EGDI from acting in the best interests of its ratepayers should it have the opportunity to do so. If EGDI disagrees, please explain.

d) Should at any point the Phase II NEXUS facilities not be expected to be in-service by the date provided in b), and should EGDI have the ability to terminate the PA without cost liability:

Witness: D. Small

- i. Will EGDI commit to undertaking a new upstream contracting analysis, including a landed cost analysis, prior to any extension of the estimated commencement date, to determine if more suitable alternatives exist at the time? If not, please explain why not.
 - ii. Will EGDI commit to publicly filing any such analysis with the Ontario Energy Board?
- e) Since December 17, 2015, has EGDI had any discussions with NEXUS regarding the provision in b) or regarding the possibility of an in-service date occurring after the date provided in b)? If yes, please provide any correspondence.
- f) Please provide EGDI's Landed Cost Analysis as filed in response to TransCanada information request 1.1(g) in the NEB Dawn Long Term Fixed Price Service proceeding (RH-003-2017)
- g) Please update the Landed Cost Analysis from f) with the expected NEXUS toll changes as provided in TransCanada IR 2 c).

RESPONSE

- a) EGD's Restated Precedent Agreement with NEXUS and subsequent amendments are included in I.D1.EGDI.TCPL.3 Attachments 1 through 6. The Restated Precedent Agreement has been amended five times including three amendments since December 17, 2015 which are summarized below.

On May 1, 2017 a third amendment was executed to amend Sections 7(b)(ii) and 7(b)(iv) by extending the date for the pipeline to receive and accept all necessary Governmental Authorizations from May 1, 2017 to June 1, 2017.

On May 31, 2017 a fourth amendment was executed to amend: Section 3(b)(iii) to expand on the Primary Points of Receipt including an election for up to 35,000 Dth per day at TEAL; and Section 7(b)(ii) and 7(b)(iv) to extend the date for the pipeline to receive and accept all necessary Governmental Authorizations from June 1, 2017 to September 1, 2017.

On August 17, 2017 a fifth amendment was executed to amend: Section 3(b)(iii) to increase the Maximum Daily Receipt Obligation election at TEAL from 35,000 Dth/d to 55,000 Dth/d and to extend notification period for EGD to elect for receipts at TEAL

from September 1, 2017 to December 1, 2017; Section 6 to insert a provision for the Service Commencement Date that is April 1, 2018 subject to certain conditions; Sections 7(b)(ii) and 7(b)(iv) by extending the date for the pipeline to receive and accept all necessary Governmental Authorizations from September 1, 2017 to December 1, 2017; and lastly to correct a Section reference in the fourth amendment.

- b) EGD expects NEXUS to be service on or prior to November 2018. The ability for EGD to terminate the Restated Precedent Agreement would depend on the circumstances that caused the in-service date of the pipeline to be delayed. The Restated Precedent Agreement includes a number of conditions precedent in Section 7 that must be satisfied otherwise the Agreement will terminate without liability. If the delay referenced in this Interrogatory is with respect to the construction of the pipeline facilities, EGD can terminate the agreement pursuant to Section 10 without liability if Pipeline has not proceeded with due diligence to construct the facilities and commence service. Pursuant to Section 8, EGD would only be liable to pay pre-service costs if the Agreement is terminated due to a material breach by EGD. This is in contrast to the TransCanada form of precedent agreement that imposes pre-service cost liability on shippers in the event of termination of the agreement for delay or prior to service commencement.
- c) EGD's actions demonstrate that it continues to act in the best interests of its ratepayers. As indicated in response to a), the parties have amended the Restated Precedent Agreement in part to extend the period of time for NEXUS to achieve the required Governmental Authorizations. At that time, EGD did re-evaluate the benefits of the NEXUS capacity and found no material changes from what was filed with the Board to support its decision to pre-approve the cost consequences of the NEXUS agreement. The evaluation included a review of the costs; as indicated in response to f) and g), the landed cost of the NEXUS capacity ranks similarly to the landed cost analysis that supported the Board's pre-approval to recover costs for the NEXUS agreement.
- d) Please see responses to parts b) and c) above.
- e) Yes, please see the response to part a) which describes and attaches changes to conditions precedent in the Restated Precedent Agreement that extend the date in which Governmental Authorizations must be achieved by NEXUS.

- f) Please see Exhibit I.D1.EGDI.TCPL.3 Attachment 7.
- g) Please see Exhibit I.D1.EGDI.TCPL.3 Attachment 8.