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E-FILED AND COURIER

Ms. Sherri Young
Secretary of the Board
National Energy Board
517 - 10th Avenue SW
Calgary AB T2R 0A8

RE: TransCanada Pipelines Limited
Application for Approval of the King's North Connection Pipeline Project
NEB File OF-Fac-Gas-T211-2014-02 01
Written Evidence of Enbridge Gas Distribution Inc.

In accordance with the GHW-001-2014 timetable of events issued by the Board on November 13, 2014, enclosed for filing with the Board is the written evidence of Enbridge Gas Distribution Inc.

Yours truly,

(Original Signed)

Lisa Lawler
Director Upstream Regulation

LL/lw

Enclosure

NATIONAL ENERGY BOARD
IN THE MATTER OF AN APPLICATION BY
TRANSCANADA PIPELINES LIMITED
FOR APPROVAL OF THE KING'S NORTH CONNECTION PIPELINE PROJECT
WRITTEN EVIDENCE OF
ENBRIDGE GAS DISTRIBUTION INC.

February 12, 2015

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1. Introduction

1.1 Enbridge Gas Distribution Inc.

Enbridge Gas Distribution Inc. (“EGD”) is the largest gas distribution franchise in Canada, providing service to over two million residential, commercial and industrial customers throughout central and eastern Ontario which includes the Greater Toronto Area (“GTA”), the Niagara Peninsula, Barrie, Midland, Peterborough, Brockville, Ottawa, Outaouais via Gazifère Inc., and other Ontario communities located in the Enbridge central distribution area (“CDA”) and Enbridge eastern distribution area (“EDA”) (collectively the “EGD Franchise Map”) as shown in Appendix 1.

EGD is the largest firm shipper on the TransCanada Pipeline Limited (“TransCanada”) Mainline (“Mainline”). EGD is an Ontario corporation with its head office in the City of Toronto. As a natural gas distribution utility in Ontario, it is provincially regulated by the Ontario Energy Board (“OEB”). EGD has minimal access to local natural gas production within its franchise (less than 1% of its supply is locally produced). EGD has held contracts to transport natural gas on the TransCanada Mainline since the late 1950s and is the largest shipper on the Mainline with approximately 1.4 PJ per day of Firm Transportation (“FT”) currently contracted from the Western Canadian Sedimentary Basin (“WCSB”), Dawn, and Parkway receipt points. The EGD System has two interconnects with the Union system and more than 40 interconnects with the TransCanada Mainline within the Eastern Ontario Triangle (“EOT”). The majority of the EGD System is served solely by the Mainline and is captive to the Mainline in order to obtain natural gas supply.

1.2 Enbridge Gas Distribution Support of the Application

EGD strongly supports approval of the King’s North Connection Pipeline Project (“King’s North Project”) application, as it provides critically needed market access to the abundant and growing natural gas supplies located in proximity to its franchise.

EGD received approval from the OEB in January 2014 to proceed with a major expansion of its system, known as the GTA Project. The GTA Project is currently under

1 construction, with an in-service date of November 2015. It will provide joint distribution
2 and transmission capacity which is intended to increase the ability of EGD to meet its
3 obligations to supply gas to customers in the GTA while also providing an additional
4 1,200 TJ per day of short haul market access to eastern Ontario and Québec. This
5 additional capacity requires the King's North Project infrastructure in order for the
6 eastern Ontario and Québec short haul flows to be realized.

7 **1.3 The King's North Connection Pipeline Project**

8 The King's North Project consists of approximately 11 kilometers of pipeline in the GTA,
9 connecting the terminus of EGD's GTA Project Segment A pipeline to TransCanada's
10 Mainline west of Maple station, effectively creating an additional loop to the Mainline
11 and removing a serious bottleneck that exists between the Parkway gate station and the
12 Maple compressor station. This loop facilitates access for eastern Canadian and US
13 markets to the abundant and lower cost natural gas reserves in the Marcellus and Utica
14 basins. EGD, together with the two other large eastern LDCs, Union Gas Limited
15 ("Union") and Gaz Métro Limited Partnership ("Gaz Métro"), (collectively the LDCs),
16 have recognized the significant opportunity that access to these natural gas resources
17 represents for eastern natural gas customers in terms of improved supply diversity and
18 reliability, and at lower cost than WCSB supplies. The shift in the market from long haul
19 to short haul transportation is expected to be enduring over the long term, allowing
20 savings to accrue to natural gas customers.¹

21 **2. Interdependence Between King's North Connection Pipeline Project and Union** 22 **and EGD Projects**

23 **2.1 Ontario Energy Board Direction and the Resulting Evolution of** 24 **the Pipeline System**

25 In January 2014, the OEB issued a Decision and Order with respect to two Union and
26 one EGD leave to construct applications. Specifically, these were Union's Parkway
27 West Project (EB-2012-0433), Union's Brantford-Kirkwall/Parkway D Project

¹ Fleck, Robert, Wood Mackenzie Expert Report and Direct Testimony, on behalf of Market Area Shippers Group, NEB Hearing Order RH-001-2014 TransCanada Application for Approval of the 2013 to 2030 Settlement Agreement, p.25.

(EB-2013-0074), and EGD's Enbridge GTA Project (EB-2012-0451). Union and EGD applied for these facilities in separate applications, however, the OEB elected to hear the applications together because the projects are interrelated.² The OEB Decision determined that these projects were in the public interest as they allow diversification of supply, enhance competition, improve reliability and mitigate commodity price volatility.³

The Ontario Energy Board stated in its Decision and Order,

"Stable commercial relationships between TransCanada and the eastern distributors are desirable from a public policy perspective. This Board has, in the past, encouraged Union, Enbridge and TransCanada to cooperate in matters relating to the evolution of the pipeline system serving Ontarians. To the extent that this Settlement Agreement is responsive to the Board's previously expressed sentiments, the parties to the agreement are to be commended for their ability to seek solutions that enhance the prospects for optimal commercial outcomes consistent with the public interest."⁴

The three facilities applications are intended to work together and along with the King's North Project, to provide additional short haul capacity to natural gas customers in Ontario and Québec.

Specifically, EGD's GTA Project diversifies gas supply for its GTA customers and increases the overall reliability of the EGD System. The GTA Project Segment A also has the potential to provide 1,200 TJ per day of short haul capacity to the rest of Ontario and to Québec, including EGD eastern Ontario customers, Union's eastern and northern Ontario customers, and Gazifère and Gaz Métro's Québec customers, who are solely reliant upon the Mainline today, once the King's North Project is constructed and put into service.

The Union Parkway West Project is primarily related to creating Loss of Critical Unit ("LCU") redundancy on the Union Parkway system.

The Union Brantford-Kirkwall/Parkway D Project increases capacity from its Brantford Valve Site to its Kirkwall Custody Transfer Station, as well as a new compressor and ancillary facilities at Parkway. The project facilitates delivery of Dawn supply to central and eastern markets.

² Ontario Energy Board EB-2012-0433, EB-2013-0074, and EB-2012-0451 Decision and Order, January 30, 2014, p.2.

³ Ibid, pp.24-29.

⁴ Ibid, p.4.

1 The two Union projects and EGD's Segment A work together with the King's North
2 Project to improve security and diversity of supply options, including Dawn and Niagara,
3 for eastern Canadian markets as well as the northeast US markets. They also increase
4 market access to storage services for the broader market to meet peak seasonal needs.
5 Storage is a cost effective alternative to using long haul upstream pipelines connected
6 to supply basins for peak seasonal needs.⁵

7 One concern noted by the OEB in its Decision was coordination of EGD's Segment A
8 project with TransCanada's King's North Project.⁶ The OEB approved Segment A
9 independently of the King's North Project because the pipeline is required due to growth
10 and to improve reliability of EGD's distribution system. However, the full utilization of
11 Segment A will not be possible until the King's North Project is in-service. Until EGD is
12 able to commence collecting transmission revenues on Segment A, EGD must bear the
13 carrying costs of its capital investment in the transmission portion of this segment.

14 Timing is of the essence for the King's North Project along with the already approved
15 OEB projects, which facilitate access to diverse, reliable, cost competitive supplies of
16 natural gas.⁷

17 **3. The 2015-2030 Mainline Settlement Agreement**

18 **3.1 Objectives of the Settlement**

19 In October 2013, the LDCs and TransCanada announced an agreement ("Settlement
20 Agreement") intended to modify the tolling structure of the Mainline system and facilitate
21 construction of certain facilities within the EOT. The Settlement Agreement was
22 intended to provide long-term certainty and stability in tolls while creating an
23 environment facilitating investment in, and the efficient development of, natural gas
24 infrastructure. The agreement obligates TransCanada to develop and make
25 applications to the NEB to construct pipeline facilities that would facilitate market access

⁵ Fleck, p.19

⁶ OEB reference p.58

⁷ Fleck, p.20.

to more diverse and economic natural gas supplies in exchange for providing TransCanada with a reasonable opportunity to recover the resulting costs.

In the joint Union and EGD facilities decision, the OEB described the Settlement Agreement as:

“an important development in the evolution of the pipeline transportation network in Ontario. It is intended to provide stability to the commercial relationships between the eastern distributors and TransCanada. It seeks to provide a basis for the eastern distributors to access new sources of supply while ensuring that the financial viability of the TransCanada system is not threatened by decontracting.

“Stable commercial relationships between TransCanada and the eastern distributors are desirable from a public policy perspective. This Board has, in the past, encouraged Union, Enbridge and TransCanada to cooperate in matters relating to the evolution of the pipeline system serving Ontarians.”⁸

3.2 NEB Approval of the Mainline Settlement Application

In December 2014, the NEB substantially approved TransCanada’s 2015-2030 Settlement Application in its RH-001-2014 Decision. The approved tolling structure resulting from the Decision supports new infrastructure investments which provides for increased capacity in the EOT. Both the King’s North Project rate base and the TBO costs of the new TBO contract with EGD that allows the connection of EGD’s GTA Project Segment A to King’s North, are included in TransCanada’s proposed revenue requirement.⁹ The NEB requested that TransCanada submit an update of the revenue requirement with included cost changes associated with King’s North Project primarily due to higher land values.¹⁰ The NEB approved the proposed revenue requirement and rate base, having considered TransCanada’s updated information.¹¹

4. Need for Market Access and the King’s North Connection Pipeline Project

The continuing need for market access beyond the contracts supporting the King’s North Project, is demonstrated by shipper participation in TransCanada’s 2016 and the 2017 New Capacity Open Seasons (“NCOS”). EGD bid for firm capacity in both NCOS, for transportation service from Parkway to its franchise. TransCanada has advised that

⁸ Ontario Energy Board EB-2012-0433, EB-2013-0074, and EB-2012-0451 Decision and Order, January 30, 2014, p.4.

⁹ NEB RH-001-2014 Reasons for Decision, December 2014, pp.40-44.

¹⁰ Ibid, p.42.

¹¹ Ibid, p.43.

1 it will provide additional capacity through a subsequent loop of the Mainline (the
2 Vaughan Loop Project) between the King's North interconnect and the Maple
3 compressor station after the King's North Project is complete. The ability to receive
4 service as a result of participation in these additional open seasons, requires the King's
5 North Project to be in service expeditiously.

6 **5. Conclusion**

7 Improved market access will benefit Ontario and Québec natural gas customers
8 through reduced landed natural gas costs.

9 "Failure to increase capacity within the EOT and into the EOT has limited the ability of
10 gas consumers in Ontario and Québec to take full advantage of the abundant, economic
11 regional supplies from ... Marcellus and Utica. Without increased access to the Marcellus
12 and Utica supplies ... the EOT consumers [are] more dependent on the more costly, long
13 haul transportation connecting them with the WCSB. This is likely to increase overall
14 costs for these consumers."¹²

15 Approval of the King's North Project application will allow EGD to fulfill its regulatory
16 obligations to provide safe, reliable and diverse gas distribution services to its
17 customers in a manner that is fiscally prudent, in keeping with the expectations of the
18 OEB. EGD wishes to emphasize that the need for expanded market access is real and
19 pressing. EGD strongly supports the application made by TransCanada and
20 recommends approval by the Board as expeditiously as possible.

¹² Fleck, p.17.

APPENDIX 1 – EGD Franchise Map

