IR No. TransCanada 1.1

Topic:

Reference: (i) Written Evidence of MAS, pages 8 and 9, Table 1
(ii) Written Evidence of MAS, page 8, lines 9-11

Preamble: Reference (i) presents information on firm services held by MAS members, based TransCanada's July 2013 CDE report. Reference (ii) suggests that some of the firm transportation services will be firmed up as of 1 November 2013.

Request:

(a) Please update the table provided in Reference (i), to reflect known firm contracts that have or will be firmed up (or non-renewed) as of November 1, 2013, as stated in Reference (ii).

(b) Please reproduce the table provided in response (a) with two additional columns: (i) a Current Toll column reflecting the RH-003-2011 Compliance Tolls and (ii) an Annual Revenue column indicating the annual revenue associated with each contract. Also provide a sum of the revenues for all MAS contracts.

(c) Please provide a similar table to that provided in response to (b) that assumes that all MAS firm contracts with a receipt point of Empress are replaced by contracts for the same quantity with a receipt point of Parkway or Dawn (whichever results in the shortest distance of haul).

Response:

(a) See Attachment TransCanada 1.1 (a).

(b) See Attachment TransCanada 1.1 (b). Please note that MAS was unable to confirm new contracts with all IGUA Members and only those for which we received confirmation were included on the list.

(c) The premise put forward by TransCanada is unrealistic and the requested analysis is therefore potentially misleading. There are many FT contracts held by MAS that would not originate at Dawn or Parkway because of distance or supply diversity requirements. Contracts to the MDA and WDA are more cost effective served from Empress than Parkway. There are also diversity drivers that would result in contracting from Empress (for example some the NDA volumes). In addition to the supply considerations ignored in the question, there are certain services, such as STS, that would not be useful under the assumptions provided in the question. These services would need to be replaced by a replacement service that TransCanada has yet to offer.

Attachment: TransCanada IR #1.1 (a)

Service Requester	Service Type	Primary Receipt Point	Primary Delivery Point	Contract Demand (GJ/d)
Domtar Inc.	FT	Empress	GMIT EDA	1,500
Enbridge Gas Distribution Inc.	FT	Empress	Enbridge CDA	63,468
Enbridge Gas Distribution Inc.	FT	Empress	Enbridge EDA	197,421
Enbridge Gas Distribution Inc.	FT	Union Dawn	Enbridge CDA	149,818
Enbridge Gas Distribution Inc.	FT	Union Dawn	Enbridge EDA	114,000
Enbridge Gas Distribution Inc.	FT	Union Dawn	Iroquois	40,000
Enbridge Gas Distribution Inc.	FT	Union Parkway Belt	Enbridge CDA	572
Enbridge Gas Distribution Inc.	STS	Union Parkway Belt	Enbridge CDA	283,892
Enbridge Gas Distribution Inc.	STS	Union Parkway Belt	Enbridge EDA	80,611
Enbridge Gas Distribution Inc.	FT-SN	Union Parkway Belt	Victoria Square #2 CDA	85,000
Gaz Metro Limited Partnership	FT	Empress	GMIT EDA	180,000
Gaz Metro Limited Partnership	FT	Empress	GMIT NDA	15,327
Gaz Metro Limited Partnership	FT	Union Dawn	GMIT EDA	110,000
Gaz Metro Limited Partnership	FT	Union Parkway Belt	GMIT EDA	65,000
Gaz Metro Limited Partnership	STS	Union Parkway Belt	GMIT EDA	216,174
Gerdau Ameristeel Corporation	FT	Empress	Centram MDA	1,000
Union Gas Limited	FT	Empress	Centrat MDA	4,522
Union Gas Limited	FT	Empress	Union CDA	67,327
Union Gas Limited	FT	Empress	Union EDA	59,101
Union Gas Limited	FT	Empress	Union NCDA	10,756
Union Gas Limited	FT	Empress	Union NDA	64,715
Union Gas Limited	FT	Empress	Union SSMDA	2,700
Union Gas Limited	FT	Empress	Union WDA	39,880
Union Gas Limited	FT	Niagara Falls	Kirkwall	21,101
Union Gas Limited	FT	SS. Marie	Union SSMDA	6,143
Union Gas Limited	FT	Union Dawn	Union CDA	60,000
Union Gas Limited	STS	Union NDA	Union CDA	49,100
Union Gas Limited	FT	Union Parkway Belt	Union CDA	16,000
Union Gas Limited	FT	Union Parkway Belt	Union EDA	35,000
Union Gas Limited	STS	Union Parkway Belt	Union EDA	68,520
Union Gas Limited	STS	Union WDA	Union CDA	3,150
Vale Canada Limited	FT	Empress	Union NDA	2,500

MAS contracts contracted post Decision

Not Public, Future Start Date	FT-NR	Empress	Enbridge EDA	50,000
Not Public, Future Start Date	FT-NR	Empress	GMIT EDA	130,000
Not Public, Future Start Date	FT-NR	Empress	Enbridge EDA	96,250
Not Public, Future Start Date	FT	Empress	Enbridge CDA	38,000
Not Public, Future Start Date	FT	Empress	Union NDA	2,500
Not Public, Future Start Date	FT	Empress	Union WDA	2,000
Not Public, Future Start Date	FT	Empress	Union NDA	9,000
Not Public, Future Start Date	FT	Empress	Union NDA	17,499

Attachment: TransCanada IR #1.1 (b)

Service Requester	Service Type	Primary Receipt Point	Primary Delivery Point	Contract Demand (GJ/d)	Compliance Toll $/GJ/d	Annual Revenue ($000's)
Domtar Inc.	FT	Empress	GMIT EDA	1,500	1.3441	736
Enbridge Gas Distribution Inc.	FT	Empress	Enbridge CDA	63,468	1.5659	36,275
Enbridge Gas Distribution Inc.	FT	Empress	Enbridge EDA	197,421	1.6154	116,404
Enbridge Gas Distribution Inc.	FT	Union Dawn	Enbridge CDA	149,818	0.2356	12,883
Enbridge Gas Distribution Inc.	FT	Union Dawn	Enbridge EDA	114,000	0.4367	18,171
Enbridge Gas Distribution Inc.	FT	Union Dawn	Iroquois	40,000	0.4198	6,129
Enbridge Gas Distribution Inc.	FT	Union Parkway Belt	Enbridge CDA	572	0.1245	26
Enbridge Gas Distribution Inc.	STS	Union Parkway Belt	Enbridge CDA	283,892	0.1245	12,901
Enbridge Gas Distribution Inc.	STS	Union Parkway Belt	Enbridge EDA	80,611	0.3207	9,436
Enbridge Gas Distribution Inc.	FT-SN	Union Parkway Belt	Victoria Square #2 CDA	85,000	0.1200	3,723
Gaz Metro Limited Partnership	FT	Empress	GMIT EDA	180,000	1.7294	113,622
Gaz Metro Limited Partnership	FT	Empress	GMIT NDA	15,327	1.3441	7,519
Gaz Metro Limited Partnership	FT	Union Dawn	GMIT EDA	110,000	0.5279	21,195
Gaz Metro Limited Partnership	FT	Union Parkway Belt	GMIT EDA	65,000	0.4119	9,772
Gaz Metro Limited Partnership	STS	Union Parkway Belt	GMIT EDA	216,174	0.4119	32,500
Gerdau Ameristeel Corporation	FT	Empress	Centram MDA	1,000	0.5362	196
Union Gas Limited	FT	Empress	Centrat MDA	4,522	0.5980	987
Union Gas Limited	FT	Empress	Union CDA	67,327	1.5405	37,857
Union Gas Limited	FT	Empress	Union EDA	59,101	1.6504	35,602
Union Gas Limited	FT	Empress	Union NCDA	10,756	1.4953	5,870
Union Gas Limited	FT	Empress	Union NDA	64,715	1.3169	31,106
Union Gas Limited	FT	Empress	Union SSMDA	2,700	1.1945	1,177
Union Gas Limited	FT	Empress	Union WDA	39,880	0.8562	12,463
Union Gas Limited	FT	Niagara Falls	Kirkwall	21,101	0.1424	1,097
Union Gas Limited	FT	SS. Marie	Union SSMDA	6,143	0.0910	204
Union Gas Limited	FT	Union Dawn	Union CDA	60,000	0.2042	4,472
Union Gas Limited	STS	Union NDA	Union CDA	49,100	0.3733	6,690
Union Gas Limited	FT	Union Parkway Belt	Union CDA	16,000	0.1008	589
Union Gas Limited	FT	Union Parkway Belt	Union EDA	35,000	0.2505	3,200
Union Gas Limited	STS	Union Parkway Belt	Union EDA	68,520	0.2505	6,265
Union Gas Limited	STS	Union WDA	Union CDA	3,150	0.8553	983
Vale Canada Limited	FT	Empress	Union NDA	2,500	1.3169	1,202
MAS Contracts in place Prior to Decision						**551,253**
MAS contracts contracted post Decision						
Not Public, Future Start Date	FT-NR	Empress	Enbridge EDA	50,000	1.6154	29,481
Not Public, Future Start Date	FT-NR	Empress	GMIT EDA	130,000	1.7294	82,060
Not Public, Future Start Date	FT-NR	Empress	Enbridge EDA	96,250	1.6154	56,751
Not Public, Future Start Date	FT	Empress	Enbridge CDA	38,000	1.5659	21,719
Not Public, Future Start Date	FT	Empress	Union NDA	2,500	1.3169	1,202
Not Public, Future Start Date	FT	Empress	Union WDA	2,000	0.8562	625
Not Public, Future Start Date	FT	Empress	Union NDA	9,000	1.3169	4,326
Not Public, Future Start Date	FT	Empress	Union NDA	17,499	1.3169	8,411
Total Revenue from Incremental Contracts						204,575
TOTAL REVENUE - MAS CONTRACTS						755,829

IR No. TransCanada 1.2

Topic:

Reference: (i) Written Evidence of MAS, page 5, lines 8 to 14.

Preamble: Reference (i) states: "Many "in-franchise" residential, commercial and industrial customers rely on the LDCs to provide natural gas supply for their year-round energy needs. … To serve these customers, LDCs must secure natural gas supply and transportation to reach the intended markets. As a result, LDCs contract for large quantities of firm transportation capacity to deliver natural gas supply, purchased at liquid trading points, to their customers. LDCs hold a portfolio of natural gas supply and transportation contracts to meet the peak demands of their customers.

Request:

a) (i) What is the peak-day demand for the in-franchise customers in the franchise of EGD expected for the 2013-2014 gas year?

(ii) What is the total firm transportation capacity (for each of FT, FT-NR, STS) held by EGD with TransCanada to its franchise? List all applicable contracts.

(iii) What is the total firm transportation capacity held by EGD with other pipeline system(s) delivering to its franchise, including all capacity held with Union Gas Limited? Provide all applicable details for each contract (e.g., system, receipt and delivery point, capacity).

(iv) What is the total storage withdrawal capacity held by EGD to serve its franchise? Provide all applicable details for each contract (e.g., system, receipt and delivery point, capacity).

b) (i) What is the peak-day demand for the in-franchise customers in the franchise of Gaz Metro expected for the 2013-2014 gas year?

(ii) What is the total firm transportation capacity (for each of FT, FT-NR, STS) held by Gaz Metro with TransCanada to its franchise? List all applicable contracts.

(iii) What is the total firm transportation capacity held by Gaz Metro with other pipeline system(s)? Provide all applicable details for each contract (e.g., system, receipt and delivery point, capacity).

(iv) What is the total storage withdrawal capacity held by Gaz Metro to serve its franchise? Provide all applicable details for each contract (e.g., system, receipt and delivery point, capacity).

c) (i) What is the peak-day demand for the in-franchise customers in the franchise of Union expected for the 2013-2014 gas year?

(ii) What is the total firm transportation capacity (for each of FT, FT-NR, STS) held by Union with TransCanada to its franchise? List all applicable contracts.

(iii) What is the total firm transportation capacity held by Union with other pipeline system(s)? Provide all applicable contracts details (e.g., system, receipt and delivery point, capacity).

(iv) What amount of the peak-day identified in (c)(i) is served directly from the Union Dawn-Trafalgar pipeline system?

(v) What is the total storage withdrawal capacity held by Union to serve its franchise? Provide all applicable details for each contract (e.g., system, receipt and delivery point, capacity).

Response:

(a)

i) The 2013-2014 gas year budget peak day demand for EGD is 3,961,350 GJ.

ii) The FT, FT-NR, FT-SN, and STS contracts currently held by EGD for the 2013-2014 gas year are located in Attachment TransCanada 1.2 (a) (ii). It should be noted that EGD has not finalized its transportation requirements for the 2013-2014 gas year. EGD had intended to incorporate STFT into its gas supply portfolio in a manner similar to what has been approved by the Ontario Energy Board in previous years. This option has become uneconomical due to the significant increase in bid floor pricing that TransCanada has established for discretionary services. As a result, EGD is evaluating alternative transportation arrangements which may include an increased reliance on FT capacity.

iii) The only pipeline system that interconnects with the EGD franchise, other that TransCanada, is Union Gas. The contracts currently held by EGD for the 2013-2014 gas year are summarized in Attachment TransCanada 1.2 (a) (iii).

iv) The maximum storage withdrawals for EGD for the 2012-2013 gas year is 1,858 TJ/d. The total withdrawal capability is located at Dawn. The information requested in regard to the contract level detail is not relevant to the Application.

(b)

i) The forecast peak day demand is 1,194 PJ. In order to meet its peak day requirements, Gaz Métro relies on transportation contracts with TransCanada, in franchise storage and deliveries to its service area by customers and marketers.

ii) As of November 1, 2013: total of 716,501 GJ/d. The applicable contracts are summarized in Attachment TransCanada 1.2 (b) (ii).

iii) As of November 1, 2013, Gaz Metro held firm transportation capacities with Union Gas on two relatively short segments which must be combined with firm transportation capacity with TransCanada to reach GMIT EDA. The applicable contracts are summarized in Attachment TransCanada 1.2 (b) (iii).

iv) The maximum storage withdrawals capacity for Gaz Métro as of 2012 - 2013 is 532 TJ/d. The information requested in regard to the contract level detail is not relevant to the Application.

(c)

i) The Union 2013-2014 gas supply plan has not yet been finalized. The peak design day demand for in-franchise customers for 2012-2013 is:

Union South – 2,583 TJ/d

Union North – 463 TJ/d

It is expected that the 2013-2014 peak day demand will not be materially different from the 2012-2013 peak day demand shown above.

ii) Union's current portfolio of contracts with TransCanada for the November 1, 2012 gas year is summarized on Attachment TransCanada 1.2 (c) (ii).

iii) Union's current portfolio of contracts with other pipelines for the November 1, 2012 gas year is summarized on Attachment TransCanada 1.2 (c) (iii).

iv) For Union South the amount of peak day demand identified in part (c) (i) served by the Dawn-Parkway System is 1,662 TJ/d.

Union North is not directly connected to the Dawn-Parkway System so third party assets (TransCanada) are required to move volumes from Parkway to Union's North delivery areas. To that end, Union does move volumes on the Dawn-Parkway System to facilitate STS withdrawals and short-haul firm transportation from Parkway to Union's North delivery areas on the TransCanada Mainline, which totaled 206 TJ/d for 2012-2013. Union bid in the TransCanada open season held in the spring of 2012 to shift FT long haul contracted capacity to short-haul capacity out of Parkway starting in 2014.

v) The total storage withdrawal capacity required for 2012-2013 is:

Union South – 1,238 TJ/d

Union North – 297 TJ/d

Union maintains an integrated storage, transmission and distribution system. The information requested in regard to the contract level detail is not relevant to the Application. This system includes storage services contracted with other storage providers. Union can confirm that the firm entitlements of the Union owned facilities plus the contracted third party storage are able to meet franchise demands on a firm and contracted basis.

Service Type	Primary Receipt	Primary Delivery	Contract Demand (GJ/d)	Expiry Date
FT	Empress	Enbridge CDA	40,093	2014-Oct-31
FT	Empress	Enbridge CDA	15,000	2014-Oct-31
FT	Empress	Enbridge CDA	8,375	2014-Oct-31
FT	Empress	Enbridge CDA	38,000	2014-Oct-31
FT	Union Dawn	Enbridge CDA	4,818	2014-Oct-31
FT	Union Dawn	Enbridge CDA	145,000	2014-Oct-31
FT	Union Parkway Belt	Enbridge CDA	572	2014-Oct-31
FT	Empress	Enbridge EDA	32,357	2014-Oct-31
FT	Empress	Enbridge EDA	21,584	2014-Oct-31
FT	Empress	Enbridge EDA	7,613	2014-Oct-31
FT	Empress	Enbridge EDA	19,692	2014-Oct-31
FT	Empress	Enbridge EDA	10,773	2014-Oct-31
FT	Empress	Enbridge EDA	10,773	2014-Oct-31
FT	Empress	Enbridge EDA	26,952	2014-Oct-31
FT	Empress	Enbridge EDA	25,000	2014-Oct-31
FT	Empress	Enbridge EDA	42,226	2014-Oct-31
FT	Empress	Enbridge EDA	451	2014-Oct-31
FT	Union Dawn	Enbridge EDA	114,000	2014-Oct-31
FT	Union Dawn	Iroquois	40,000	2014-Mar-31
			603,279	
FT-NR	Empress	Enbridge EDA	50,000	2015-Mar-31
FT-NR	Empress	Enbridge EDA	96,250	2015-Oct-31
			146,250	
FT-SN	Union Parkway Belt	Victoria Square #2 CDA	85,000	2018-Oct-31
STS	Union Parkway Belt	Enbridge CDA	153,700	2014-Oct-31
STS	Union Parkway Belt	Enbridge CDA	92,822	2014-Oct-31
STS	Union Parkway Belt	Enbridge CDA	37,370	2014-Oct-31
STS	Union Parkway Belt	Enbridge EDA	35,089	2014-Oct-31
STS	Union Parkway Belt	Enbridge EDA	35,806	2014-Oct-31
STS	Union Parkway Belt	Enbridge EDA	9,716	2014-Oct-31
			364,503	
			1,199,032	

Attachment TransCanada 1.2 (a) (iii)

EGD firm transportation contracts for the 2013-2014 gas year.

Primary Receipt	Primary Delivery	Contract Demand (GJ/d)	Expiry Date
Dawn	Parkway	1,764,678	31-Mar-22
Dawn	Parkway	106,000	31-Oct-18
Dawn	Parkway	57,100	31-Oct-19
Dawn	Parkway	18,703	31-Mar-15
Dawn	Parkway	200,000	31-Oct-22
Dawn	Lisgar	10,692	31-Mar-15
Dawn	Kirkwall	35,806	31-Mar-15
Dawn	Kirkwall	32,123	31-Mar-15
Parkway	Dawn	236,586	31-Mar-15
		2,461,688	

Attachment TransCanada 1.2 (b) (ii)

Gaz Métro firm transportation contracts with TransCanada for the 2013-2014 gas year.

Type	Receipt point	Delivery point	Daily capacity (GJ/d)
FT-LH	Empress	EDA	180,000
FT-LH	Empress	NDA	12,397
FT-LH	Empress	NDA	2,930
FT-NR	Empress	EDA	130,000
FT-SH	Dawn	EDA	50,000
FT-SH	Dawn	EDA	20,000
FT-SH	Dawn	EDA	40,000
FT-SH	Parkway	EDA	65,000
STS	Parkway	EDA	45,000
STS	Parkway	EDA	25,629
STS	Parkway	EDA/NDA	125,545
STS	Parkway	EDA	20,000

Attachment TransCanada 1.2 (b) (iii)

Gaz Métro firm transportation contracts with Union for the 2013-2014 gas year.

System	Receipt point	Delivery point	Daily capacity (GJ/d)
Union System	Dawn	Parkway	52,343
Union System	Dawn	Parkway	22,908
Union System	Dawn	Parkway	88,728
Union System	Dawn	Parkway	21,021
Union System	Dawn	Parkway	35,000
Union System	Dawn	Parkway	65,000
Union System	Parkway	Dawn	100,000

Attachment TransCanada 1.2 (c) (ii)

Union firm transportation contracts with TransCanada for the 2012-2013 gas year.

UNION GAS LIMITED			
TransCanada Pipelines			
Transportation Summary			
Effective November 1, 2012			
Upstream Pipeline	Primary Receipt Point	Primary Delivery Point	Qty
FT - Long Haul			GJs/day
Empress to Union MDA FT	Empress	Union MDA	4,522
Empress to Union WDA FT	Empress	Union WDA	39,880
Empress to Union NDA FT	Empress	Union NDA	65,745
Empress to Union SSMDA FT	Empress	Union SSMDA	2,700
Empress to Union NCDA FT	Empress	Union NCDA	10,756
Empress to Union EDA FT	Empress	Union EDA	59,101
Empress to Union CDA FT	Empress	Union CDA	67,327
FT - Long Haul - Total			250,031
FT - Short Haul			
Parkway to Union EDA FT	Parkway	Union EDA	35,000
Parkway to Union CDA FT	Parkway	Union CDA	16,000
Dawn to Union CDA FT	Dawn	Union CDA	60,000
Niagara to Kirkwall FT	Niagara	Kirkwall	21,101
SS Marie to Union SSMDA	SS. Marie	Union SSMDA	6,143
FT - Short Haul - Total			138,244
Storage Transportation Service Firm Withdrawal			
NCDA	Parkway	Union NCDA	13,704
WDA	Parkway	Union WDA	31,420
SSMDA	Dawn	Union SSMDA	35,022
NDA	Parkway	Union NDA	48,375
EDA	Parkway	Union EDA	68,520
Firm STS Withdrawal - Total			197,041
Storage Transportation Service Firm Injection			
WDA	Union WDA	Parkway	3,150
EDA	Union EDA	Parkway	47,571
NDA	Union NDA	Parkway	49,100
Firm STS Injection - Total			99,821

Attachment TransCanada 1.2 (c) (iii)

Union firm transportation contracts with other pipelines for the 2012-2013 gas year.

UNION GAS LIMITED

Other Pipelines
Transportation Summary
Effective November 1, 2012

Upstream Pipeline	Primary Receipt Point	Primary Delivery Point	Qty	
MichCon/GLGT				
GLGT to TCPL	Belle River Mills	SS Marie	5,829	Dth
MichCon to GLGT	MichCon Generic	Belle River Mills	5,829	Dth
MichCon/GLGT - Total			**6,143**	GJ
Centra Transmission Holdings Inc.				
Centra Transmission Holdings Inc.	Spruce	Union MDA	169.97	10^3m^3
Centra Pipelines Minnesota Inc.	Sprague	Baudette	6,000	MCF
CTHI FT - Total			**6,414**	GJ
Alliance Pipelines/Vector Pipelines				
Alliance	Northern Alberta	Cdn/US Interconnect	2,266.2	10^3m^3
Alliance (L.P.)	Cdn/US Interconnect	Vector	80,000	MCF
Vector (L.P.) FT1	Chicago	Cdn/US Interconnect	80,000	DTH
Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	84,405	GJ
Alliance/Vector - Total			**84,405**	GJ
Panhandle Eastern Pipe Line Field Zone				
PEPL FT	Panhandle Field Zone	Ojibway (Union)	25,000	DTH
PEPL FT	Panhandle Field Zone	Ojibway (Union)	2,000	DTH
PEPL FT	Panhandle Field Zone	Ojibway (Union)	10,000	DTH
PEPL - Total			**39,037**	GJ
Trunkline Gas Company/Panhandle Eastern Pipe Line				
Trunkline FT	East Louisiana	Bourbon	20,467	DTH
PEPL EFT	Bourbon	Ojibway (Union)	20,000	DTH
TGC/PEPL FT - Total			**21,101**	GJ
Vector Pipelines				
Vector (L.P.) FT1	Chicago	Cdn/US Interconnect	81,000	DTH
Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	85,460	GJ
Vector - Total			**85,460**	GJ
Vector Pipelines				
Vector (L.P.) FT1	Chicago	Cdn/US Interconnect	10,000	DTH
Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	10,551	GJ
Vector - Total			**10,551**	GJ
Other				
St.Clair Pipelines L.P. (St.Clair Pipeline)	St. Clair/Intl Border	St. Clair/Intl Border	200,000	MCF
St. Clair Pipelines - Total			**213,479**	GJ
St.Clair Pipelines L.P. (Bluewater Pipeline)	Bluewater/Intl Border	Bluewater/Intl Border	115,000	MCF
St. Clair Pipelines - Total			**122,750**	GJ

IR No. TransCanada 1.3

Topic:

Reference: (i) Written Evidence of MAS, page 16, lines 3-4.

Preamble: At the referenced portion of the evidence, MAS states, "Recent firming up of what was previously transported as discretionary service amplifies those concerns."

Request:

(a) Please explain what is meant by the term "firming up".

(b) Prior to the Board's decision in RH-003-2011, did Union use discretionary services to meet its firm requirements? Please quantify the amount used for each DDAs.

(c) Prior to the Board's decision in RH-003-2011, did Union enter into agreements with third parties to provide supply to its franchise area on a firm delivered basis? If so, what steps did Union take to ensure that the third party supplier held firm transportation services to the Union franchise area such that Union could be assured that the supply was in fact deliverable on a firm basis. Please quantify the amount used for each DDAs.

(d) Prior to the Board's decision in RH-003-2011, did EGD use discretionary services to meet its firm requirements? Please quantify the amount used for each DDAs.

(e) Prior to the Board's decision in RH-003-2011, did EGD enter into agreements with third parties to provide supply to its franchise area on a firm delivered basis? If so, what steps did EGD take to ensure that the third party supplier held firm transportation services to the EGD franchise area such that EGD could be assured that the supply was in fact deliverable on a firm basis.

(f) Prior to the Board's decision in RH-003-2011, did Gaz Métro use discretionary services to meet its firm requirements?

(g) Prior to the Board's decision in RH-003-2011, did Gaz Métro enter into agreements with third parties to provide supply to its franchise area on a firm delivered basis? If so, what steps did Gaz Métro take to ensure that the third party supplier held firm transportation services to the Gaz Métro franchise area such that Gaz Métro could be assured that the supply was indeed deliverable on a firm basis.

Response:

(a) A shipper that previously relied on discretionary services (such as STFT and IT from TransCanada) to meet their transportation needs that, based on TransCanada's pricing, has decided to instead purchase firm service (FT) is "firming up" their transportation services. Additionally, shippers switching from services purchased in the secondary market to TransCanada FT service are considered to be "firming up." Since the Board's RH-003-2011 Decision, TransCanada has signed approximately 1 PJ/d of new FT and FT-NR contracts in total with a number of shippers.

(b) Union designs its gas supply portfolio to meet firm requirements with firm commitments. The use of discretionary services, such as STFT and IT, and the use of other FT service features, such as diversions, allows Union to construct both an efficient and cost effective transportation portfolio to serve its ratepayers (see response to NEB 1.4 (a)).

(c) Prior to the Board's Decision in RH-003-2011, Union made some agreements with third parties to provide delivered supply to a DDA. In those contracts, Union ensured that counterparty obligations to deliver gas to its franchise were on a firm basis. A failure to deliver when not excused by force majeure would be a failure to perform under the contract and the counterparties would be liable under the contract terms. A third party could offer capacity on a firm basis without directly holding firm transportation contracted with TransCanada. If a third party obtained capacity in the secondary market from a party that held a firm contract with TransCanada, then the deliveries were made on a firm basis.

(d) Prior to the Board's Decision in RH-003-2011, EGD contracted for STFT to address peak demand. A summary of the STFT used for the 2012/2013 gas year is included in the following table.

Service Type	Primary Receipt	Primary Delivery	Contract Demand (GJ/d)	Start Date	Expiry Date
STFT	Empress	Enbridge CDA	42,500	1-Nov-12	31-Mar-13
STFT	Empress	Enbridge CDA	195,000	1-Dec-12	28-Feb-13
STFT	Empress	Enbridge CDA	65,000	1-Jan-13	31-Mar-13
STFT	Empress	Enbridge EDA	60,000	1-Dec-12	28-Feb-13
STFT	Empress	Enbridge EDA	30,000	1-Jan-13	31-Mar-13
			392,500		

(e) Yes, EGD contracts for peaking supplies with third parties. Concerns related to the reliability of peaking supplies were part of a System Reliability proceeding which was discussed before the Ontario Energy Board in EB-2010-0231. Once of the outcomes of that proceeding was that EGD would replace 200,000 GJ/d of peaking supplies with STFT. The only means for EGD to address the firm delivery requirements for the remaining peaking supplies is to insist upon requiring firm deliveries in the RFP process and by including performance obligation in executed agreements.

(f) Prior to the Board's Decision in RH-003-2011, Gaz Métro may have used some discretionary services for firm demand in the form of STS overrun or STS-Best Effort service in its daily operations. Gaz Métro does not however rely on or plan for the use of discretionary services to meet its firm requirements.

(g) Prior to the Board's Decision in RH-003-2011, Gaz Métro made those types of agreements with third parties. In the contracts, Gaz Métro ensured that counterparty obligations to deliver gas to its franchise were on a firm basis. A failure to deliver when not excused by force majeure would be a failure to perform under the contract and the counterparties would be liable under the contract terms. A third party could offer capacity on a firm basis without directly holding firm transportation contracted with TransCanada. If a third party obtained capacity in the secondary market from a party that held a firm contract with TransCanada, then the deliveries were made on a firm basis.

IR No. TransCanada 1.4

Topic:

Reference: (i) Written Evidence of MAS, page 17, lines 2-4.

Preamble: At the referenced portion of the evidence, MAS states, "The elimination of Diversions and ARPs outside the primary path serves to neutralize another source of competition in the market. If the modifications to Diversions and ARPs are accepted, TransCanada will be able to exert undue market power over this market."

Request:

(a) Please fully explain how TransCanada will be able to exert "undue market power" in respect of STFT and/or IT on particular paths that would otherwise be outside of a shipper's primary path if that shipper continues to have access to FT service available over those paths.

(b) For each of the MAS member LDCs, please explain whether the LDC has an existing incentive mechanism, or proposes such a mechanism, pursuant to which its shareholders retain some or all of a portion of mitigated UDC for capacity on the Mainline (e.g., through revenue sharing of exchange revenues, savings generated by the LDC or a third-party asset manager, etc.).

(c) Provide a copy of the text of any incentive mechanisms identified in the response to (b).

Response:

(a) Please refer to APPrO 2.

(b)

(i) Union: When Union reduces its gas supply purchases at Empress to reflect reductions in system customer requirements, 100% of the proceeds earned from mitigating the unutilized demand charges ("UDC") are for the benefit of ratepayers. To serve its northern customers, Union contracts for firm capacity to meet peak day requirements. If this capacity was filled 365 days per year, Union would have excess supply. This creates UDC in the portfolio. Therefore, if TransCanada is allowed to make the proposed changes, the value of the capacity released and credited to Union's ratepayers will be reduced, inflicting an added cost to customers in Ontario. This is most relevant to the elimination of out-of-path ARPs and diversions.

(ii) Enbridge: EGD has an Ontario Energy Board approved mechanism in place to share revenues related to the optimization of storage and transportation assets. EGD does not incur any UDC on its long haul transportation contracts since that capacity is utilized at 100% load factor on all days. EGD does however have short haul transportation contracts that may not be utilized at 100% load factor. To the extent that the short haul capacity is not required to meet the distribution system demand, EGD may enter into an assignment with third parties for the purpose of generating revenue that is shared with ratepayers in accordance with the mechanism described in Attachment TransCanada 1.4(c)-1.

(iii) Gaz Métro does not have an incentive mechanism per se. For its 2013 rate year, Gaz Métro has not been allowed to retain any portion of mitigated UDC for capacity on the Mainline.

(c)

(i) There is no incentive mechanism for mitigating UDC.

(ii) Enbridge: See Attachment TransCanada 1.4 (c) (ii) which is an excerpt from the EB-2011-0354 Settlement Agreement.

(iii) Gaz Métro: See Section 3.2 of D-2013-054 (A-0128) of Attachment TransCanada 1.4 (c) (iii).

Attachment TransCanada 1.4 (c) (iii)

D É C I S I O N

QUÉBEC **RÉGIE DE L'ÉNERGIE**

D-2013-054	R-3809-2012 Phase 1	16 avril 2013

PRÉSENTS :

Marc Turgeon
Jean-François Viau
Françoise Gagnon
Régisseurs

Société en commandite Gaz Métro
Demanderesse

et

Intervenants dont les noms apparaissent ci-après

Décision sur l'incitatif à la performance pour l'année tarifaire 2013

Demande d'approbation du plan d'approvisionnement et de modification des* Conditions de service et Tarif *de Société en commandite Gaz Métro à compter du 1er octobre 2012

Intervenants :

- Association des consommateurs industriels de gaz (ACIG);
- Fédération canadienne de l'entreprise indépendante (section Québec) (FCEI);
- Groupe de recherche appliquée en macroécologie (GRAME);
- Option consommateurs (OC);
- Regroupement des organismes environnementaux en énergie (ROEÉ);
- Regroupement national des conseils régionaux de l'environnement du Québec (RNCREQ);
- Stratégies énergétiques et Association québécoise de lutte contre la pollution atmosphérique (S.É./AQLPA);
- TransCanada Energy Ltd. (TCE);
- TransCanada Pipelines Limited (TCPL);
- Union des consommateurs (UC);
- Union des municipalités du Québec (UMQ).

1. INTRODUCTION

[1] Le 6 juillet 2012, Société en commandite Gaz Métro (Gaz Métro ou le distributeur) dépose à la Régie de l'énergie (la Régie) une demande d'approbation du plan d'approvisionnement et de modification des *Conditions de service et Tarif* à compter du 1er octobre 2012. Elle propose de traiter ce dossier en deux phases.

[2] La phase 1 porte les sujets suivants :

- le plan d'approvisionnement;
- l'évolution et la valeur des « Futures » des différentiels de lieu par rapport à Henry Hub pour différents points d'échanges du gaz naturel dans le nord-est des États-Unis;
- l'historique des achats à Dawn;
- le projet multipoints et la stratégie de déplacement de la structure d'approvisionnement d'Empress vers Dawn;
- le programme de dérivés financiers;
- les modifications tarifaires concernant les interruptions;
- l'indicateur de performance visant l'optimisation des outils d'approvisionnement.

[3] Le 18 septembre 2012, la Régie transmet un calendrier distinct pour le traitement des sujets relatifs à l'indicateur de performance visant l'optimisation des outils d'approvisionnement.

[4] La demande initiale de Gaz Métro relativement à cet indicateur de performance contenait les conclusions suivantes[1] :

> « *À l'égard de la proposition d'un indicateur de performance visant l'optimisation des outils d'approvisionnement (Pièce Gaz Métro-4, Document 1)*
>
> *APPROUVER l'indicateur de performance visant l'optimisation des outils d'approvisionnement tel que présenté dans la pièce Gaz Métro-4, Document 17;*

[1] Pièce B-0002.

SUBSIDIAIREMENT

APPROUVER la reconduction de l'incitatif à la performance à l'égard du transport et de l'équilibrage prévu à la section 3.2.2 du mécanisme incitatif autorisé par la Régie dans sa décision D-2007-047 et ce, pour l'année tarifaire 2013.

APPROUVER des revenus projetés de 0 $ pour les transactions opérationnelles et de 1 350 008 $ pour les transactions financières ».

[5] Le 16 novembre 2012, le distributeur dépose une demande ré-amendée relativement à l'indicateur de performance. Les conclusions recherchées sont les suivantes[2] :

« *À l'égard de la proposition d'un indicateur de performance visant l'optimisation des outils d'approvisionnement (Pièce Gaz Métro-4, Document 1)*

APPROUVER l'indicateur de performance visant l'optimisation des outils d'approvisionnement tel que présenté dans la pièce Gaz Métro-4, Document 1, pour une période de 5 ans débutant le 1er octobre 2013;

APPROUVER la reconduction de l'incitatif à la performance à l'égard du transport et de l'équilibrage prévu à la section 3.2.2 du mécanisme incitatif autorisé par la Régie dans sa décision D-2007-047 et ce, pour l'année tarifaire 2013 mais uniquement en ce qui a trait au traitement des transactions financières […]*;*

APPROUVER des revenus projetés de 1 350 008 $ pour les transactions financières;

APPROUVER la création d'un compte de frais reportés portant intérêts dans lequel les trop perçus ou manque à gagner découlant des revenus au service de transport seront comptabilisés;

APPROUVER l'amortissement et la récupération du solde de ce compte de frais reportés sur une période de 3 ans suivant sa constatation;

---

2 Pièce B-0110.

APPROUVER la création d'un compte de frais reportés portant intérêts dans lequel les trop perçus ou manque à gagner découlant des revenus au service d'équilibrage seront comptabilisés;

APPROUVER l'amortissement et la récupération du solde de ce compte de frais reportés sur une période de 3 ans suivant sa constatation;

APPROUVER la création d'un compte de frais reportés portant intérêts dans lequel la portion de la bonification découlant de l'indicateur à la performance qui est attribuable au service de transport sera comptabilisée;

APPROUVER la récupération du solde de ce compte de frais reportés dans la cause tarifaire subséquente à sa constatation;

APPROUVER la création d'un compte de frais reportés portant intérêts dans lequel la portion de la bonification découlant de l'indicateur de performance qui est attribuable au service d'équilibrage sera comptabilisée;

APPROUVER la récupération du solde de ce compte de frais reportés dans la cause tarifaire subséquente à sa constatation ».

[6] L'audience de la phase 1 du dossier traitant de l'indicateur de performance visant l'optimisation des outils d'approvisionnement se déroule les 11, 12 et 14 mars 2013. La Régie entame son délibéré le 14 mars 2013.

[7] La présente décision traite uniquement de la seconde conclusion recherchée par Gaz Métro, soit celle relative à la reconduction de l'incitatif de transport et de l'équilibrage pour l'année 2013. La Régie se prononcera ultérieurement sur les autres conclusions de la demande de Gaz Métro relatives à cet indicateur.

2. LA BONIFICATION 2012-2013 RELATIVE AUX TRANSACTIONS FINANCIÈRES

[8] Gaz Métro propose le maintien des modalités prévues à la section 3.2.2 du mécanisme incitatif en vigueur jusqu'au 30 septembre 2012, autorisé par la Régie dans sa décision D-2007-47[3], uniquement en ce qui a trait au traitement des transactions financières. Ce mécanisme incitatif prévoyait que le partage des trop-perçus ou manques à gagner associés aux transactions financières se faisait isolément et n'était pas lié aux modalités relatives à la distribution.

[9] Pour l'année tarifaire 2013, Gaz Métro propose également que tous les trop-perçus et manques à gagner en transport et en équilibrage soient remis aux clients ou récupérés de ceux-ci en fonction du montant établi pour chaque service, après application des comptes de frais reportés existants, afin de s'assurer que la réalisation de ces trop-perçus ou manques à gagner soit considérée, indépendamment de ceux du service de distribution.

[10] Quant aux transactions opérationnelles, Gaz Métro propose de ne pas en tenir compte pour les fins de partage, considérant que la totalité des revenus retournera aux clients[4].

[11] Enfin, Gaz Métro indique, en réponse à une demande de renseignements de la Régie, qu'elle n'est pas opposée à une formule de rémunération où la plage de pourcentage de rémunération se situerait entre 5 % et 10 % des revenus des transactions d'optimisation financières réalisées, pourvu qu'il n'y ait pas de seuil minimum de revenu applicable[5].

2.1 POSITION DES INTERVENANTS

[12] L'ACIG appuie la proposition de Gaz Métro.

[13] La FCEI ne s'est pas prononcée sur la question.

---

3 Dossier R-3599-2006, décision D-2007-47, annexe, p. 20 et 21.
4 Telles que définies dans la décision D-2007-47, annexe, p. 19, lignes 27 à 29.
5 Pièce B-0113, p. 4.

[14] OC rejette la proposition de Gaz Métro et propose une approche utilisée en Ontario :

> « *There is usually a "floor" forecast of revenue from TS in rates and above that floor, there is a TS Sharing Methodology with different ratios for storage and transportation. The TS Sharing Methodology for TS-related transportation revenue is 25% shareholder and 75% ratepayers* »[6].

[15] S.É./AQLPA ne s'est pas prononcée sur ce sujet.

[16] L'UC est d'accord avec la proposition de Gaz Métro pour le traitement des transactions d'optimisation financières pour l'année tarifaire 2013.

2.2 OPINION DE LA RÉGIE

[17] Dans sa décision D-2010-116, la Régie écrit ce qui suit relativement à l'incitatif à la performance[7] :

> « *La Régie considère qu'il est opportun de maintenir un incitatif pour le distributeur à réaliser, tant dans sa planification que dans ses opérations en cours d'année, toutes les transactions qui sont dans l'intérêt de l'ensemble de sa clientèle. La Régie est d'avis que des alternatives où la rémunération de Gaz Métro à l'égard des transactions d'optimisation ne reposerait pas sur des* <u>*hypothèses*</u> *présentées au dossier tarifaire doivent être considérées* […] ». [nous soulignons]

[18] Dans cette perspective, la Régie considère qu'une formule basée sur les revenus réels des transactions d'optimisation financières doit être privilégiée de préférence à des approches faisant intervenir des prévisions.

---

6 Pièce C-OC-0038, p. 8.
7 Dossier R-3693-2009, décision D-2010-116, p. 29, par. 85.

[19] **Par conséquent, la Régie accueille favorablement les éléments suivants de la proposition de Gaz Métro et ordonne en conséquence :**

- **que tous les trop-perçus et manques à gagner en transport et en équilibrage soient remis aux clients ou récupérés de ceux-ci en fonction du montant établi pour chaque service, après application des comptes de frais reportés existants;**
- **que les revenus des transactions opérationnelles ne soient plus soumis au partage et soient versés, le cas échéant, en totalité aux clients;**
- **que les transactions d'optimisation financières, telles que définies à l'annexe de la décision D-2007-47[8], fassent l'objet d'un calcul distinct.**

[20] **Enfin, la Régie retient comme incitatif à la performance pour l'année tarifaire 2013 une formule de bonification correspondant à 10 % des revenus réels des transactions financières constatées au rapport annuel.**

3. LA BONIFICATION POUR L'ANNÉE 2013 RELATIVE AUX TRANSACTIONS SPÉCIALES D'ACHATS

[21] Gaz Métro mentionne que les revenus des transactions opérationnelles, s'il y en a, seront remis aux clients. Pour l'année tarifaire 2013, le distributeur n'a pas prévu de vente de transport *a priori* et ne prévoit pas non plus de revente de transport *Firm Transportation Long Haul* (FTLH) inutilisé.

[22] Gaz Métro indique qu'il serait possible d'éliminer le FTLH inutilisé et la revente de FTLH inutilisé en contractant des blocs d'achat moindres pour les mois d'août, septembre et octobre[9].

---

8 Dossier R-3693-2009, décision D-2007-47, annexe, p. 19, lignes 30 à 33.

9 Pièce A-0109, p. 149 et 150.

[23] Par ailleurs, Gaz Métro fait état de deux transactions qu'elle a réalisées, permettant de générer des économies par rapport à ce qu'il en coûterait si le tarif correspondant de TCPL s'appliquait, soit :

- le remplacement du transport FTLH par des outils « transport par échange » de 376 10^6m^3[10];
- l'achat de transport entre Empress et GMi-EDA de 868 10^3m^3/jour sur le marché secondaire de novembre 2012 à septembre 2013[11].

[24] L'ACIG mentionne que les transactions d'optimisation financières n'incluent pas les transactions d'achat de transport *Long Haul* (LH) obtenu sur le marché secondaire à rabais par rapport aux tarifs de TCPL. L'intervenante est d'avis que Gaz Métro est donc privée d'une bonification sur des transactions qui sont dans l'intérêt de l'ensemble de sa clientèle[12].

[25] Dans le but de considérer, pour bonification, certaines transactions d'achat potentiellement intéressantes pour l'ensemble de la clientèle, la Régie a présenté à Gaz Métro un scénario de rémunération additionnelle à ce qui est proposé à la section précédente. Dans ce scénario, le distributeur recevrait une bonification sur la base des économies réalisées par les deux transactions mentionnées précédemment[13]. Cette bonification serait calculée en fonction des économies constatées au rapport annuel 2013, par rapport aux tarifs applicables de TCPL.

[26] Cette bonification serait cependant conditionnelle à l'optimisation du programme d'achat de gaz naturel en bloc pour les mois d'août et septembre 2013, de façon à ce qu'il n'y ait pas de transport FTLH inutilisé. La pleine utilisation du FTLH pour les besoins continus et interruptibles suppose qu'il n'y aura ni revente de transport FTLH inutilisé, ni revente de transport FTLH pour des transactions de gaz d'appoint-concurrence, ni revente de gaz naturel à Empress ou à Dawn.

10 Pièce B-0113, p. 23.
11 Pièce B-0062, p. 10.
12 Pièce C-ACIG-0016, p. 3, par. 19.
13 Pièce B-0286, p. 2 et 4.

[27] Le distributeur n'a pas fait état d'obstacles majeurs à l'opérationnalisation d'une telle approche. Il soumet cependant des réserves quant à la nécessité de la condition qui y est rattachée.

3.1 POSITION DES INTERVENANTS

[28] L'ACIG et l'UC appuient la bonification de telles transactions.

[29] S.É./AQLPA ne s'est pas prononcée sur la question.

[30] Pour la FCEI, la bonification doit être prospective alors que les transactions sont déjà réalisées. Par ailleurs, la référence à une condition relative à l'optimisation du programme d'achat de gaz naturel lui apparaît être un élément positif.

[31] OC s'inquiète des effets pervers ou des distorsions que pourrait engendrer le scénario de bonification additionnelle présenté par la Régie. L'intervenante privilégie les bonifications pour les performances prospectives. Elle suggère néanmoins, si la Régie considère que les distorsions potentielles sont faibles, un partage de 90 % en faveur des clients pour les économies excédant un plancher de 10 à 20 M$. Il en résulterait, si les économies effectives étaient de 26 M$, une bonification pouvant varier de 1,6 M$ à 0,6 M$ selon le plancher retenu.

3.2 OPINION DE LA RÉGIE

[32] La Régie est d'avis que les risques d'effets pervers associés au scénario de bonification qu'elle a proposé sont fort limités, dans la mesure où les transactions sujettes à la bonification se limitent à celles identifiées à la pièce B-0286 et que les dispositions de la présente décision ne sont applicables que pour l'année tarifaire 2013.

[33] La Régie est consciente que les transactions visées sont déjà conclues. Cependant, elle prend en compte le fait que les économies pouvant faire l'objet d'une bonification se réaliseront au cours de la présente année et ne pourront donc être considérées comme étant rétroactives.

[34] Selon la Régie, une telle bonification doit être conditionnelle à l'optimisation des achats en bloc de gaz naturel du distributeur pour les mois d'août et septembre 2013.

[35] De plus, bien que la présente décision ne s'applique que pour l'année tarifaire 2013, la Régie juge pertinent d'indiquer au distributeur qu'elle encourage les transactions par lesquelles celui-ci crée une valeur ajoutée, telle la réduction des coûts par rapport aux tarifs applicables de TCPL.

[36] Enfin, la Régie considère qu'une formule basée sur les économies réelles générées par les transactions d'achat en cause doit être privilégiée par rapport à des approches faisant intervenir des prévisions.

[37] **Pour l'ensemble de ces motifs, la Régie approuve une bonification additionnelle correspondant à 10 % des économies qui seront constatées au rapport annuel relativement aux transactions mentionnées à la pièce B-0286. Les économies seront calculées en comparant le coût des transactions mentionnées précédemment et le coût qui aurait résulté des tarifs annuels en vigueur de TCPL pour le service correspondant.**

[38] **Cette bonification est conditionnelle à l'optimisation du plan d'approvisionnement en bloc de gaz naturel pour les mois d'août et septembre 2013, de façon à ce qu'il n'y ait pas de transport FTLH inutilisé. La pleine utilisation du FTLH pour les besoins continus et interruptibles suppose qu'il n'y aura ni revente de transport FTLH inutilisé, ni revente de transport FTLH pour des transactions de gaz d'appoint-concurrence, ni revente de gaz naturel à Empress ou à Dawn. À cette fin, le distributeur devra déposer une preuve complète dans le cadre de sa demande d'approbation du rapport annuel 2013.**

4. MODALITÉS DE TRAITEMENT DES TROP-PERÇUS, DES MANQUES À GAGNER ET DE LA BONIFICATION

[39] Le distributeur demande de comptabiliser les trop-perçus ou les manques à gagner découlant des services de transport et d'équilibrage dans des comptes de frais reportés distincts, portant intérêts. Il demande également que l'amortissement et la récupération du solde de ces comptes de frais reportés se fassent sur une période de trois ans suivant sa constatation.

[40] Le distributeur demande enfin d'approuver la création d'un compte de frais reportés portant intérêts, dans lequel la bonification sera comptabilisée. Il propose de récupérer le solde de ce compte dans le dossier tarifaire subséquent à sa constatation.

[41] La Régie considère approprié de créer des comptes de frais reportés pour y verser les trop-perçus et les manques à gagner de même que la bonification.

[42] **En conséquence, la Régie approuve pour l'année tarifaire 2013 :**

- **la création d'un compte de frais reportés portant intérêts, dans lequel les trop-perçus ou manques à gagner découlant des revenus au service de transport seront comptabilisés;**
- **la création d'un compte de frais reportés portant intérêts, dans lequel les trop-perçus ou manques à gagner découlant des revenus au service d'équilibrage seront comptabilisés;**
- **la création d'un compte de frais reportés portant intérêts, dans lequel la portion de la bonification découlant de l'incitatif à la performance qui est attribuable au service de transport sera comptabilisée;**
- **la création d'un compte de frais reportés portant intérêts, dans lequel la portion de la bonification découlant de l'incitatif à la performance qui est attribuable au service d'équilibrage sera comptabilisée;**
- **la récupération des soldes des comptes de frais reportés relatifs à la portion de la bonification découlant de l'incitatif à la performance qui est attribuable aux services de transport et d'équilibrage dans le dossier tarifaire subséquent à sa constatation.**

[43] La Régie réserve pour la phase 2 du présent dossier tarifaire sa décision sur le mode de récupération des soldes des comptes de frais reportés dans lesquels seront versés les trop-perçus ou manques à gagner qui découlent des services de transport et d'équilibrage.

[44] **Pour ces motifs,**

La Régie de l'énergie :

APPROUVE, pour l'année tarifaire 2013, une bonification à l'égard des transactions financières dont les modalités sont établies dans la présente décision;

APPROUVE, pour l'année tarifaire 2013, une bonification additionnelle pour les transactions spéciales d'achats dont les modalités sont établies dans la présente décision;

APPROUVE, pour l'année tarifaire 2013 :

- la création d'un compte de frais reportés portant intérêts, dans lequel les trop-perçus ou manques à gagner découlant des revenus au service de transport seront comptabilisés,
- la création d'un compte de frais reportés portant intérêts, dans lequel les trop-perçus ou manques à gagner découlant des revenus au service d'équilibrage seront comptabilisés,
- la création d'un compte de frais reportés portant intérêts, dans lequel la portion de la bonification découlant de l'incitatif à la performance qui est attribuable au service de transport sera comptabilisée,
- la création d'un compte de frais reportés portant intérêts, dans lequel la portion de la bonification découlant de l'incitatif à la performance qui est attribuable au service d'équilibrage sera comptabilisée,
- la récupération des soldes des comptes de frais reportés relatifs à la portion de la bonification découlant de l'incitatif à la performance qui est attribuable aux services de transport et d'équilibrage dans le dossier tarifaire subséquent à sa constatation;

ORDONNE à Gaz Métro de se conformer à l'ensemble des conclusions et ordonnances énoncées dans la présente décision;

RÉSERVE sa décision quant aux autres conclusions de la demande de Gaz Métro relatives à l'indicateur de performance.

Marc Turgeon
Régisseur

Jean-François Viau
Régisseur

Françoise Gagnon
Régisseur

Représentants :

- Association des consommateurs industriels de gaz (ACIG) représentée par M^{e} Guy Sarault;
- Fédération canadienne de l'entreprise indépendante (section Québec) (FCEI) représentée par M^{e} André Turmel;
- Groupe de recherche appliquée en macroécologie (GRAME) représenté par M^{e} Geneviève Paquet;
- Option consommateurs (OC) représenté par M^{e} Éric David;
- Regroupement des organismes environnementaux en énergie (ROEÉ) représenté par M^{e} Franklin S. Gertler;
- Regroupement national des conseils régionaux de l'environnement du Québec (RNCREQ) représenté par M^{e} Annie Gariépy;
- Société en commandite Gaz Métro (Gaz Métro) représentée par M^{e} Vincent Regnault et M^{e} Hugo Sigouin-Plasse;
- Stratégies énergétiques et Association québécoise de lutte contre la pollution atmosphérique (S.É./AQLPA) représenté par M^{e} Dominique Neuman;
- TransCanada Energy Ltd. (TCE) représentée par M^{e} Pierre Grenier;
- TransCanada Pipelines Limited (TCPL) représentée par M^{e} Pierre Grenier;
- Union des consommateurs (UC) représentée par M^{e} Hélène Sicard;
- Union des municipalités du Québec (UMQ) représentée par M^{e} Steve Cadrin.

IR No. TransCanada 1.5

Topic:

Reference: (i) Written Evidence of MAS, page 17, lines 27-29.
(ii) Written Evidence of MAS, page 17, lines 4-6.

Preamble: Reference (i) states “Continuing to allow out of path Diversions and ARPs will help ensure that there is a functioning free market that will allow captive shippers the only realistic tool still available to manage UDC and help balance operational requirements.”

The Board has recognized the need to both constrain TransCanada’s exercise of market power [footnote 28 pointing to RH-003-2011 Decision, page 127] and retain needed operational flexibility for balancing purposes [footnote 29 pointing to the RH-003-2011 Decision, page 145].

Request:

(a) Please explain what is meant by “balance operational requirements” in Reference (i).

(b) Please provide the exact extract from page 127 of the RH-003-2011 Decision upon which MAS rely to support the views expressed in Reference (ii).

(c) Please provide the exact extract from page 145 of the RH-003-2011 Decision upon which the MAS rely to support of the views expressed in Reference (ii).

(d) Please explain what the MAS means by a “functioning free market” in Reference (i) in the context of a regulated pipeline and alleged captive shippers.

Response:

(a) Out-of-path Diversions and ARPs are the only attributes of the FT service that provide shippers with the ability to both mitigate UDC and also balance operational needs. In-path diversions, based on the definition TransCanada is using, are not a realistic tool to mitigate UDC, therefore out-of-path diversions are the only realistic tool available.

1. Balancing - Shippers use diversions to move supply between DDAs. Please see NEB 1.4 a) for an example of how a MAS shipper uses diversions to balance operational requirements.

2. Mitigating UDC – Shippers assign capacity to secondary market participants to recover UDC. The value of assigning the contract in the secondary market is greatly diminished without the ability to divert to liquid points. Unless designated the primary delivery point, most export points, such as Emerson and Iroquois, which represent liquid markets, are out-of-path. For example, based on TransCanada’s proposed list of eligible points, contracts from Empress to the GMi-EDA exclude both Emerson and Iroquois as eligible points. Depending on the contract, out-of-path diversions can be used to help balance operational needs on a given day if the need is in a DDA that is downstream of the FT contract.

(b) To provide the appropriate and full context for the reference requested by TransCanada, Attachment TransCanada 1.5 (b) shows the exact extracts from page 127 of the Decision references in (ii). Extracts are highlighted in yellow. It is important to note that this is predicated on having FT recourse rate capacity available for shippers to contract. In situations where there is a capacity constraint, there may not be a current option for recourse rate service, which provides TransCanada with the opportunity to exercise market power.

(c) To provide the appropriate and full context for the reference requested by TransCanada, Attachment TransCanada 1.5 (c) shows the exact extracts from pages 144 and 145 of the Decision references in (ii). There may have been confusion over the term “needs” on page 145 without the context in the last paragraph of page 144. Extracts are highlighted in yellow. It is important to note that in the current Application, TransCanada is proposing to remove the primary existing attributes of FT service available to address the load balancing requirements of local distribution companies and not proposing any additional specific services or attributes to help local distribution companies balance their intraday operational needs. MAS note that one of the reasons its bidirectional service proposal was rejected in RH-003-2011 was the existence of sufficient flexibility in the existing services. That flexibility is now proposed to be significantly impaired by TransCanada.

(d) As provided by Mr. Henning, “functioning free market” is one which has the following attributes and behaviors:

(1) sufficient transparency with sufficient symmetry in the market to allow buyers and sellers of a service or product the ability to make informed economic decisions;

(2) sufficient liquidity to allow buyers and sellers the ability to enter and exit positions in the market with manageable transaction costs and acceptable risk profiles for participating in the market; and,

(3) a market structure that does not allow dominant market participants to withhold products or services, thereby impeding customer choice and alternatives, so as to produce economic rents in a manner that is deemed to be “undue exercise of market power.” The determination of an undue exercise of market power considers the ability of a participant to profitably raise market prices significantly for a significant period of time.

Viewed in the context of a regulated pipeline and captive shippers, the requirements of a functioning free market juxtapose the differences between the operation of primary market for natural gas transportation service, which includes the sale of services by the dominant incumbent pipeline, and the secondary market.

MAS view the primary market as a market that may require regulatory restraint of pricing so as to assure that prices are “just and reasonable”, in situations where the market, for one reason or another, is unable to assure for prices that are “just and reasonable.” In that regard, the primary market is not now, and may not ever be, a “functioning free market.” This is due to the fact that in the absence of a secondary market for resold primary pipeline capacity, the captive shippers do not have sufficient choice. Without choice, and given the ability of the pipeline to price discretionary services at multiples of the FT recourse rate, the pipeline would dominate the market, be able to charge prices unrestricted by any competition, and therefore exercise market power.

The secondary market, in contrast, contains each of the three elements of a functioning free market listed above, at least to some degree. There is sufficient transparency, liquidity and a market structure that does not allow dominant market participants to create scarcity. The concern of MAS is that the proposed tariff changes would inhibit both transparency and liquidity in the secondary market and create a situation where a dominant market participant, in this case TransCanada, could withhold service so as to produce economic rents in a manner that is deemed to be “undue exercise of market power.” TransCanada is effectively blocking access to discretionary services (IT/STFT) through its unfettered price discretion. Eliminating out-of-path diversions and ARPs would serve to further restrict the secondary market and allow TransCanada to charge prices unrestricted by any competition.

Attachment TransCanada 1.5 (b)

We are of the view that it is just and reasonable for shippers who need guaranteed access to the Mainline throughout the year to pay for the full annual costs related to the capacity they need. Shippers that truly require Mainline service can cap their exposure to discretionary tolls by opting to contract for FT service. In this way, FT tolls act as a recourse rate to protect shippers from high tolls for discretionary services.

In our view, the existence of a cost-based recourse rate, the FT toll, provides an implicit cap for discretionary shippers that need guaranteed access to the Mainline to meet their requirements. These shippers may elect to contract for FT service and pay the annual costs related to the capacity they need. Alternatively, they may find features of the IT and STFT services more attractive and accept the risk that at certain times of the year they may have to choose between paying high discretionary tolls or not using the Mainline.

Moreover, we are of the view that the ability of TransCanada to charge for discretionary services at whatever level will be constrained. All shippers purchasing FT service at recourse rates may resell capacity in the secondary market to mitigate demand charges. And, as indicated by ANE, it is unlikely there will be many days when TransCanada will be able to achieve pricing for IT and STFT service over a pricing level of 300 per cent for the FT toll.

For these reasons, and given the reporting requirements discussed below, we find that the tolls for IT and STFT service set pursuant to this Decision will be just and reasonable.

Pricing of IT and STFT is not Unjustly Discriminatory and Does Not Violate section 67 of the NEB Act

Centra contended that any move by TransCanada to charge higher rates based on delivery points where customers are considered captive could be a violation of section 67 of the NEB Act.

We find that it would not be unjustly discriminatory for TransCanada to raise the bid floor and charge higher rates for some delivery points, but not others. As we stated above, eliminating the cap on the minimum bid floor for IT and STFT service, subject to the floor for STFT not being lower than the FT toll, enables the Mainline to recover the cost of its capacity from shippers that use the Mainline to meet their requirements. In our view, it is not unjust that these shippers pay for that capacity.

Shippers can choose to purchase FT service at the cost-based recourse rates set by the Board. Alternately, there may be an advantage in using flexible discretionary services, such as an annual discount relative to the 365-day FT rate. TransCanada will set bid floors on each path based on numerous factors such as the availability of competitive alternatives in each locality. The Board expects that prices will be set differently in different localities because of different circumstances in each locality. Ultimately, the magnitude of tolls that can be charged is capped by the cost-based FT recourse rate. In our view, neither the ground for treating shippers of different localities differently, nor

Attachement TransCanada 1.5 (c)

Additional Nomination Windows

Views of Intervenors

MAS also proposed that TransCanada offer additional nomination windows (an increase from four to eight windows) for both firm service and their proposed bi-directional service, because this would enable shippers to better serve their markets. For instance, the STS service currently has eight nomination windows instead of four, which works well for MAS members because it allows them to move gas back and forth to storage throughout the day. MAS recognize that TransCanada currently offers FT-SN service, which has 96 nomination windows. However, MAS indicated this service is offered only to customers that have separate meters at the DDA level.

MAS submitted the introduction of additional nomination windows for FT contracts would greatly enhance TransCanada's service offerings and would not constrain TransCanada's ability to operate the Mainline. Given MAS' load balancing requirements, additional nomination windows for FT contracts would be a service enhancement valued by MAS (and potentially other shippers as well).

Views of TransCanada

TransCanada submitted no party has explained why the current standard four nomination windows used by the majority of North American natural gas pipelines would not be adequate to meet the needs of Mainline shippers. TransCanada asserted that the MAS evidence supporting its proposal was vague and consisted of unsupported assertions. Further, TransCanada suggested MAS did not provide any assessment of the potential impacts of their proposal.

TransCanada noted that additional nomination flexibility is available to Mainline shippers for balancing purposes. TransCanada noted that Gaz Métro, Enbridge and Union have used STS service and its eight nomination windows for many years to help balance their market and storage requirements. TransCanada added that it provides additional nomination window flexibility under FT-SN and ST-SN services with up to 96 nomination windows daily. These services would be available on an open-access basis to any Mainline shipper requiring further nomination flexibility above the standard four nomination windows, subject to the requirements specified in the Mainline tariff.

TransCanada requested that the proposal for additional nomination windows be dismissed, as MAS did not demonstrate a requirement for additional nomination windows. TransCanada submitted the Mainline suite of services includes services that provide additional nomination windows for those shippers interested in such flexibility.

Views of the Board

We agree with TransCanada that the existing Mainline suite of services is responsive to the balancing requirements of the market and provides for a wide variety of service options. However, we recognize that some shippers, like MAS, have indicated the existing services do not meet their needs. We heard conflicting evidence from TransCanada with respect to the bi-directional service - that it is not needed at this time; and, that it is not opposed to offering a bi-directional service, but it needs to determine the appropriate price. We find that TransCanada is in the best position to assess the impacts of proposed services on pipeline operations.

We believe TransCanada should be able to quickly develop services and price them to attract incremental volumes, having regard to the optimal use of the system as a whole. We find that insufficient evidence was presented to persuade us that a bi-directional service is required at this time. Accordingly, we are not prepared to direct TransCanada to provide a bi-directional service at this time; therefore, we do not find it necessary to comment on the appropriate price of the service, or the number of nomination windows for bi-directional service.

With respect to MAS' request that the nomination windows available for firm service be increased from four to eight, we were not persuaded that additional nomination windows are required for firm service. In our view, the current standard four nomination windows used by the majority of North American natural gas pipelines remains adequate to meet the needs of Mainline shippers. We find the evidence did not demonstrate that any hardship would be caused by maintaining the current standard four nomination windows for firm service. In our view, the eight nomination windows available for STS service is sufficient and has worked very well over the years to allow local distribution companies to address their load balancing requirements. We find that it would be more effective to address the load balancing requirements of local distribution companies by offering specific services, as opposed to increasing the nomination windows for firm service.

Decision

We deny requests for a firm bi-directional service and the requested increase from four to eight nomination windows for all firm services.

8.9 Seasonal Firm Service with Renewal Rights

Centra submitted that a seasonal firm service with renewal rights would provide it with the flexibility to shape its load in a cost effective and reliable manner. In addition, it would provide TransCanada with assurance of revenues for a full season, particularly since Centra would be prepared to consider a longer than one-year term for a long-term winter firm service with renewal rights. Centra would expect that a reasonable premium would be associated with a seasonal firm service.

Views of TransCanada

TransCanada submitted it is not clear whether Centra is proposing such a service or is simply informing the Board and parties of its interest in such a service. Regardless, TransCanada did not support the implementation of a seasonal firm service with renewal rights. According to

IR No. TransCanada 1.6

Topic:

Reference: (i) Written Evidence of MAS, page 18, lines 5-20.

Preamble: In reference (i), MAS recognizes TransCanada's concern that there is a potential to "game the system" with ARPs and Diversions and "recommend the Board direct TransCanada to consult with the marketplace and develop more appropriate solutions for FT contracting on very short paths." MAS further states: "In order to prevent shippers from having a [sic] incentive to contract for FT on very short paths to access the flexible Diversions and ARPs included in the FT service, MAS recommend the Board direct TransCanada to consult with the marketplace and develop more appropriate solutions for FT contracting on very short paths. A solution that addresses this specific issue directly would alleviate TransCanada's concerns around "gaming the system" and could be done without disrupting the market."

Request:

(a) Please confirm that MAS agrees that the existing provisions regarding diversions and ARPs allow certain shippers to buy the shortest path possible, and then divert to an alternate receipt and/or delivery point when most advantageous to them, thereby reducing the level of FT and/or discretionary revenue that may otherwise be generated.

(b) If TransCanada and its shippers are unable to come to a reasonable solution through the consultation process recommended by MAS, please explain the solution(s) that MAS would accept that would address "this specific issue directly" and prevent shippers from contracting for very short paths to access flexible diversions and ARPs.

(c) Please explain the consultation process that MAS proposes regarding developing "more appropriate solutions for FT contracting on very short paths", including the timing associated with the process.

(d) Please indicate what specific solution MAS believe could alleviate concerns around gaming the system and could be done without disrupting the market.

(e) Is it MAS' expectation that such negotiations would be successful in reaching an unopposed resolution? If so, explain why? If not, explain the rationale for undertaking consultations that are unlikely to achieve a consensus.

(f) If the proposed consultation process did not reach an acceptable resolution for all stakeholders, please describe what MAS would propose in terms of process at that point.

Response:

(a) Confirmed.

(b) See the response to NEB 1.3(b)

(c) MAS do not propose a single consultation process. What MAS is referring to in reference (i) is the simple fact that TransCanada should consult with stakeholders on significant Tariff amendment proposals (and other issues such as redeploying assets) prior to filing untested proposals with the Board for approval.

At TransCanada's prompting[1], the Ontario Energy Board (OEB) made a very similar conclusion in the Union Gas 2013 Rate proceeding stating "[t]he Board is concerned with the apparent lack of cooperation and consultation between Union, Enbridge, and TCPL"[2] and concluding "[t]he Board believes that full consideration of alternatives should occur in advance and that to do otherwise would be an inappropriate use of the Board's and other parties' time and resources"[3].

This view is not only shared by the OEB, but in the RH-003-2011 Decision and Order the NEB discussed how the negotiation process in the Tolls Task Force ("TTF") could be improved and provided three examples which included the use of NEB resources to assist in the process. The NEB noted that "TransCanada and its stakeholders have resolved many issues through the TTF process in recent years"[4] but then also notes that the process can improve by offering a number of suggestions.

The forum that TransCanada has established to consult with stakeholders on issues related to the Mainline is the TTF. Although this forum does not resolve every issue, it has been a successful means for all stakeholder groups with an interest in the viability of the Mainline to share perspectives and work towards negotiated solutions.

More recently, TransCanada has declined to use the TTF for consultation with stakeholders. In place of consultation, TransCanada has convened TTF meetings as more of a forum to communicate its unilateral changes. In the few instances where attempts at consultations were made, they were only done to comply with direction from the NEB[5]. To highlight this point, not a single member of MAS was consulted on the proposed solutions presented by TransCanada in this Application (nor when the Tariff amendments were proposed as part of the Review and Variance Application with respect to the Board's RH-003-2011 Decision).

If TransCanada was genuinely interested in working with stakeholders to address the issues facing the Mainline, MAS believes that the TTF is an appropriate forum for consultation provided all stakeholders approach it with that intent in mind. In the event that an unopposed resolution is not achieved, TransCanada would benefit from the exchange of ideas and perspectives which could then presumably be taken into consideration when preparing any applications.

(d) See the response to NEB 1.3(b)

(e) See the response to 1.6(c) above.

(f) See the response to 1.6(c) above.

[1] EB-2011-0120, Hearing Transcript, Volume 9, p. 122-123; Hearing Transcript, Volume 10, p. 12-13 and Hearing Transcript, Volume 15, p. 6.
[2] EB-2011-0210 Decision and Order indicating, page 126
[3] EB-2011-0210 Decision and Order indicating, page 127
[4] RH-003-2011 Decision and Order, page 246
[5] RH-003-2011 Decision and Order, page 128

IR No. TransCanada 1.7

Topic:

Reference: (i) Written Evidence of MAS, page 18, lines 26-27.
(ii) Written Evidence of Bruce B. Henning on behalf of MAS (Written Evidence of Henning), page 14, lines 17-19.

Preamble: In Reference (i), MAS states that Diversion and ARP rights are an integral attribute of the FT service and no changes are required.

In Reference (ii), Mr. Henning expresses the opinion that it is important for ARPs and diversion delivery points to be determined based upon the locations of the points being "operationally feasible."

Request:

(a) For each of the following contract types on the Union pipeline system, please identify all available alternate receipt and delivery points that Union makes available pursuant to the applicable Tariff:

(i) An M12 contract from Dawn to Kirkwall
(ii) An M12 contract from Dawn to Parkway
(iii) An M12-X contract between Dawn and Parkway
(iv) a C1 contract between Kirkwall and Parkway
(v) a C1 contract between Parkway and Dawn

(b) For each contract type listed in (a) for which Union does not provide alternate delivery points, please explain if the limitation is due to reasons of operational feasibility. If not, please reconcile the position expressed in Reference (ii).

(c) For each of the following contract types on the proposed ~~bypass~~ pipelines of Union and Gaz Metro between Albion and Maple, please identify all available alternate receipt and delivery points that the owners propose to make available:

(i) a firm contract from a Parkway to Vaughn
(ii) a firm contract from Parkway to Maple
(iii) a firm contract from Vaughn to Maple
(iv) a firm contract from Vaughn to Parkway
(v) a firm contract from Maple to Parkway
(vi) a firm contract from Maple to Vaughn

(d) For each contract type listed in (c) for which Union and Gaz Metro do not propose to provide alternate delivery points, please explain if the limitation is due to reasons of operational feasibility. If not, please reconcile the position expressed in Reference (ii).

(e) Please provide a copy of the open season for service on the Union and Gaz Metro ~~bypass~~ pipeline from Albion to Maple, and the supporting documents including the associated precedent agreements that will be used.

(f) Please identify all applicable terms to firm shippers on the Union and Gaz Metro ~~bypass~~ pipeline from Albion to Maple, including renewal provisions.

(g) For each services being offered on the proposed ~~bypass~~ pipelines of EGD between Parkway and Albion, please identify all available alternate receipt and delivery points that EGD proposes to make available.

(h) For each service identified in (g) for which EGD does not propose to provide diversion or ARP rights on its proposed ~~bypass~~ pipeline between Parkway and Albion, please explain if the limitation is due to reasons of operational feasibility. If not, please reconcile the position expressed in Reference (ii).

(i) Please provide a copy of the open season for service on the EGD ~~bypass~~ pipeline from Parkway to Albion, and the supporting documents including the associated precedent agreements that will be used.

(j) Please identify all applicable terms to firm shippers on the EGD ~~bypass~~ pipeline from Parkway to Albion, including renewal provisions.

(k) Please provide a copy of Exhibit A, Tab 3, Schedule 9, Page 1 of 16 from EGD's July 22, 2013 Update filed in the OEB EB-2012-0451 proceeding.

Response:

(a) There are three receipt and delivery locations on the Union Dawn to Parkway System: Dawn, Parkway and Kirkwall. Union's M12 and C1 transportation services are primarily point to point transportation services with some alternate receipt and delivery point flexibility included in the service. The M12-X service is designed for shippers who want full, bi-directional choice of receipt and delivery points. The applicable receipt and delivery points for each identified transportation service are outlined below:

	Primary Receipt Point	Primary Delivery Point	Alternate Receipt Points	Alternative Delivery Points
M12 Dawn to Kirkwall	Dawn	Kirkwall	Dawn (TransCanada), Dawn (Vector), Dawn (TSLE), Dawn (Tecumseh), Dawn (Facilities)	n/a
M12 Dawn to Parkway	Dawn	Parkway (TransCanada)	Dawn (TransCanada), Dawn (Vector), Dawn (TSLE), Dawn (Tecumseh), Dawn (Facilities)	Parkway (Consumers), Parkway (Lisgar)
M12-X[1]	Dawn (TransCanada), Dawn (Vector), Dawn (TSLE), Dawn (Tecumseh), Dawn (Facilities), Kirkwall, Parkway (TransCanada)	Dawn (Vector), Dawn (TSLE), Dawn (Tecumseh), Dawn (Facilities), Kirkwall, Parkway (TransCanada), Parkway (Consumers), Parkway	n/a	n/a

[1] The Union M12-X service offers firm transportation between all three interconnects on the Dawn to Parkway System. The contract stipulates which path firm transportation service is available on. There are therefore no alternative receipt and delivery points, only firm paths.

		(Lisgar)		
Kirkwall to Parkway	Kirkwall	Parkway (TransCanada)	n/a	Parkway (Consumers), Parkway (Lisgar)
Parkway to Dawn	Parkway (TransCanada)	Dawn (Facilities)		Dawn (Tecumseh)

(b) The Dawn to Kirkwall service is a point to point service.

(c) The proposed Parkway Extension Pipeline is not a “by-pass” pipeline and both Union and Gaz Metro object to its characterization as such. In 2012, both Union and Gaz Métro entered into binding bids for service from Parkway to their respective delivery areas. TransCanada accepted those bids and the parties were in the process of finalizing precedent agreements when TransCanada notified both Union and Gaz Métro that they would not be proceeding with their pipeline project from Parkway to Maple in 2015. The Parkway Extension Pipeline seeks to restore service that has thus far been denied to Union and Gaz Métro to connect to, rather than bypass, TransCanada.

Union and Gaz Métro do not see how this information is relevant. The Parkway Extension Open Season launched July 31, 2013 offers transportation from Albion to Vaughan and from Albion to Maple. The rate schedule and general terms and conditions for the proposed Parkway Extension Project will be similar in form and substance to Union’s M12 Rate Schedule, and will be subject to Ontario Energy Board approval. The rate schedule and general terms and conditions will define the transportation services to be offered. ARPs and diversions have not yet been determined for this pipeline due to the fact there are only two interconnects; however, the service offered will simply be Albion to Vaughn and Albion to Maple.

(d) The project is in the initial development stages. The rate schedule and general terms and conditions for the proposed Parkway Extension Project are not yet finalized but will be similar in form and substance to Union’s M12 Rate Schedule, and will be subject to Ontario Energy Board approval. ARPs and diversions have not yet been determined for this pipeline; however, the service offered will simply be Albion to Vaughn and Albion to Maple.

(e) Please find the Parkway Extension Project Open Season Package, including the proforma precedent agreement included as Attachment TransCanada 1.7 (e).

(f) The rate schedule and general terms and conditions will be similar in form and substance to Union’s M12 Rate Schedule, and will be subject to Ontario Energy Board approval.

(g) The 26 km pipeline between Parkway to Albion is not a “by-pass” pipeline. It is an integral component of an overall distribution system reinforcement solution proposed by EGD and is not capable of bypassing the Mainline.

The information requested in relation to EGD’s proposed GTA Project is not relevant to the Application.

(h) The information requested in relation to EGD’s proposed GTA Project is not relevant to the Application.

(i) The information requested in relation to EGD’s proposed GTA Project is not relevant to the Application.

(j) The information requested in relation to EGD’s proposed GTA Project is not relevant to the Application.

(k) The information requested in relation to EGD's proposed GTA Project is not relevant to the Application.

Attachment TransCanada 1.7 (e)

Union Gas and Gaz Métro Open Season for the Parkway Extension Project, and

Union Gas Open Season for Dawn to Parkway

July 31, 2013

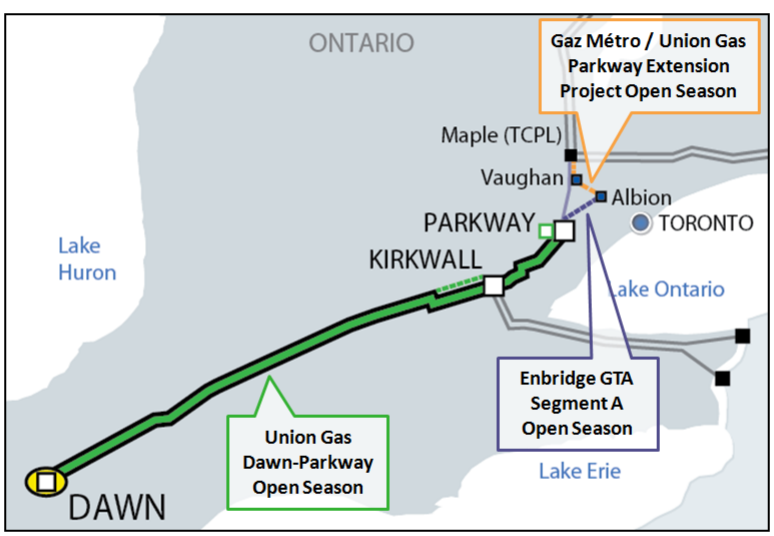
Union Gas Limited ("**Union Gas**"), a Spectra Energy Company, and Gaz Métro Limited Partnership acting by its General Partner Gaz Métro Inc. ("**Gaz Métro**"), are pleased to announce a binding Open Season for the Parkway Extension Project, offering transportation capacity on a proposed pipeline from a new interconnect with Enbridge Gas Distribution Inc. ("**Enbridge**") at Albion to a new interconnect with TransCanada PipeLines Limited ("**TransCanada**") at or near Vaughan, Ontario ("**Vaughan**"), and then on to a new interconnect with TransCanada at or near Maple, Ontario ("**Maple**").

The Parkway Extension Project will connect to Segment A of Enbridge's GTA Project. The Enbridge GTA Project will be constructed from Union Gas's Parkway site to Albion and is proposed to be in service in late 2015.

Union Gas is also offering a binding Open Season for transportation capacity between the Union Gas Dawn Market Hub and Parkway, with interconnects to both TransCanada and Enbridge.

All bids are due for both open seasons by September 12, 2013.

The combination of Union Gas Dawn to Parkway transportation, Enbridge Parkway to Albion (GTA Project, Segment A) transportation and Union Gas/Gaz Métro Albion to Maple transportation completes the Dawn to Maple transportation path.



The capacities available through each open season are as follows:

GJ/d Available	Union Gas Dawn to Parkway	Union Gas and Gaz Métro Albion to Vaughan	Union Gas and Gaz Métro Albion to Maple
November 1, 2015	-	up to 370,000	-
November 1, 2016	up to 750,000	-	up to 830,000
November 1, 2017			

The Parkway Extension Project, when combined with transportation on Enbridge's GTA/Segment A Project and Union's Dawn to Parkway transportation, will provide access to secure, diverse and affordable supplies of natural gas at the Dawn Market Hub. The Parkway Extension Project will provide Shippers who have natural gas demands in central, northern and eastern Ontario, Québec and the U.S. Northeast with a new transportation option through a currently-constrained transportation path.

The Parkway Extension Project offers Shippers expanded access to the Dawn Market Hub, one of the fastest growing market hubs in North America. The Dawn Market Hub is the largest integrated natural gas storage facility in Canada and one of the biggest in North America.

Union Gas and Gaz Métro also encourage interested parties to contact Ian Macpherson at Enbridge (416-495-6535) or visit www.enbridgegas.com/openseason to request firm transportation services on Enbridge's GTA/Segment A Project between Parkway and Albion.

More information about Union Gas is available at www.uniongas.com
More information about Spectra Energy is available at www.spectraenergy.com
More information about Gaz Métro is available at www.gazmetro.com

Union Gas / Gaz Métro Service Parameters – Albion to Maple

- Transportation service would commence as early as November 1, 2015
- Receipt Point is **Albion**
- Delivery Point is one of **Vaughan (2015) or Maple (2016 and 2017)**
- Term of the bid will be **a minimum term of 15 years**
- Service is proposed to be in accordance with an Ontario Energy Board approved rate Schedule.
- Demand and fuel rates will be subject to final project size and Shipper demands. Union Gas and Gaz Métro anticipate the cost of service for Albion to Vaughan and Albion to Maple as $0.10 – $0.12 GJ/d
- Union will consider offering a seamless transportation service from Dawn, Kirkwall and Parkway, to Maple through capacity assignments.

View the proposed standard contract. The rate schedule and general terms and conditions will be similar in form and substance to the Union Gas M12 Rate Schedule, and will be subject to Ontario Energy Board approval.

Union Gas Service Parameters – Dawn to Parkway

- Transportation service would commence as early as November 1, 2016
- Receipt Point is one of **Dawn or Kirkwall**
- Delivery Point is **Parkway**
- Term of the bid will be **a minimum term of 15 years**
- Service is proposed to be in accordance with the Union Gas M12 Rate Schedule.
- Demand and fuel rates will be subject to final project size and Shipper demands. The following cost of service M12 rates are anticipated:

Receipt Point	To Parkway
Dawn	$0.10 - $0.105 GJ/d
Kirkwall	$0.015 GJ/d

View the current Rate Schedule, General Terms and Conditions and Standard Contract. The M12 Rate Schedule, M12 Schedule C – Fuel Ratios & Rates, and M12 Schedule D – Points and Pressures will be updated, pending Ontario Energy Board approval, to include the new services and rates.

Enbridge Parkway to Albion transportation

Union Gas and Gaz Métro encourage interested parties to contact Ian Macpherson at Enbridge (416-495-6535) by September 6, 2013 to request firm transportation from Parkway to Albion.

Submitting a Binding Bid for Service

All bids are due on or before September 12, 2013. Union Gas and Gaz Métro (as required) will contact all responding parties who meet the requirements of the Open Season on or before September 19, 2013.

Union Gas and Gaz Métro (as required) expect to award capacity on or before September 26, 2013.

Union Gas and Gaz Métro in their sole discretion reserve the right to reject any and all proposals received, terminate the Open Season, or modify or extend the Open Season or related documents. All capacity requests that meet the respective service parameters during this Open Season will be awarded as per Union Gas' Allocation Procedures in Section XVI of the Union Gas M12 tariff General Terms and Conditions, starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per unit rate and the proposed term of the contract and without regard to the proposed Contract Demand.

Any suggested conditions precedent proposed by the Shipper should be clearly articulated and attached to the bid form and will be considered during the capacity allocation process. Successful bidders will be expected to enter into a definitive Precedent Agreement with Union Gas and Gaz Métro (as required) within 30 days of the Open Season closing.

A Financial Backstopping Agreement will also be required. The need for such an agreement will be determined by the facilities required to provide the transportation service requested by the Shipper. If costs are incurred prior to the Shipper or Union Gas and Gaz Métro (as required) waiving their conditions precedent, the Shipper will be required to backstop their pro-rated costs until the conditions precedent are waived or satisfied. Contact your Account Manager or Adam Stiers to discuss the Financial Backstopping Agreement in more detail.

Any party wishing to submit a bid should complete, sign and return the Firm Transportation Bid Form by email or fax to:

ATTN: Adam Stiers
Email: astiers@uniongas.com
Fax: (519) 436-4643

ALBION TO MAPLE FIRM TRANSPORTATION SERVICE BID FORM

Please complete, sign and return this Firm Transportation Service Bid Form on or before 2:00 p.m. EDT on September 12, 2013, via email or fax to: ATTN: Adam Stiers, Email: astiers@uniongas.com Fax: (519) 436-4643

This is a binding bid, subject to specified conditions precedent. By signing and returning this Firm Transportation Service Bid Form, Shipper irrevocably commits to enter into a firm transportation contract, a related Precedent Agreement and potentially a Financial Backstopping Agreement, pro-forma copies of each can be found at www.uniongas.com/openseason. The purpose of the Parkway Extension Project is for Union Gas and Gaz Métro to determine the facility design requirements to support market needs. Union Gas and Gaz Métro will determine whether or not to proceed with offering any of the services defined in the Parkway Extension Project Open Season based on the assessment of the results from this Open Season.

Shippers may submit more than one bid form. Please indicate your requirements below:

Albion to Maple Firm Transportation Service Binding Bid:

Receipt Point Albion

Delivery Point (select one per bid) ☐Vaughan (2015) ☐ Maple (2016 and 2017)

Start Date (select one per bid) ☐November 1, 2015 ☐November 1, 2016 ☐ November 1, 2017

Quantity ________________ (GJ/d)

Term (15 year minimum ending October 31) ________________ (yrs)

Bidder Information

Shipper Legal Name: ____

Contact Person: ____

Telephone: ____

Fax: ____

Email: ____

Is the bid subject to any additional conditions precedent in addition to the standard preconditions contained in Section XXI of Union Gas' M12 General Terms and Conditions? If yes, please articulate those conditions in an attachment.

By:

Signature: ______________________________ Name: ______________________________

Dated this ______________________________ day of ______________________________ 2013

DAWN OR KIRKWALL TO PARKWAY FIRM TRANSPORTATION SERVICE BID FORM

Please complete, sign and return this Firm Transportation Service Bid Form on or before 2:00 p.m. EDT on September 12, 2013, via email or fax to: ATTN: Adam Stiers, Email: astiers@uniongas.com Fax: (519) 436-4643

This is a binding bid, subject to specified conditions precedent. By signing and returning this Firm Transportation Service Bid Form, Shipper irrevocably commits to enter into a firm transportation contract, a related Precedent Agreement and potentially a Financial Backstopping Agreement, pro-forma copies of each can be found at www.uniongas.com/openseason. The purpose of the Dawn or Kirkwall to Parkway Open Season is for Union Gas to determine the facility design requirements to support market needs. Union Gas will determine whether or not to proceed with offering any of the services defined in the Dawn or Kirkwall to Parkway Open Season based on the assessment of the results from this Open Season.

Shippers may submit more than one bid form. Please indicate your requirements below:

Dawn to Parkway Firm Transportation Service Binding Bid:

Receipt Point (select one per bid) ☐ Dawn or ☐ Kirkwall

Delivery Point Parkway

Start Date (select one per bid) ☐ November 1, 2016 ☐ November 1, 2017

Quantity ______________ (GJ/d)

Term (15 year minimum ending October 31) ______________ (yrs)

Bidder Information

Shipper Legal Name: ______________________________

Contact Person: ______________________________

Telephone: ______________________________

Fax: ______________________________

Email: ______________________________

Is the bid subject to any additional conditions precedent in addition to the standard Preconditions in Section XXI of Union Gas' M12 General Terms and Conditions? If yes, please articulate those conditions in an attachment.

By:

Signature: ______________________ Name: ______________________

Dated this ______________________ day of ______________________ 2013

PRECEDENT AGREEMENT

THIS PRECEDENT AGREEMENT ("**Precedent Agreement**") dated this [_] day of [*Month*], [*Year*] by and between [Pipeline], an Ontario corporation ("**[Pipeline]**"), and [name of shipper], a(n) [jurisdiction] [type of entity] ("**Shipper**") ([Pipeline] and Shipper may sometimes be referred to separately as "**Party**" or jointly as "**Parties**" in this Precedent Agreement) witness that:

WHEREAS, [Pipeline] owns and operates a natural gas transmission system in south-western Ontario, through which [Pipeline] offers firm transportation services;

WHEREAS, [Pipeline] intends, subject to Shipper's execution of this Precedent Agreement, Shipper's execution of the Transportation Agreement defined below, and [Pipeline]'s determination of capacity requirements, to own, build and operate certain facilities [describe Expansion Facilities to be constructed specifically for the related Transportation Agreement], proposed to be in service by [in service date] and herein known as the "**Expansion Facilities**";

WHEREAS, this Precedent Agreement is executed as evidence of Shipper's binding request for firm transportation service as well as Shipper's acknowledgement that [Pipeline] requires the benefit of certain construction and regulatory conditions precedent not contained in the tariff applicable to the Transportation Agreement;

WHEREAS, Shipper acknowledges that [Pipeline] is relying on Shipper's commitments and obligations set forth in this Precedent Agreement in order to own, build and operate the Expansion Facilities;

WHEREAS, the design of the Expansion Facilities may change based on the final capacity requirements or project design as determined by [Pipeline] in [Pipeline]'s sole discretion, which may result in a reduction in scope or elimination of the requirement for Expansion Facilities;

WHEREAS, Shipper agrees to enter into a transportation agreement whereby [Pipeline] will provide service and Shipper will receive service in Ontario in accordance with and in the form included in [Pipeline]'s xx Rate Schedule, as applicable, (such transportation agreement shall be referred to herein as the "**Transportation Agreement**"); and

WHEREAS, Shipper agrees to enter into a financial backstopping agreement (the "**Financial Backstopping Agreement**") whereby Shipper agrees to financially indemnify [Pipeline] for the costs associated with developing and constructing the Expansion Facilities on the terms and conditions contained therein,

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, [Pipeline] and Shipper agree as follows:

1.0 Effective Date and Term

This Precedent Agreement shall become effective as of the date first stated above and shall remain in effect until the earlier of: (a) all of the conditions precedent in Section 3.0 have been satisfied or waived by the Party claiming the benefit thereof, or (b) either [Pipeline] or Shipper exercises their respective termination rights pursuant to this Precedent Agreement.

2.0 Firm Transportation Services

Shipper agrees that it will execute the firm Transportation Agreement necessary to satisfy Shipper's firm transportation requirements under the terms set forth below and in [the form attached as Schedule 1][insert contract number]. The Transportation Agreement shall provide firm transportation services including, without limitation, the following terms as described in [insert contract number].

(a) Contract Demand
(b) Start and End Dates
(c) Receipt Point(s)
(d) Delivery Point(s)
(e) Demand Charge
(f) Renewal Rights

Shipper shall be responsible for all charges, pursuant to [Pipeline]'s xx Rate Schedule, as applicable.

3.0 Conditions Precedent

3.1 The obligations of [Pipeline] to provide the Transportation Services in the Transportation Agreement are subject to the conditions precedent for [Pipeline]'s benefit in the Transportation Agreement and to the following conditions precedent, which are for the sole benefit of [Pipeline] and which may be waived or extended in whole or in part in the manner provided for in this Precedent Agreement:

(a) [Pipeline] shall have obtained, in form and substance satisfactory to [Pipeline], and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders, and authorizations that are required to:

i. construct and operate the Expansion Facilities; and
ii. provide the Transportation Services,

under a regulatory framework satisfactory to [Pipeline], in its sole discretion;

(b) [Pipeline] shall have obtained all internal approvals that are necessary or appropriate to construct and operate the Expansion Facilities and provide the Transportation Services;

(c) [Pipeline] shall have completed and placed into service the Expansion Facilities;

(d) [Pipeline], where applicable, shall have received from Shipper an executed Financial Backstopping Agreement, in form and substance reasonably acceptable to the Parties; and

(e) Shipper shall have executed the Transportation Agreement.

3.2 The obligations of Shipper under the Transportation Agreement are subject to the conditions precedent for the benefit of Shipper in the Transportation Agreement and to the following conditions precedent, which are for the sole benefit of Shipper, and which may be waived or extended in whole or in part in the manner provided for in this Precedent Agreement:

(a),(b),(c) or "nil" if none

3.3 [Pipeline] and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfill the conditions precedent, if applicable, specified in paragraphs Section 3.1 (a), (c), (d), and (e), and the conditions precedent specified in Section 3.2 (if any). Each Party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such Party's benefit. Subject to Section 3.5 herein, if a Party concludes that it will not be able to satisfy a condition precedent that is for its benefit, that Party may, upon written notice to the other Party, terminate this Precedent Agreement and the Transportation Agreement and upon the giving of such notice, this Precedent Agreement and the Transportation Agreement shall be of no further force and effect and each of the Parties shall be released from all further obligations hereunder.

3.4 Subject to Section 3.5 herein, if any of the conditions precedent in Section 3.1 (d) or (e) are not satisfied or waived by the Party entitled to the benefit of such condition, by month, day, year, (or if any of the conditions precedent in Section 3.2 are not satisfied or waived by the Party entitled to the benefit of such condition, by [insert date]), then either Party may, upon written notice to the other Party, terminate this Precedent Agreement and the Transportation Agreement and upon the giving of such notice, this Precedent Agreement and the Transportation Agreement shall be of no further force or effect and each of the Parties shall be released from all further obligations hereunder.

3.5 In the event of termination of the Precedent Agreement and Transportation Agreement pursuant to Sections 3.3 and 3.4 herein, then (i) such termination shall be without prejudice to any rights or remedies that a Party may have for breaches of this Precedent Agreement and the Transportation Agreement prior to such termination and any liability a Party may have incurred before such termination shall not thereby be released; and (ii) any obligations and any liabilities that the Shipper may have incurred or be liable for pursuant to the Financial Backstopping Agreement shall not thereby be released, affected or diminished.

4.0 [Pipeline]'s Authorizations and Approvals

During the term of this Precedent Agreement, Shipper agrees to support and cooperate with, and to not oppose, obstruct or otherwise interfere with in any manner, the efforts of [Pipeline] to obtain all authorizations and/or exemptions and supplements and amendments thereto necessary for [Pipeline] to construct, own, operate, and maintain, under [Pipeline]'s proposed regulatory framework, the Expansion Facilities and to provide the firm transportation service contemplated in this Precedent Agreement and to perform its obligations as contemplated by this Precedent Agreement.

5.0 Allocation of Capacity in the event of partial completion of Expansion Facilities

If Expansion Facilities are required to satisfy any Transportation Service,

(a) then to the extent that such Expansion Facilities are only partially completed and placed in service by the Commencement Date or at any time thereafter, then any firm capacity available on such partially completed Expansion Facilities (the "**Partial Expansion Capacity**") will be allocated in accordance with this Section 5.0 to all Transportation Agreements: (a) which require the same Expansion Facilities for the Contract Demand; and

(b) under which all conditions precedent have been satisfied or waived except for such conditions precedent that relate to the completion and placing in-service of the Expansion Facilities.

(b) Such allocation shall be made in priority of the NPV as such term is defined in Article XVI of Schedule "A2010" of the M12 or C1 Rate Schedule, as applicable, and allocated in accordance with said Article.

(c) If, pursuant to this Section, a Transportation Agreement is allocated any portion of Partial Expansion Capacity, then the conditions precedent that relate to the completion and placing in-service of the Expansion Facilities shall be deemed to have been waived such that the Initial Term under the Transportation Agreement will commence. If a Transportation Agreement is not allocated the entirety of the Contract Demand under such Transportation Agreement, then such Contract Demand shall be deemed to be such lower allocated amount (and for greater certainty, the Initial Term shall nevertheless be deemed to have commenced) until such time as the Transportation Agreement is allocated additional Partial Expansion Capacity pursuant to this Section or until the entirety of the Expansion Facilities are completed and placed in-service.

(d) The procedure contemplated by this Section will be applicable from time to time on each occasion that the Expansion Facilities are incrementally completed and placed in service.

6.0 Limitation of Damages

THE PARTIES HERETO AGREE THAT NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY PUNITIVE, SPECIAL, EXEMPLARY, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS OR BUSINESS INTERRUPTIONS) ARISING OUT OF OR IN ANY MANNER RELATED TO THIS PRECEDENT AGREEMENT, AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF OR THE SOLE, CONCURRENT OR CONTRIBUTORY NEGLIGENCE (WHETHER ACTIVE OR PASSIVE), STRICT LIABILITY (INCLUDING, WITHOUT LIMITATION, STRICT STATUTORY LIABILITY AND STRICT LIABILITY IN TORT) OR OTHER FAULT OF EITHER PARTY. THE IMMEDIATELY PRECEDING SENTENCE SPECIFICALLY PROTECTS EACH PARTY AGAINST SUCH PUNITIVE, EXEMPLARY, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES EVEN IF WITH RESPECT TO THE NEGLIGENCE, GROSS NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY OR OTHER FAULT OR RESPONSIBILITY OF SUCH PARTY, AND ALL RIGHTS TO RECOVER SUCH DAMAGES OR PROFITS ARE HEREBY WAIVED AND RELEASED.

7.0 Modification or Waiver

No modification or waiver of the terms and provisions of this Precedent Agreement may be made except by the execution of a written amendment to this Precedent Agreement. The waiver by any Party of a breach or violation of any provision of this Precedent Agreement shall not operate as or be construed to be a waiver of any subsequent breach or violation thereof.

8.0 Supersedes Other Agreements

This Precedent Agreement, Transportation Agreement and the Financial Backstopping Agreement reflect the whole and entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the Parties with respect to the subject matter hereof.

9.0 Notices

Notices under this Precedent Agreement must be sent,

If to [Pipeline]:

[Pipeline]
Attention: [contact name or contact office]
Facsimile: (NNN) NNN-NNNN

If to Shipper:

[name and address of Shipper]
Attention: [contact name or contact office]
Facsimile: (NNN) NNN-NNNN

Any Party may change its address by written notice to that effect to the other Party. Notices given under this Section are deemed to have been effectively given upon receipt, if mailed via prepaid overnight mail by a reputable carrier or if delivered by courier. Notices sent by mail will be deemed effectively given on the third (3rd) business day following the day when the notice properly addressed and postpaid is placed in the Canadian mail. It is expressly understood and agreed, however, that any notices must first be delivered by facsimile or other similar means, and if mailed or sent by courier, must be mailed or sent by courier as soon as practicable thereafter.

10.0 Governing Law

This Precedent Agreement shall be interpreted, performed, and enforced in accordance with the laws of the Province of Ontario.

11.0 No Third Party Beneficiaries

This Precedent Agreement shall not create any rights in third parties, and no provision of this Precedent Agreement shall be construed as creating any obligations for the benefit of, or rights in favor of, any person or entity other than the Parties.

12.0 No Drafting Presumption

No presumption shall operate in favor of or against any Party as a result of any responsibility that any Party may have had for drafting this Precedent Agreement.

13.0 Recitals

The recitals and representations appearing first above are hereby incorporated in and made a part of this Precedent Agreement.

14.0 Counterparts

This Precedent Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

15.0 In Service Timing

Notwithstanding anything in this Precedent Agreement or the Transportation Agreement, Shipper agrees that it shall have no cause of action or claims against [Pipeline] if the in-service date for the Expansion Facilities is later than the date stated in the Recitals. This Section 15.0 is intended to survive the termination of this Precedent Agreement.

16.0 Definitions

Capitalized terms used in this Precedent Agreement shall have the meaning given those terms in the Transportation Agreement, unless defined herein.

17.0 Assignment

The Parties hereto shall not assign this Precedent Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld. This Precedent Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their permitted successors and assigns. In no event will the assignment of this Precedent Agreement be permitted unless the Transportation Agreement and the Financial Backstopping Agreement are also assigned to the same permitted assignee

IN WITNESS WHEREOF, the Parties hereto have caused this Precedent Agreement to be duly executed by their duly authorized officers as of the date first written above.

[PIPELINE]

By: ______________________________
Authorized Signatory

[Name of Shipper]

By: ______________________________
Authorized Signatory

By: ______________________________
Authorized Signatory

Schedule 1 to the Precedent Agreement

Transportation Agreement

THIS FINANCIAL BACKSTOPPING AGREEMENT made as of the _____ day of _______, 2013

BETWEEN:

[PIPELINE], [type of entity] existing under the laws of the (Province, State, Country) of ____________, (hereinafter referred to as "[Pipeline]")

- and -

[SHIPPER NAME], a [type of entity] existing under the laws of the (Province, State, Country) of ____________,
(hereinafter referred to as "**Shipper**")

WHEREAS Shipper has participated in an Open Season held by [Pipeline] and is one of a group of shippers that have requested and entered into agreements with [Pipeline] for the provision by [Pipeline] of transportation services requiring all or a portion of the Expansion Facilities (collectively, the "**Open Season Shippers**");

WHEREAS [Pipeline] and Shipper have entered into a Precedent Agreement dated ________, 2013 (the "**Precedent Agreement**") and an associated firm transportation contract [insert Contract ref # (XX)], dated _____________, 2013 (the "**Contract**"), for transportation service on [Pipeline] system;

AND WHEREAS pursuant to the Precedent Agreement, Expansion Facilities, as defined therein, must be constructed in order to enable [Pipeline] to provide the required transportation service for Shipper and potentially other Open Season Shippers by the Commencement Date, as set out in the Contract;

AND WHEREAS the conditions precedent for the benefit of Shipper outlined in Article XXI, Section 2 of Schedule A of the Contract and Section 3.2 of the Precedent Agreement (the "**Shipper Conditions**") must be satisfied or waived by Shipper prior to the applicable date(s) provided in the Contract and the Precedent Agreement, as applicable, (each date a "**Shipper Conditions Precedent Date**");

AND WHEREAS the Contract and Precedent Agreement provide for certain conditions precedent for the benefit of [Pipeline];

AND WHEREAS Shipper has agreed to financially indemnify [Pipeline], subject to certain limitations as provided herein, for any and all Pre-Service Costs, as defined hereinafter;

THIS CONTRACT WITNESSETH that in consideration of the foregoing and mutual covenants herein contained, the parties hereto agree as follows:

1. DEFINITIONS

"**Cancelled Facilities**" means; (i) that portion of the Expansion Facilities not built as a result of [Pipeline]'s decision pursuant to the provisions of Subsection 3.a. herein; or (ii) one hundred (100) percent of the Expansion Facilities not built as a result of [Pipeline]'s inability to meet or waive any of the conditions precedent as outlined in Subsection 3.b. herein.

"**Indemnity Date**" means month, day, year.

"**Pre-service Costs**" shall mean [Pipeline]'s costs incurred, accrued, allocated to, or for which [Pipeline] is contractually obligated to pay, which are incurred on or after the Indemnity Date, in conjunction with its efforts to develop and construct the Expansion Facilities. Pre-service Costs shall include, but shall not be limited to, those expenditures and/or costs (including cancellation costs, carrying costs, third party claims and litigation costs), incurred, accrued, allocated to, or for which [Pipeline] is contractually obligated to pay associated with engineering, construction, materials and equipment, environmental, the obtaining of land rights, regulatory, and/or legal activities, interest during construction, internal overhead and administration (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the Ontario Energy Board) and any other costs, expenses, losses, demands, damages and obligations incurred in furtherance of Union's efforts to develop and construct the Expansion Facilities.

2. CONSTRUCTION

Unless the context requires otherwise: (a) any capitalized term used herein not specifically defined shall have the definition given to it in the Precedent Agreement or the Contract; (b) the gender (or lack of gender) of all words used in this Financial Backstopping Agreement includes the masculine and feminine; (c) the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (d) "shall" and "will" have equal force and effect; (e) the words "include," "including," or "includes" shall be read to be followed by the words "without limitation" or words having similar import; and (f) the word "or" will have the inclusive meaning represented by the phrase "and/or".

3. TERMS

a. **Partial Facilities or Cancelled Facilities, with Precedent Agreement Terminated**: If Shipper fails to satisfy or waive any Shipper Conditions by the associated Shipper Conditions Precedent Date and the Precedent Agreement is terminated in accordance with the terms thereof, and [Pipeline], based on such Shipper's failure, has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities; then such Shipper shall reimburse [Pipeline] for the Pre-Service Costs pertaining to the Cancelled Facilities. In addition, in the event that [Pipeline] has decided to (i) cancel the development and construction of all or a portion of the Expansion Facilities, or (ii) build only a portion of the Expansion Facilities, based on Shipper's failure to satisfy or waive any Shipper Conditions by the associated Shipper Conditions Precedent Date and the Precedent Agreement is terminated in accordance with the terms thereof AND the similar failure of any other Open Season Shippers to satisfy or waive their shipper conditions by the associated shipper conditions precedent date; then Shipper shall reimburse [Pipeline] for Shipper's proportionate share (as prorated based on initial contract demand among the other Open Season Shippers who failed to satisfy or waive their shipper conditions by the associated shipper conditions precedent date and whose transportation services would have required the development and construction of the Cancelled Facilities) of Pre-Service Costs pertaining to the Cancelled Facilities.

b. **[Pipeline] Unable to Meet or Waive Conditions Precedent, with Precedent Agreement Terminated**: If [Pipeline] fails to satisfy or waive any of the conditions precedent for its benefit in Article XXI, Section 1 of Schedule A of the Contract or fails to satisfy or waive the condition precedent for its benefit set out in Subsection 3.1(a) or Subsection 3.1(b) in the Precedent Agreement, and the Precedent Agreement is terminated in accordance with the terms thereof then Shipper shall reimburse [Pipeline] for Shipper's proportionate share (as prorated based on initial contract demand among all Open Season Shippers whose transportation services would have required the development and construction of the Cancelled Facilities) of Pre-Service Costs.

4. FINANCIAL ASSURANCES

From time to time, [Pipeline] may request, and Shipper shall provide to [Pipeline], the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of this Financial Backstopping Agreement in the form and amount reasonably required by [Pipeline] (the "**FBA Financial Assurances**"). The FBA Financial Assurances, if required, will be as determined solely by [Pipeline].

5. INVOICING PROCESS

Upon final determination by [Pipeline] of any amounts owing by Shipper under this Financial Backstopping Agreement, [Pipeline] shall invoice, and Shipper shall pay, such amounts within fifteen (15) days following Shipper's receipt of any invoices. Shipper acknowledges and understands that the final determination of any amounts owing by Shipper might not be capable of determination until such time as the Expansion Facilities are completed and placed into service. If Shipper fails to pay any invoice in full within the time herein required, interest on the unpaid portion shall accrue from the date such payment is first overdue until payment is made at a rate of interest equal to an effective monthly interest rate of 1.5%, compounded monthly, for an effective annual interest rate of 19.56%, and such interest shall be immediately due and payable.

6. TERMINATION OF AGREEMENT

This Financial Backstopping Agreement shall terminate on the date that the Expansion Facilities are placed into service; provided however, that that any rights or remedies that a party may have for breaches of this Financial Backstopping Agreement prior to such termination and any liability a party may have incurred pursuant to the Financial Backstopping Agreement before such termination shall not thereby be released.

7. ESTIMATE OF PRE-SERVICE COSTS

Shipper acknowledges that it has been provided a quarterly estimated spend profile for the Pre-Service Costs (the "**Projected Pre-Service Costs Estimate**"). [Pipeline] shall provide an update to the Projected Pre-Service Costs Estimate within thirty (30) days of the end of each calendar quarter, beginning at the end of the first quarter of year. Shipper and [Pipeline] acknowledge and agree that the Projected Pre-Service Costs Estimates are estimates provided for information purposes only and that to the extent Shipper's liability pursuant to this Financial Backstopping Agreement is greater than or less than a Projected Pre-Service Costs Estimate, Shipper shall be obligated to pay its share of Pre-Service Costs as calculated pursuant to the provisions of this Financial Backstopping Agreement.

8. MISCELLANEOUS

a. The parties hereto shall not assign this Financial Backstopping Agreement without the prior written consent of the other party, which shall not be unreasonably withheld. This Financial Backstopping Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their permitted successors and assigns. In no event will the assignment of this Financial Backstopping Agreement be permitted unless the Precedent Agreement and Contract are also assigned to the same permitted assignee.

b. This Financial Backstopping Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and each of the parties shall attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

c. This Financial Backstopping Agreement was negotiated and prepared by both parties with the advice and participation of counsel. The parties have agreed to the wording of this Financial Backstopping Agreement and none of the provisions hereof shall be construed against one party on the ground that such party is the author of this Financial Backstopping Agreement or any part hereof.

d. The recitals and representations appearing first above are hereby incorporated in and made a part of this Financial Backstopping Agreement.

e. This Financial Backstopping Agreement may be executed in multiple counterparts (including by means of facsimile or electronic signature pages), each of which shall be deemed an original and all of which shall constitute one and the same instrument.

f. A waiver of any default, breach of non-compliance under this Financial Backstopping Agreement is not effective unless in writing and signed by the party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a party in respect of any default, breach, non-observance or by anything done or omitted to be done by the other party. The waiver by a party of any default, breach or non-compliance under this Financial Backstopping Agreement shall not operate as a waiver of the Party's rights under this Financial Backstopping Agreement in respect of any continuing or subsequent default, breach or non-compliance (whether of the same or any other nature).

[Signature page follows]

IN WITNESS WHEREOF this Financial Backstopping Agreement has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

[**SHIPPER**]	**[PIPELINE]**
___________________________________	___________________________________
Name:	Name:
Title:	Title:
___________________________________	___________________________________
Name:	Name:
Title:	Title:

IR No. TransCanada 1.8

Topic:

Reference: (i) Written Evidence of MAS, page 19, lines 25.
(ii) Written Evidence of MAS, page 19, lines 31-32.

Preamble: In reference (i), MAS states that “STS overrun is an important attribute of the FT service.” In reference (ii), MAS suggests that “STS overrun was one of the features of the STS service that the Board considered in the Decision.”

Request:

(a) Please confirm that STS (and STS overrun) is only an existing attribute of FT, to the extent a shipper also has an STS contract. If not confirmed, explain why not.

(b) Please provide specific citation(s) to the RH-003-2011 Decision and/or the record of the RH-003-2011 proceeding that the MAS rely on to support the contention that STS overrun was one of the features of the STS service that the Board considered in the Decision.

Response:

(a) Not confirmed. The STS Service (and STS overrun) is a service offered by TransCanada to any shipper meeting the six (6) Applicability criteria outlined in the STS Transportation Tariff Toll Schedule. The portion of the Tariff outlining the Applicability criteria is included for reference as Attachment TransCanada 1.8 (a). Holding an FT contract is currently <u>one</u> of the eligibility criteria of the STS service, as is holding or owning storage.

(b) On page 145 of the Board’s Decision, the Board states:

> “In our view, the eight nomination windows available for STS service is sufficient and has worked very well over the years to allow local distribution companies to address their load balancing requirements.”

The STS service the Board contemplated in reaching their RH-003-2011 Decision included both firm and overrun components. Therefore, the Board considered the STS overrun feature when evaluating the effectiveness of the STS service to allow local distribution companies to address their load balancing requirements.

1. AVAILABILITY

1.1 Any Shipper shall be eligible to receive service pursuant to this Storage Transportation Service ("STS") Toll Schedule, provided such Shipper:

(a) has entered into a Firm Transportation Service Contract(s) (the "FT Contract(s)") or a Multi-Year Fixed Price Service Contract(s) (the "MFP Contract(s)") with TransCanada with a receipt point at Empress, Alberta or in the province of Saskatchewan and such FT Contracts or MFP Contracts have been identified in Shippers STS Contract;

(b) has entered into a STS Contract having a minimum term of one (1) year with TransCanada incorporating this Toll Schedule and providing for transportation service between the delivery point in the FT Contract(s) or MFP Contract(s) (the "Market Point") and the Storage Injection Point(s), and between the Storage Withdrawal Point and the Market Point

(c) has not executed a STS-L Contract with the same Market Point as specified in the STS Contract;

(d) has its own gas storage facilities, or has entered into a gas storage contract with any company having gas storage facilities which are connected by gas transmission pipeline facilities to TransCanada's gas transmission system at the Storage Injection Point(s) and the Storage Withdrawal Point located downstream of the Alberta/ Saskatchewan border ;

(e) has entered into a gas transportation contract(s) with the company(ies) operating gas transmission pipeline facilities connecting the gas storage facilities with TransCanada's gas transmission system at the Storage Injection Point(s) and Storage Withdrawal Point (the "other Transporters"); and

(f) has provided TransCanada with financial assurances as required by TransCanada pursuant to Section XXIII of the General Terms and Conditions referred to in Section 7 hereof.

1.2 **Facilities Construction Policy**

In order to provide service pursuant to this STS Toll Schedule, TransCanada utilizes capacity available from its own gas transmission system and from its firm transportation service entitlement on the Great Lakes Gas Transmission Company system, the Union Gas Limited system, and the Trans Quebec & Maritimes Pipeline Inc. system (the "Combined Capacity"). If a request for service pursuant to this STS Toll Schedule (the "Requested Service") requires an increase to the

IR No. TransCanada 1.9

Topic:

Reference: (i) Written Evidence of MAS, page 20, lines 13-15.

Preamble: In Reference (i), (*sic*) MSA notes that TransCanada's Current Renewal Provisions give a shipper the option to automatically extend the existing term of its contract for a period of one year by giving notice to TransCanada at least six months before the termination date.

TransCanada seeks information on the renewal provisions offered on the existing and proposed pipeline systems owned by the MAS LCDs.

Request:

(a) For each transportation service offered by Union on the Dawn-Trafalgar System, please provide the terms of the renewal provisions. Specify any requirement that is applicable in the event contracts are not renewed beyond the initial term.

(b) What are the renewal provisions proposed to be offered by Enbridge on its proposed Parkway to Albion bypass pipeline? Specify any requirement that is proposed to be applicable in the event contracts are not renewed beyond the initial term.

(c) What are the renewal provisions proposed to be offered by Union and Gaz Metro on their proposed Albion to Maple bypass pipeline? Specify any requirement that is proposed to be applicable in the event contracts are not renewed beyond the initial term.

Response:

Union's M12, M12-X and C1 Contracts do not include provisions requiring term extensions and renewals when significant maintenance is required due to integrity issues. Union also notes that repurposing assets is not addressed in Union's tariff. Union expects that issue would be addressed at the time of an application to the appropriate regulator(s). The renewal provision language for each contract is provided below.

(a) **For the M12 & M12-X transportation services**

"Contracts with an Initial Term of five (5) years or greater will continue in full force and effect beyond the Initial Term, automatically renewing for a period of (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof."[1]

For the C1 transportation service

"Contracts with an Initial Term of five (5) years or greater, with Receipt Points and Delivery Points of Parkway or Kirkwall or Dawn (Facilities), will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one(1) year, and every on (1) year thereafter. Shipper may reduced the Contract Demand or terminate the Contract with notice in writing by

[1] As found in the M12 General Terms and Conditions (Section XVII): http://www.uniongas.com/~/media/storage-transportation/infopostings/tariffs/m12/M12_ScheduleA2010.pdf

Shipper at least two (2) years prior to the expiration thereof.

For all other contracts, the Contract will continue in full force and effect until the end of the Initial Term, but shall not renew."[2]

(b) The 26 km pipeline between Parkway to Albion is not a bypass pipeline. It is an integral component of an overall distribution system reinforcement solution proposed by EGD and is not capable of bypassing the Mainline.

The information requested in relation to EGD's proposed GTA Project is not relevant to the Application.

(c) The proposed Parkway Extension Pipeline is not a "by-pass" pipeline and both Union and Gaz Metro object to its characterization as such. In 2012, both Union and Gaz Métro entered into binding bids for service from Parkway to their respective delivery areas. TransCanada accepted those bids and the parties were in the process of finalizing precedent agreements when TransCanada notified both Union and Gaz Métro that they would not be proceeding with their pipeline project from Parkway to Maple in 2015. The Parkway Extension Pipeline seeks to restore service that has thus far been denied to Union and Gaz Métro to connect to, rather than bypass, TransCanada.

Union and Gaz Métro do not see how this information is relevant. The rate schedule and general terms and conditions, including the renewal provisions, for the proposed Union and Gaz Métro Parkway Extension Project will be similar in form and substance to Union's M12 Rate Schedule, and will be subject to Ontario Energy Board approval.

[2] As found in the C1 General Terms and Conditions (Section XVII): http://www.uniongas.com/~/media/storage-transportation/infopostings/tariffs/c1/C1_ScheduleA2010.pdf

IR No. TransCanada 1.10

Topic:

Reference: (i) Written Evidence of MAS, page 22, lines 27-31.

Preamble: At the referenced portion of the evidence, MAS states, "In addition, MAS want to specify that renewal provisions cannot be applied similarly for major expenditures to provide incremental capacity to the market as for re-deployment or retirement of assets. While non-firm shippers do have the ability to access capacity through the secondary market, redeployment and retirement of assets do not allow for the same allocation efficiency since capacity is being permanently removed."

Request:

(a) Please more fully explain what is meant by "…MAS want to specify that renewal provisions cannot be applied similarly for major expenditures to provide incremental capacity to the market as for re-deployment or retirement of assets."

(b) Please explain the relevance of the discussion of non-firm shippers in the context of the current application that proposes to implement changes to a renewal provision that does not apply to non-firm services.

(c) Please more fully explain what is meant by "[w]hile non-firm shippers do have the ability to access capacity through the secondary market, re-deployment and retirement of assets do not allow for the same allocation efficiency since capacity is being permanently removed."

(d) Please explain whether it is the position of the MAS that capacity on the Mainline should not be redeployed or retired so that capacity is available for the sale of services to non-firm shippers.

Response:

(a) The ROFR methodology proposed by MAS in its evidence applies to a situation of major expenditures to provide incremental capacity on the Mainline (expansion). In the case of replacement of existing capacity due to re-deployment or retirement of assets, the factual context of each situation must be taken into consideration and studied prior to permitting any assets to be removed permanently. Those facts are case specific and should be reviewed only upon case-specific applications to the NEB. Please also refer to NEB 1.2 b) and TransCanada 1.30 (k).

(b) The discussion of non-firm shippers is specific and relevant to situations of replacing capacity due to re-deployment or retirement of assets. As mentioned in response (a) above, these situations are specific to each application and should be considered in future proceedings with the NEB. Please also refer to NEB 1.2 b) and TransCanada 1.30 (k).

(c) The secondary market is useful as it provides allocative efficiency by allowing firm shippers to offer unused firm capacity as an attribute of their FT service and by allowing non-firm shippers to access firm capacity. In a scenario of re-deployment or retirement of used and useful assets, needed capacity is removed from the market and non-firm shippers and ultimately the end-users will not have the same level of access to a service they consistently utilized.

(d) It is not the MAS position. MAS believes that re-deployment or retirements of assets are case specific and should be considered in a separate application where the actual facts of the situation can be ascertained and proper balancing of shipper and pipeline interests conducted.

IR No. TransCanada 1.11

Topic:

Reference: (i) Written Evidence of MAS, page 23, lines 5-7.

Preamble: In reference (i), MAS expressed the belief that renewal rights have been granted to strike a reasonable balance between the interests of a pipeline and those of its shippers in order, notably, to protect shippers, including vulnerable captive shippers, from abuse of monopoly or market power [footnote 43 points to FERC Order 637 and the NERA evidence].

Request:

(a) Has the NEB ever ruled that renewal rights on NEB-regulated pipelines generally, or the Mainline in particular, relate to the protection of "vulnerable captive shippers." If so, please provide specific citations to NEB Reasons for Decision.

Response:

While the NEB did not use the specific words "protection of vulnerable captive shippers" in its past assessments of renewal rights, ensuring that these rights provide shippers with sufficient flexibility and options to choose the term and content of the services they need was clearly one of the NEB's main concerns each time TransCanada put forward modifications intended to reduce that flexibility. We refer notably to decisions GH-5-89, Volume 1, at p. 56 ; RH-4-93 at p. 61. In addition, we refer to the Reasons for Decision in RH-1-2002, at p. 59, in which the NEB ruled that TransCanada has a duty to protect the shippers who are captive to its system.

IR No. TCPL 1.12

Topic:

Reference: (i) Written Evidence of MAS, page 33, lines 24-33.

Preamble: In reference (i), MAS states: … With the *decline in the WCSB production* and consequently, with less gas available to flow on TransCanada's Mainline from Empress to the eastern markets, MAS have to secure their gas supply by diversifying their supply portfolio which implies MAS will evaluate opportunities available in the market.

…

By forcing MAS to renew long term contracts tied to the *declining WCSB*, TransCanada is tremendously increasing the risk of jeopardizing access to firm, secure supplies of natural gas for MAS and their customers; a risk that is unacceptable for any captive natural gas distributor or industrial, as they will be forced to renew their contracts on unfair terms. [Emphasis added]

Request:

(a) Please provide the specific WCSB supply forecast used by the MAS in support of the contention that the WCSB production is in decline.

(b) Please provide a copy of all publicly-available forecasts of WCSB supply (conventional and unconventional), prepared by or for MAS members or any affiliated company over the last five years.

Response:

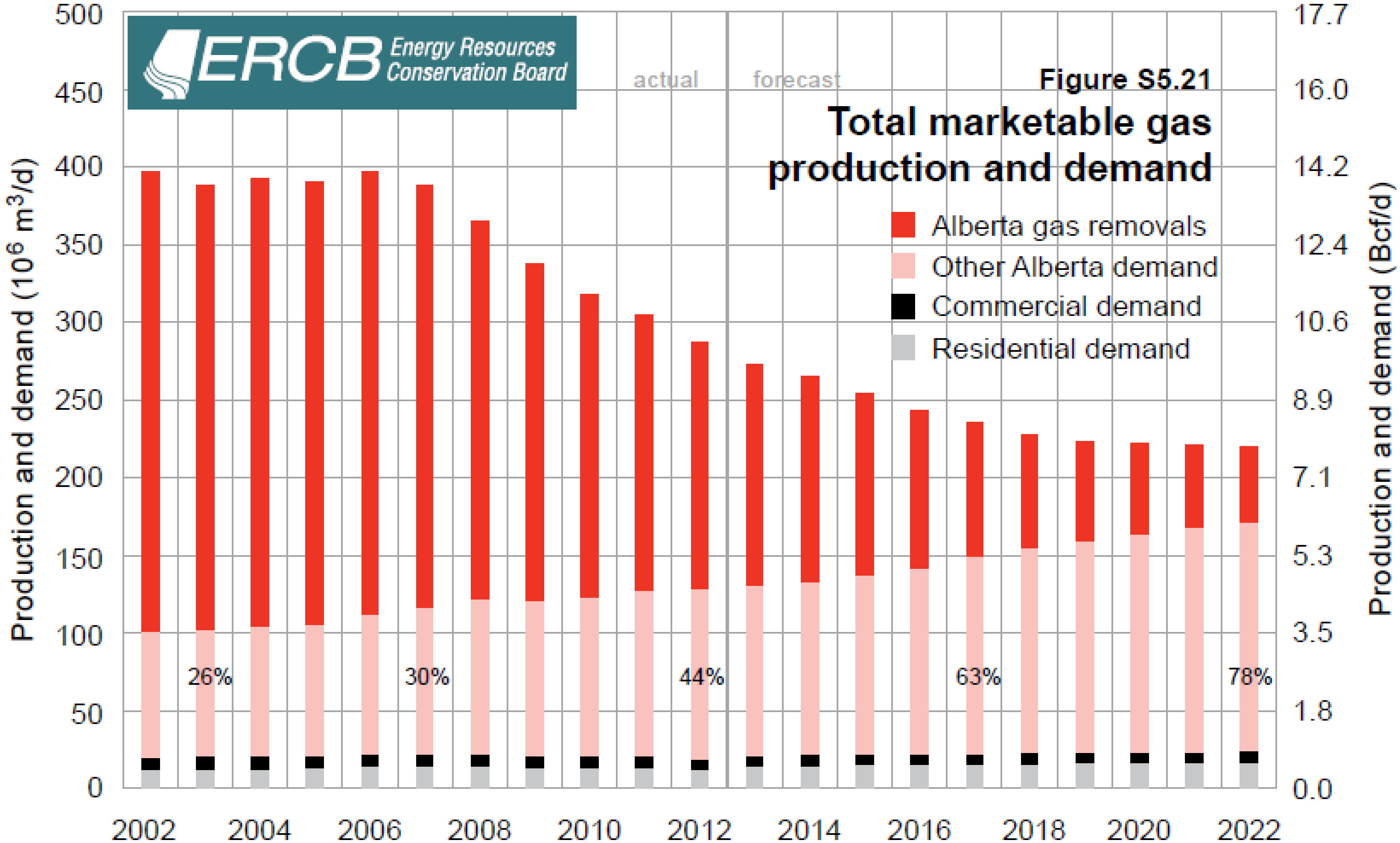
(a) & (b)

MAS referred to the Evidence of Bruce B. Henning, at page Adobe p.52 of 140. Other forecasts used by MAS include Energy Resources Conservation Board Forecast – Attachment TransCanada 1.2 (a), the NEB forecast – Attachment TransCanada 1.2 (b) and the ICF report "Impact of Changing Supply Dynamics on the Ontario Natural Gas Market" – TransCanada 1.14 Attachment 1.

MAS also notes at last count, a total of 14.68 Bcf/d of long-term LNG export licenses have been approved or have been applied for which reinforces the MAS concern regarding taking all steps necessary to ensure a diverse and secure portfolio of reliable and competitively priced natural gas supplies for the future.[1]

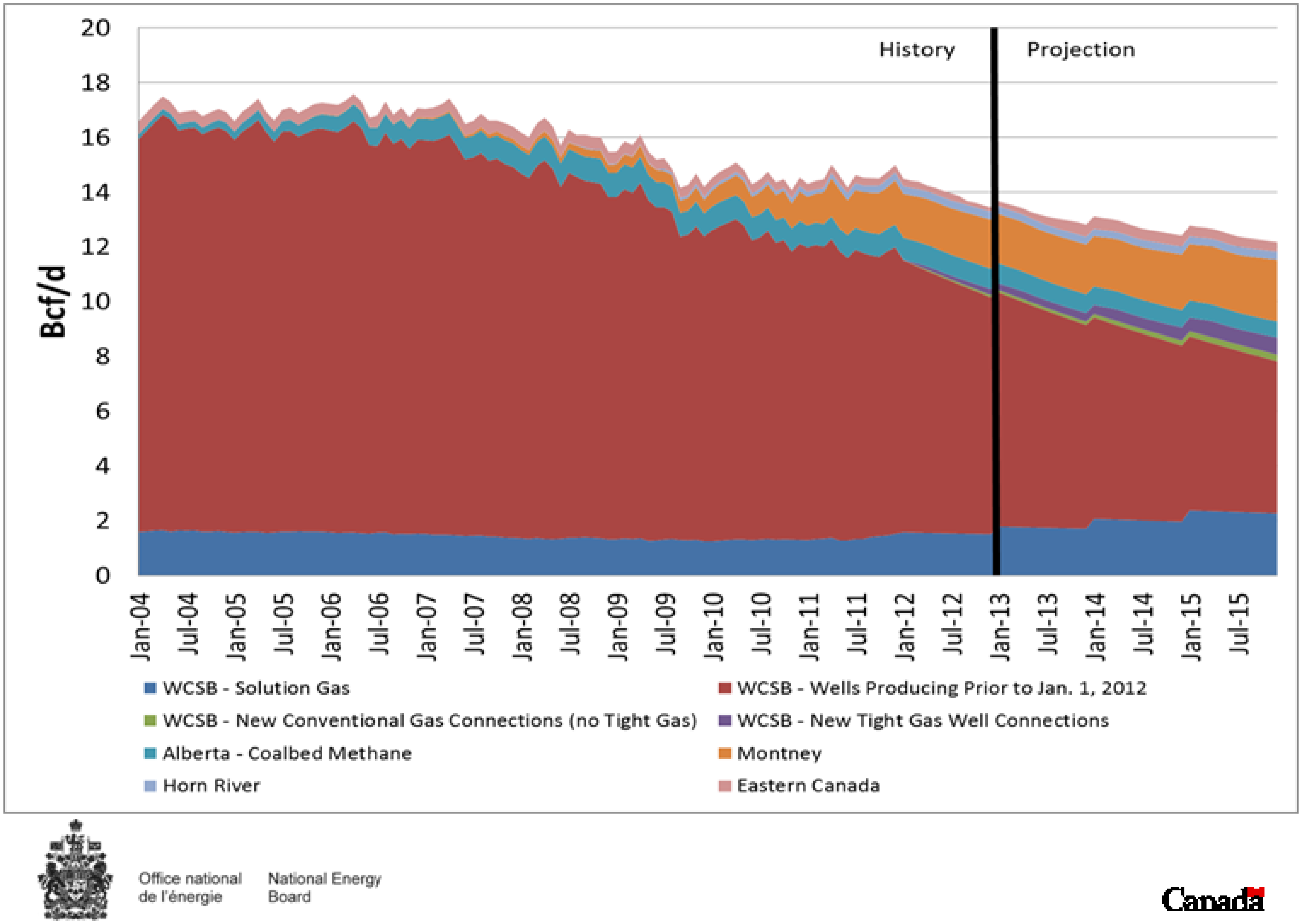
[1] See Reasons for Decision GH-1-2011 (1.28 bcf/day); Reasons for Decision GH-003-2011 (0.23 bcf/day); NEB Letter Decision regarding LNG Canada Development Inc. Application for a Licence to Export Liquefied Natural Gas pursuant to Section 117 of the *National Energy Board Act,* File OF-EI-Gas-GL-L384-2012-01 01 (4 February 2013) (3.23 bcf/day); Application by Prince Rupert LNG Exports Limited for a licence pursuant to section 117 of the *National Energy Board Act* authorizing the export of liquefied natural gas dated June 17, 2013 (2.91 bcf/day); WCC LNG Ltd. Application for Licence to Export Liquefied Natural Gas dated June 2013 (4.00 bcf/day); Application by Pacific NorthWest LNG Ltd. as General Partner of the Pacific NorthWest LNG Limited Partnership for a Licence pursuant to section 117 of the *NEB Act* to export liquefied natural gas dated July 5, 2013 (2.74 bcf/day); and Application by Woodfibre LNG Export Pte. Ltd. for authorization pursuant to Section 117 of the Act for a licence authorizing the exportation of natural gas dated July 23, 2013 (0.29 bcf/day).

Attachment TransCanada 1.12 (a)



Source: ERCB (Energy Resource Conservation Board) ST98-2013 – Alberta's Energy Reserves 2012 and Supply/Demand Outlook 2013-2022

Attachment TransCanada 1.12 (b)



Source: NEB report: "Short-Term Canadian Natural Gas Deliverability 2013-2015 - An Energy Market Assessment May 2013."

IR No. TransCanada 1.13

Topic:

Reference: (i) Written Evidence of MAS, page 41 – Attachment A

Preamble: Reference (i) contains a letter signed by Mr. Karl Johannson dated June 17, 2013. The second paragraph of the letter references a letter of June 7, 2013 from Ms. Brochu.

Request:

(a) Please provide a copy of the referenced letter from Ms. Brochu.

Response:

(a) Please, see attachment TransCanada 1.13 (a).

Attachment TransCanada 1.13 (a)

TransCanada
In business to deliver
TransCanada Corporation
450 - 1st Street S.W
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2089
fax 403.920.2411
email karl_johannson@transcanada com
web www.transcanada.com

Karl Johannson.
President
Natural Gas Pipelines

June 17, 2013

Mrs. Sophie Brochu
President & CEO
Gaz Metro
1717 rue de Havre
Montreal, QC
H2K 2X3

Mr. Steve Baker
President
Union Gas Limited
50 Keil Drive North
Chatham, ON
N7M 5M1

Mr. Guy Jarvis
President
Enbridge Gas Distribution Inc.
500 Consumers Road
Toronto, ON
M2J 1P8

Thank you for attending the meeting on June 4, 2013 with Russ, Steve and myself to discuss your transportation requirements. I thought the meeting was productive and I trust that we all have a better understanding of the constraints each of us is operating under today.

I would take this opportunity to address some of the Eastern LDC's concerns, as outlined in Ms. Brochu's letter of June 7, 2013, and further discuss our views on some of the issues that arose in our meeting.

It is clear that the current NEB toll Decision has made the deployment of new capital challenging. The Decision has set fixed tolls that do not cover the costs of operating our Mainline system. It defers substantial amounts and places TransCanada under a threat of disallowance of some or all of those costs. The primary tool given to TransCanada to bridge this gap is pricing flexibility on discretionary services. It is TransCanada's view that it cannot rely solely on discretionary services to generate the substantial revenues required for it to meet its costs and earn a fair return. The Mainline must incentivize its shippers to contract for the long term in order to maximize revenues, stabilize rates, and position it to seize on new opportunities to reduce its costs or expand its services. When we do build for new opportunities, we must recover the full cost of any new expansion, including a return of and on capital, and any revenue foregone, due for example to switching volumes from long haul to short haul.

It is imperative for the viability of the Mainline that shippers with firm needs contract for long term firm services to meet those needs. This ensures that the costs of the system are being borne by those who rely on it; stabilizes our revenue long term; reduces the amount of discretionary revenue we would otherwise be required to raise to cover our costs; and provides a clearer picture of the capacity and facilities we require to serve existing and new shippers long term, and a clearer picture of what opportunities are available for new services, cost savings, or redeployment of facilities to reduce costs. This approach is required by the Board's direction. Accordingly, we will be providing an open season for short term shippers on our system that now wish to firm up their service arrangements as well as new markets seeking mainline service. As noted above, however, we must recover the full cost of any new expansion, including a return of and on capital, and recovery of any revenue foregone (due to switching volumes from long haul to short haul or otherwise). TransCanada stands ready to invest in expansions that will meet these objectives.

With regard to your desire for additions in the EOT that would allow shippers to switch to short haul services and displace long haul volumes, the NEB Decision has made it very difficult for TransCanada to facilitate these as it has in the past. Again, the Decision's fixed tolls mean that the revenue deficiency realized from the transfer of services from long haul to short haul are not collectible in the short term and are very uncertain in the long term. Thus, there was no other choice for TransCanada but to cancel the Parkway to Maple expansion as it recently did. The revenue shortfall caused by allowing shippers to switch from long haul to short haul would have been in excess of $200 million per year. Under the now imminent new rates structure, this deficiency would have accrued as a negative deferral in the Toll Stabilization Adjustment account (TSA), with the risk that these losses could be visited on TransCanada at the end of the tolling period. This one project alone could have created in excess of a $400 million deferral in the TSA.

Nevertheless, TransCanada does not see the Decision as preventing us entirely from expanding the system to accommodate new volumes, or even to accommodate shippers switching their volumes from Empress to Dawn so long as the objectives to recover the full costs are met as I have described above. In addition to the open season for shippers to "firm up" their services, we are in the process of developing incremental tolls for new incremental short haul and long haul business and will be providing an open season for this purpose also by the end of June.

In order to be efficient in the use of existing infrastructure and the creation of new infrastructure, TransCanada must continue to seek changes to the Mainline tariff renewal provisions to allow it to require long term commitments from shippers in areas of the system that could be utilized to reduce expansions for new service requests, retire, or redeploy facilities (as in the oil conversion). We also feel it is imperative that we have the discretion to deny renewals that are exercised in ways that would have the effect of precluding a more valuable opportunity for the Mainline system from being pursued, without any commitment from existing shippers to contribute to system revenues through long term financial commitments. As you know, the NEB recently required that we refile the changes we continue to seek to the renewal provisions of the tariff. We are doing so today. We understand that these changes make our customers uncomfortable, but it is TransCanada's view that the renewal option is a relic of an old cost of service paradigm that no longer exists. In the new paradigm, long term commitments and a clear view to opportunities for incremental revenue or reduced costs must be given our highest priority.

In our meeting and Ms. Brochu's letter, you raised concerns over the conversion to oil of facilities that provide short haul capacity in the EOT. It is our perspective that these facilities are not reserved for firm natural gas service in the period the oil project would require them, and shippers have largely resisted committing to this capacity for the long term. In fact, we have offered this capacity to gas shippers through continuous open seasons but current shippers have chosen not to contract for this capacity on a long term firm basis. It is unreasonable to expect TransCanada to keep the existing short haul capacity in the EOT for the exclusive use of gas customers in the EOT pursuant only to short term or interruptible commitments. The proposal to transfer some of the Mainline facilities to oil service essentially has brought forward a long term, long haul market that can recover TransCanada's long-term investment. Given the choice of gas customers to contract only for minimal periods, the oil service market is clearly the highest value market for these assets.

To be economically viable and meet the in-service dates required by the conversion project, however, the full path through the Prairies, NOL and EOT must be made available for conversion. Retention of all existing EOT facilities for continued gas service would have the effect of stranding over two thirds of the system proposed to be used by the oil shippers in the Prairies and NOL. Conversion will benefit Mainline shippers by reducing costs across the Mainline system. To the extent that there is a shortfall of capacity in the EOT that results from the conversion of those facilities, TransCanada is committed to building new facilities to ensure service for existing and incremental long term firm demand in the EOT. We will not foreclose options for customers who are willing to fully compensate the Mainline for its costs and to commit long-term to cost recovery on the system.

The Segmentation proposal we presented to you in our May 17 letter provides a framework to satisfy the LDC's concerns over access to multiple sources of gas, and future capacity in the EOT. This proposal is acceptable to TransCanada because it will allow capital investment in the EOT and ensure the viability of the Mainline system as a whole, while meeting its shippers' needs for flexibility and reliability. We look forward to continuing to work with each of you to mutually advance this proposal. Should we successfully implement an alternative such as the Segmentation proposal, TransCanada is willing to consider replacement (with rolled-in tolls) of any incremental tolling arrangements for new facilities placed into service in the interim.

I will have my Commercial East team contact your offices later this week to schedule meetings to examine the Segmentation model in more detail.

Yours truly,

Karl Johannson

c: Russ Girling
Steve Clark