

September 11, 2013

BY EMAIL AND RESS

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0451, EB-2012-0433 and EB-2013-0074 – Settlement Term Sheet
between Union, Enbridge, GMi and TransCanada**

We are writing on behalf of Union Gas Limited and Enbridge Gas Distribution Inc. (together with Gaz Metro, the “LDCs”).

At the Pre-Hearing Conference, Union and Enbridge agreed to prepare a compendium of documents relating to proceedings currently before the National Energy Board (“NEB”) involving the LDCs and TransCanada. For the reasons that follow, the need for a compendium has been obviated. In this respect, enclosed please find a “Settlement Term Sheet” dated September 10, 2013, between the LDCs and TransCanada. Union and Enbridge, supported by GMi and TransCanada, ask that the Term Sheet be designated as confidential pursuant to rule 10 of the Board’s Rules of Practice and Procedure and its Practice Direction pertaining to Confidential Filings. The Term Sheet remains to be reflected in a further Settlement Agreement, which will then be brought forward to the NEB for approval. Given these further steps, it is respectfully submitted that the Term Sheet meets the Board’s criteria for confidential filings. The document contains sensitive commercial information and disclosure at this time would be detrimental to the proper preparation of the Settlement Agreement. Pursuant to the Practice Direction, an unredacted copy of the Term Sheet has been filed with the Board.

Also enclosed with this letter, please find a table which summarizes the proceedings which have now been superseded by the Term Sheet.

By way of background, the proceedings between the LDCs and TransCanada have touched on a broad array of issues, ranging from access to Dawn including removal of the constraint between Parkway and Maple, changes to TransCanada’s tariffs as well as short haul tolls on the Mainline now and into the future, among other things. Some of these issues are relevant to the

applications currently before the Board; most of them are not. Overall, the proceedings have created uncertainty in the natural gas marketplace in Ontario, Quebec and elsewhere.

Consistent with the view expressed by the Board in Union's 2013 rebasing proceeding, and notwithstanding these proceedings, the LDCs and TransCanada have worked diligently to resolve their differences. The Term Sheet provides for substantial benefits for the LDCs and their customers. Most notably and relevant to the applications before the Board, the Term Sheet provides for:

- Access to Dawn and Niagara for gas consumers in Ontario and Quebec. As a result of changing North American gas supply dynamics, market participants would like to contract for short haul transportation from liquid hubs such as Dawn located closer to market areas. Under the Term Sheet, TransCanada will work with Union, Enbridge and GMi to reinstate the short haul volumes awarded by TransCanada as a result of its May 2012 new capacity open season for an in-service date of November 1, 2015. TransCanada will also begin work immediately on its "Kings North" project which, in conjunction with Segment A of Enbridge's GTA Project and Union's Parkway Projects will relieve the present constraint between Parkway and Maple. Further expansions on this path are expected in 2016 and beyond.
- Stable Mainline Tolls. The current tolling framework results in a substantial disincentive to TransCanada to improve market access to Dawn and Niagara. In order to overcome this disincentive, the LDCs have agreed to a tolling framework which will ensure market access and supply flexibility, while providing cost recovery for TransCanada. Relevant to these applications, the framework will substantially maintain the current differential between short haul and long haul tolls.
- Resolution of Outstanding Claims. As described above, the present litigious atmosphere has created uncertainty in the marketplace including for the LDCs, their customers and TransCanada. The Term Sheet provides for the resolution of all outstanding disputes such as the Complaint filed by the LDCs with the NEB, the s. 71 application filed by Union and GMi, also with the NEB, as well the claim filed by TransCanada against Enbridge in the Ontario Superior Court of Justice.

It is the LDCs' expectation that a TransCanada representative will be seated on the joint panel.

Should you have any questions or concerns, please do not hesitate to contact me at your convenience.

Yours truly,

[original signed by]

Crawford Smith

CS/lt

cc: Myriam Seers
All Parties by RESS

11229-2104 15926990.1

EB-2012-0451 / EB-2012-0433 / EB-2013-0074

Term Sheet (September 10, 2013) between TransCanada and Enbridge, Union, Gaz Métro
To be filed separately under confidential cover

Summary of other NEB and OEB proceedings and the Statement of Claim before the Ontario Superior Court of Justice

Jurisdiction	Docket Number	Date Filed	Applicant / Plaintiff	Reference	Description	Actions
NEB	MH-002-2013	31-Jul-13	Gaz Métro / Union Gas	Filed publicly on the NEB website under MH-002-2013	Vaughan Interconnect - Seeking Orders pursuant to Sections 12, 13, 59 and 71 of the National Energy Board Act, R.S.C. 1985, c. N-7, as amended directing TransCanada to provide an interconnect with its Mainline near Vaughan, Ontario; to provide a Vaughan, Ontario Receipt Point; and to provide long term firm short-haul transportation from the Vaughan Receipt Point to the GMi NDA, GMi EDA, Union NDA and Union EDA effective on or about November 1, 2015.	To be withdrawn.
NEB	Not Assigned	10-Jul-13	Market Area Shippers (MAS)	Enbridge response to CCC 28 interrogatory on EGD's updated evidence Exhibit I.A1.EGD (Update).CCC.28 attachment	<u>New Capacity Complaint</u> - Complaint pursuant to Parts I and IV of the National Energy Board Act, R.S.C., 1985, c. N-7 (the "NEB Act").	To be withdrawn.

Ontario Superior Court of Justice	N/A	August 16, 2013	TransCanada	TCPL response to SEC 8 interrogatory on TCPL's supplementary evidence Exhibit I.TCPL.SEC.8	The Statement of Claim requesting that the court grant TransCanada specific performance of the Memorandum of Understanding (MOU) between EGD and TransCanada.	To be withdrawn.
OEB	EB-2012-0451	8-Aug-13 Exhibit I.A1.EGD (Update). BOMA.2	EGD	Enbridge response to BOMA 2 Interrogatory on Enbridge's updated evidence Exhibit I.A1.EGD (Update) BOMA .2	<u>Enbridge New Capacity Open Season (NCOS)</u> - EGD commenced a NCOS in July 2013 to allocate capacity for the transportation element of Segment A. EGD proposes to award capacity following the NEB's decision on the Term Sheet (September 10, 2013).	Await outcome of application to the NEB.

September 11, 2013

Ms. Sheri Young
Secretary of the Board
National Energy Board
444 7th Ave SW
Calgary AB T2P 0X8

Dear Ms. Young:

Re: Tolls and Tariff Complaint Against TransCanada PipeLines Limited ("TransCanada") by Union Gas Limited ("Union") and Gaz Métro Limited Partnership ("Gaz Métro") and Enbridge Gas Distribution Inc. ("EGD") (collectively, the "LDCs") (the "LDC Complaint")

The LDCs wish to inform the National Energy Board of their decision to withdraw the LDC Complaint following extensive discussions with TransCanada. The LDCs and TransCanada have worked diligently to resolve the issues raised by the Complaint. These discussions have culminated in a comprehensive settlement between the LDCs and TransCanada. That settlement, when formalized, will be presented to the National Energy Board for approval.

Most notably and relevant to the LDC Complaint, the settlement provides for:

- **Access to Dawn and Niagara for Natural Gas Consumers.** As a result of changing North American gas supply dynamics, market participants would like to contract for short haul transportation from liquid hubs such as Dawn located closer to market areas. TransCanada will work with the LDCs to reinstate the short haul volumes awarded by TransCanada as a result of its May 2012 new capacity open season for an in-service date of November 1, 2015. TransCanada will also begin work immediately on its "Kings' North" Project which, in conjunction with Segment A of EGD's GTA Project and Union's Parkway Projects, will relieve the present constraint between Parkway and Maple. Further expansions on this path are expected in 2016 and beyond.
- **Stable Mainline Tolls.** The current tolling framework results in a substantial disincentive to TransCanada to improve market access to Dawn and Niagara. In order to overcome this disincentive, the LDCs have agreed to a tolling framework which will ensure market access and supply flexibility, while providing cost recovery for TransCanada.
- **Resolution of Outstanding Claims.** As described above, the present litigious atmosphere has created uncertainty in the marketplace including for the LDCs, their customers and TransCanada. The settlement provides for the resolution of all outstanding disputes such as the Complaint filed by the LDCs with the National Energy Board; the Interconnection Application (MH-002-2013) filed by Union and Gaz Métro with the National Energy Board; and the claim filed by TransCanada against EGD in the Ontario Superior Court of Justice.

September 11, 2013

Page Two

The LDCs wish to express their appreciation to the Board and its staff for the time and resources deployed in relation to their complaint.

Sincerely,

Union Gas Limited

Société en commandite Gaz Métro

Enbridge Gas Distribution Inc.

Original Signed By

Original Signed By

Original Signed By

Per _____

Per _____

Per _____

Mark Isherwood
Vice-President

Patrick Cabana
Vice-President

Malini Giridhar
Vice-President

cc: C. Kemm Yates, Q.C., Blake, Cassels & Graydon LLP (TransCanada)
Eric Dunberry, Norton Rose (Gaz Métro)
L. E. Smith, Q.C., Bennett Jones (Union)
D. Crowther, Dentons (EGD)

September 11, 2013

Ms. Sheri Young
Secretary of the Board
National Energy Board
444 7th Ave SW
Calgary AB T2P 0X8

Dear Ms. Young:

Re: Hearing Order MH-002-2013 - Application by Société en commandite Gaz Métro ("Gaz Métro") and Union Gas Limited ("Union") for orders directing TransCanada PipeLines Limited ("TransCanada") to provide adequate and suitable facilities for the junction of the Vaughan Pipeline Project and TransCanada Mainline (the "Interconnection Application")

Gaz Métro and Union ("**the Applicants**") wish to inform the National Energy Board of their decision to withdraw the Interconnection Application (MH-002-2013) following extensive discussions with TransCanada and Enbridge Gas Distribution Inc. ("**EGD**"). The Applicants, EGD and TransCanada have worked diligently to resolve the issues raised by the Interconnection Application. These discussions have culminated in a comprehensive settlement between the Applicants, EGD and TransCanada. That settlement, when formalized, will be presented to the National Energy Board for approval.

Most notably and relevant to the Interconnection Application now before the Board in MH-002-2013, the settlement provides for:

- **Access to Dawn and Niagara for Natural Gas Consumers.** As a result of changing North American gas supply dynamics, market participants would like to contract for short haul transportation from liquid hubs such as Dawn located closer to market areas. TransCanada will work with the Applicants and EGD (collectively, "**the LDCs**") to reinstate the short haul volumes awarded by TransCanada as a result of its May 2012 new capacity open season for an in-service date of November 1, 2015. TransCanada will also begin work immediately on its "Kings' North" Project which, in conjunction with Segment A of EGD's GTA Project and Union's Parkway Projects, will relieve the present constraint between Parkway and Maple. Further expansions on this path are expected in 2016 and beyond.
- **Stable Mainline Tolls.** The current tolling framework results in a substantial disincentive to TransCanada to improve market access to Dawn and Niagara. In order to overcome this disincentive, the LDCs have agreed to a tolling framework which will ensure market access and supply flexibility, while providing cost recovery for TransCanada.
- **Resolution of Outstanding Claims.** As described above, the present litigious atmosphere has created uncertainty in the marketplace including for the LDCs, their customers and TransCanada. The settlement provides for the resolution of all outstanding disputes such

September 11, 2013

Page Two

as the Interconnection Application (MH-002-2013) filed by the Applicants with the National Energy Board; the Complaint filed by the LDCs with the National Energy Board; and the claim filed by TransCanada against EGD in the Ontario Superior Court of Justice.

Accordingly, the Applicants support the immediate termination of the MH-2-2013 proceeding. The Applicants wish to express their appreciation to the Board and its staff for the time and resources deployed in relation to the Interconnection Application.

Sincerely,

UNION GAS LIMITED

**SOCIÉTÉ EN COMMANDITE
GAS MÉTRO**

Original Copy Signed By

Original Copy Signed By

Mark Isherwood
Vice-President

Patrick Cabana
Vice-President

cc: C.K. Yates, Q.C. (Blake, Cassels & Graydon LLP) (Counsel to TransCanada)
L. E. Smith, Q.C. (Bennett Jones LLP) (Counsel to Union)
E. Dunberry (Norton Rose Fulbright LLP) (Counsel to Gaz Métro)
Interested Parties MH-002-2013