



uniongas

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Ontario Infrastructure Development to 2020

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Ontario Market to 2020

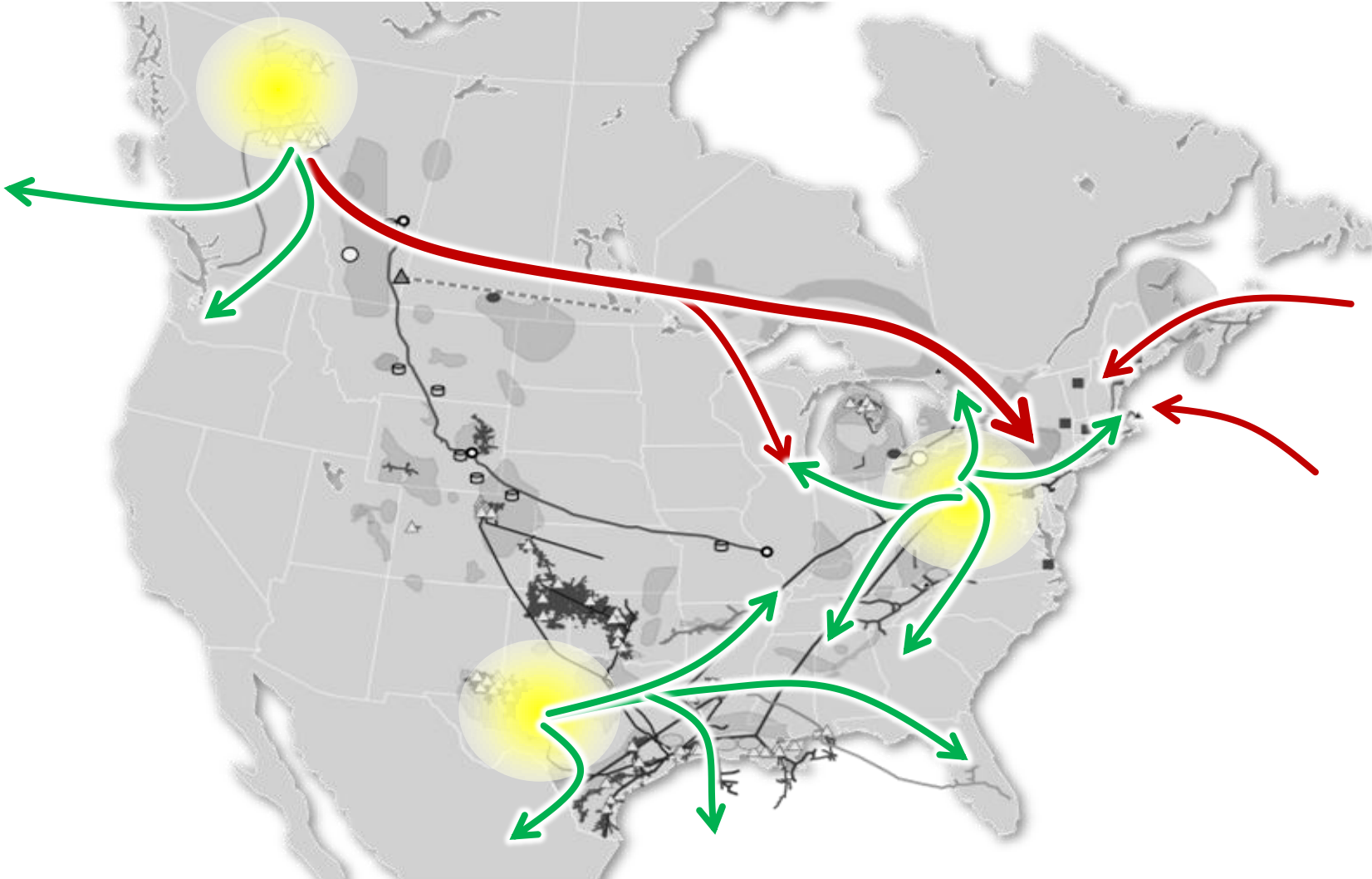
Key Observations

- Appalachian production continues to exceed expectations and presents an immediate opportunity for Ontario to access cost competitive supply and to further diversify supply into the province
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- Energy East Project must not negatively impact Ontario natural gas markets and consumers

Natural Gas Supply

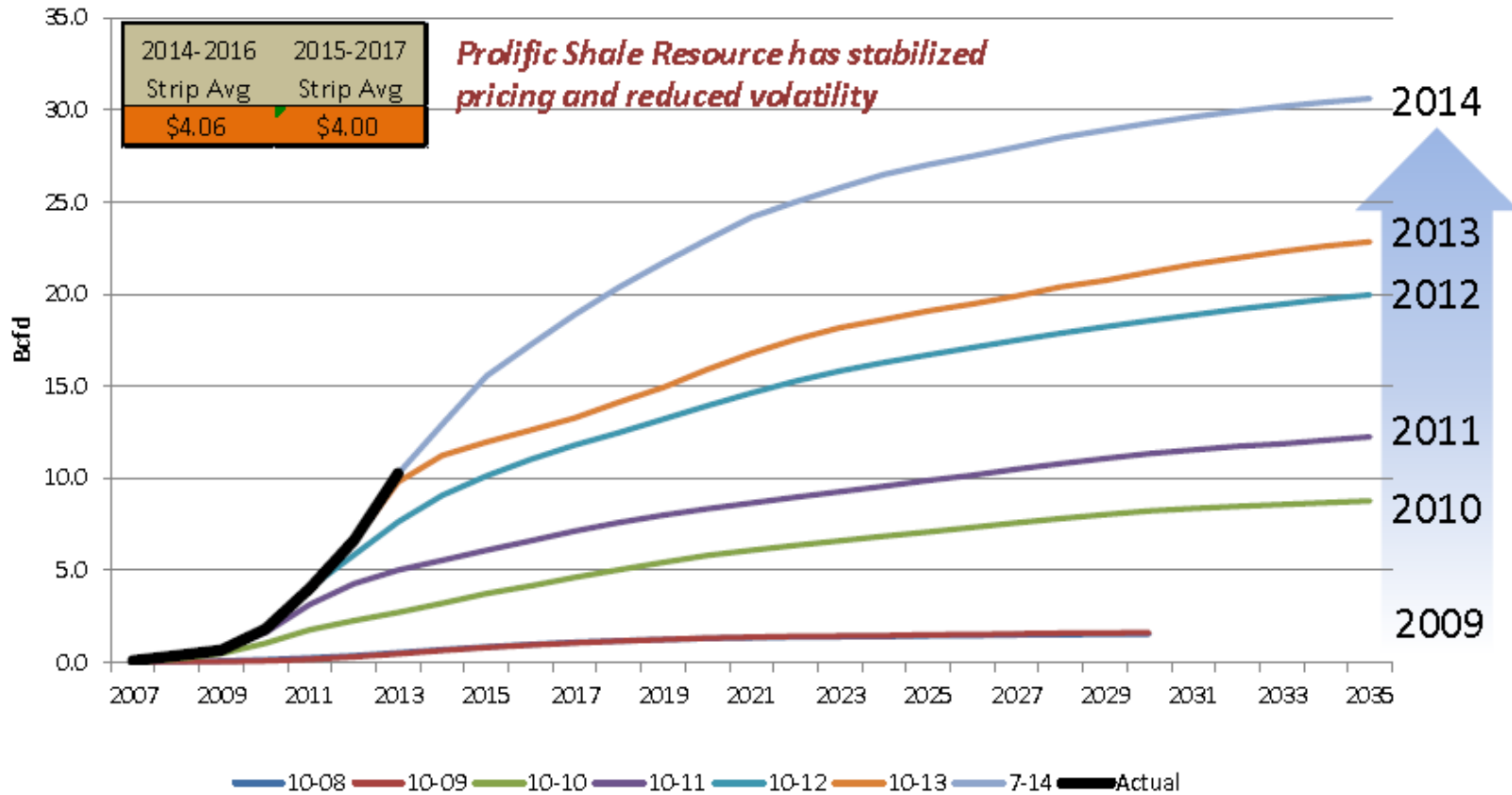
North American Pipeline Flows

Changes Continue to 2025



North American Natural Gas Supply

Appalachia Outperforming Expectations

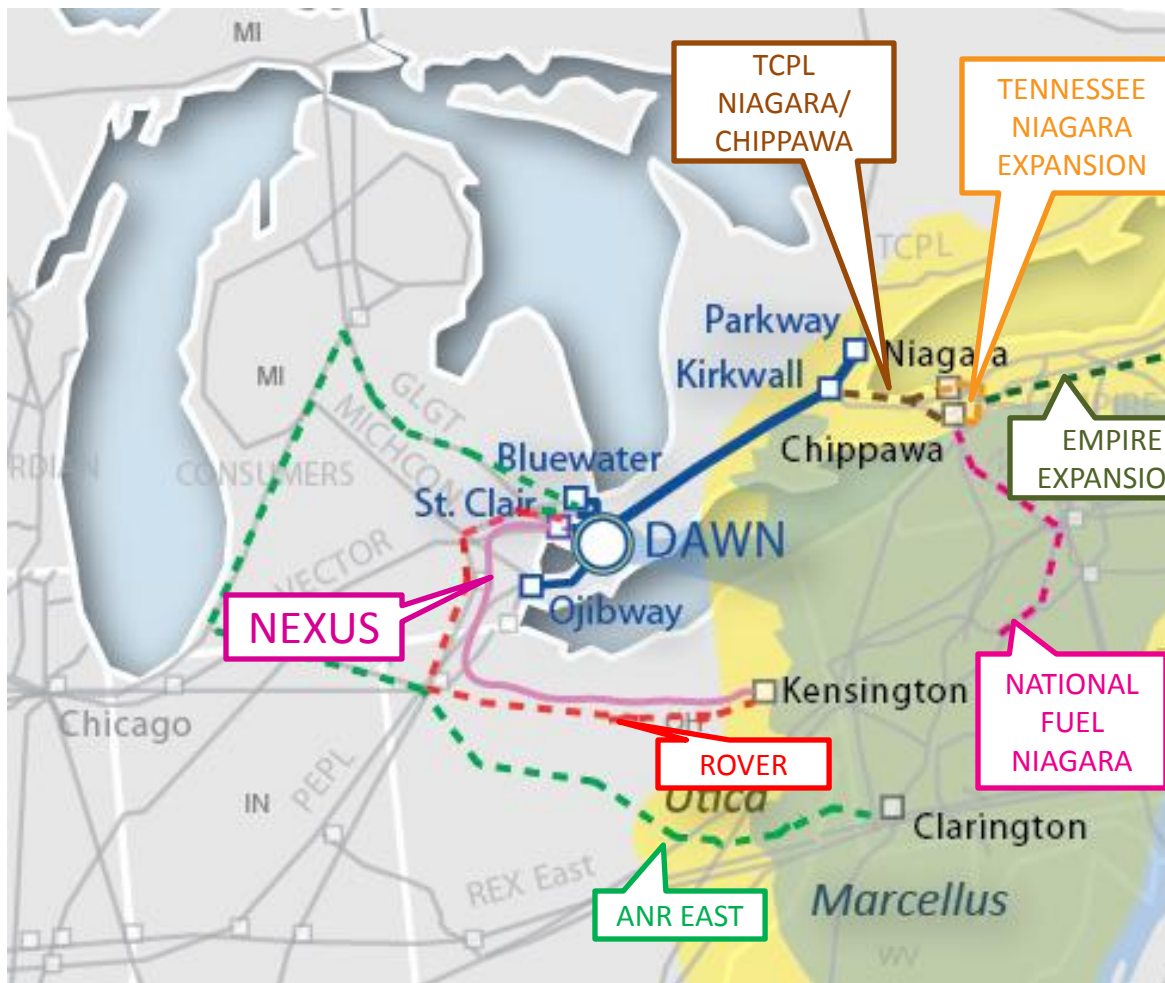


Source: ICF 2008 – 2014 Gas Market Compass

Marcellus/Utica production provides Ontario with an opportunity to diversify supply and lower natural gas costs

Growing Supply to Dawn

Marcellus and Utica Supply Seeking Ontario Markets



NEXUS

~1-1.5 Bcf/d of Utica gas into Dawn in 2017

ANR EAST

~0.4 Bcf/d of Utica gas into Dawn in 2016

ETP Rover

~1-1.5 Bcf/d of Utica gas into Dawn in 2017

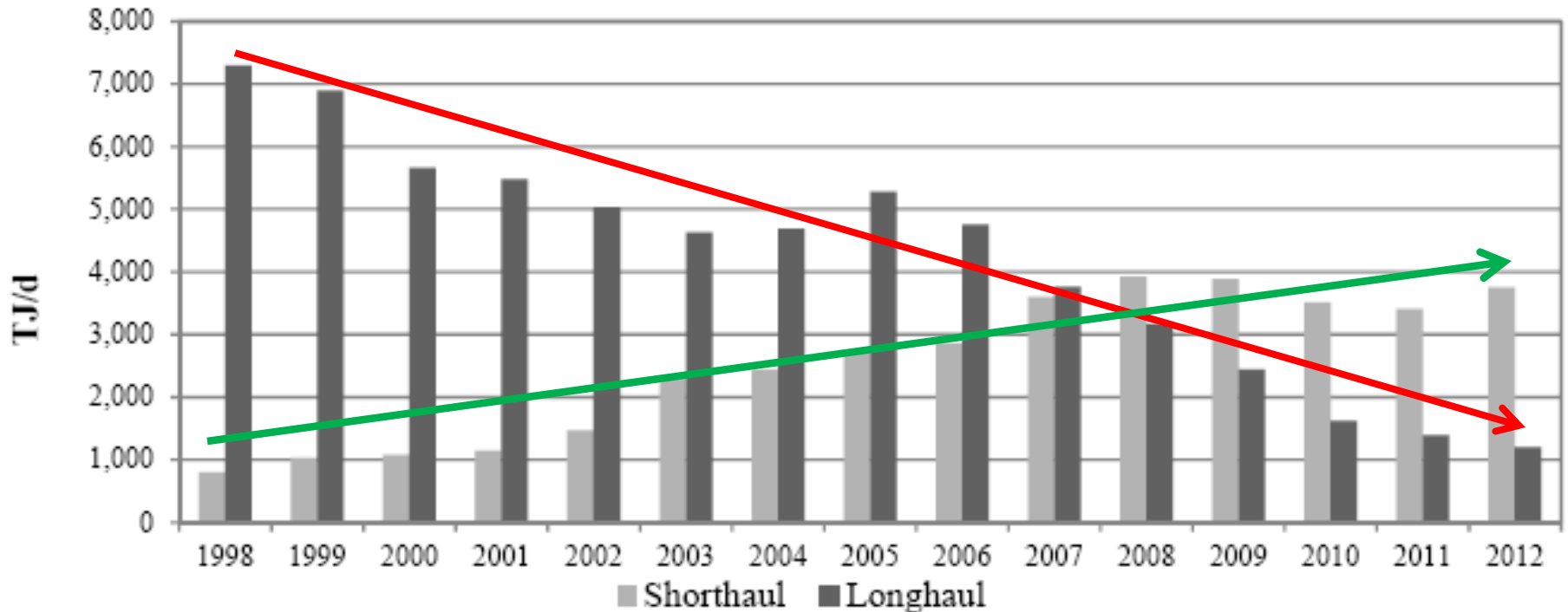
TCPL, Tennessee, Empire and National Fuel

~ 0.7 Bcf/d of Marcellus gas into Dawn through Niagara/Chippawa by 2017

Up to 3 Bcf/d of incremental Marcellus/Utica gas to Dawn by 2018

Changing Mainline Contracting

Long Haul to Short Haul Shift



Source: RH-001-2014, TransCanada Evidence, p. 15 of 94

Eastern Canadian LDCs continue to shift from long haul transportation to short haul transportation, sourcing natural gas closer to consuming markets

Settlement Agreement with TransCanada

Facilitates Access to Competitive Energy Supply

➤ **Offers Supply Choice**

- Provides further access to diversity and cost competitive supply at Dawn and at Niagara and Chippawa
- Critical for Ontario industry and businesses to access reliable, low cost supply in order to compete domestically, continentally and globally

➤ **Mainline Capital Additions on a Rolled-in Basis**

- Access to required infrastructure on a timely and best efforts basis

➤ **Toll Stability to 2020**

- Review of tolls in 2018

➤ **TransCanada has Reasonable Opportunity to Recover Costs**

Settlement Agreement provides the framework necessary to facilitate critical Ontario natural gas infrastructure development

Benefits to Ontario

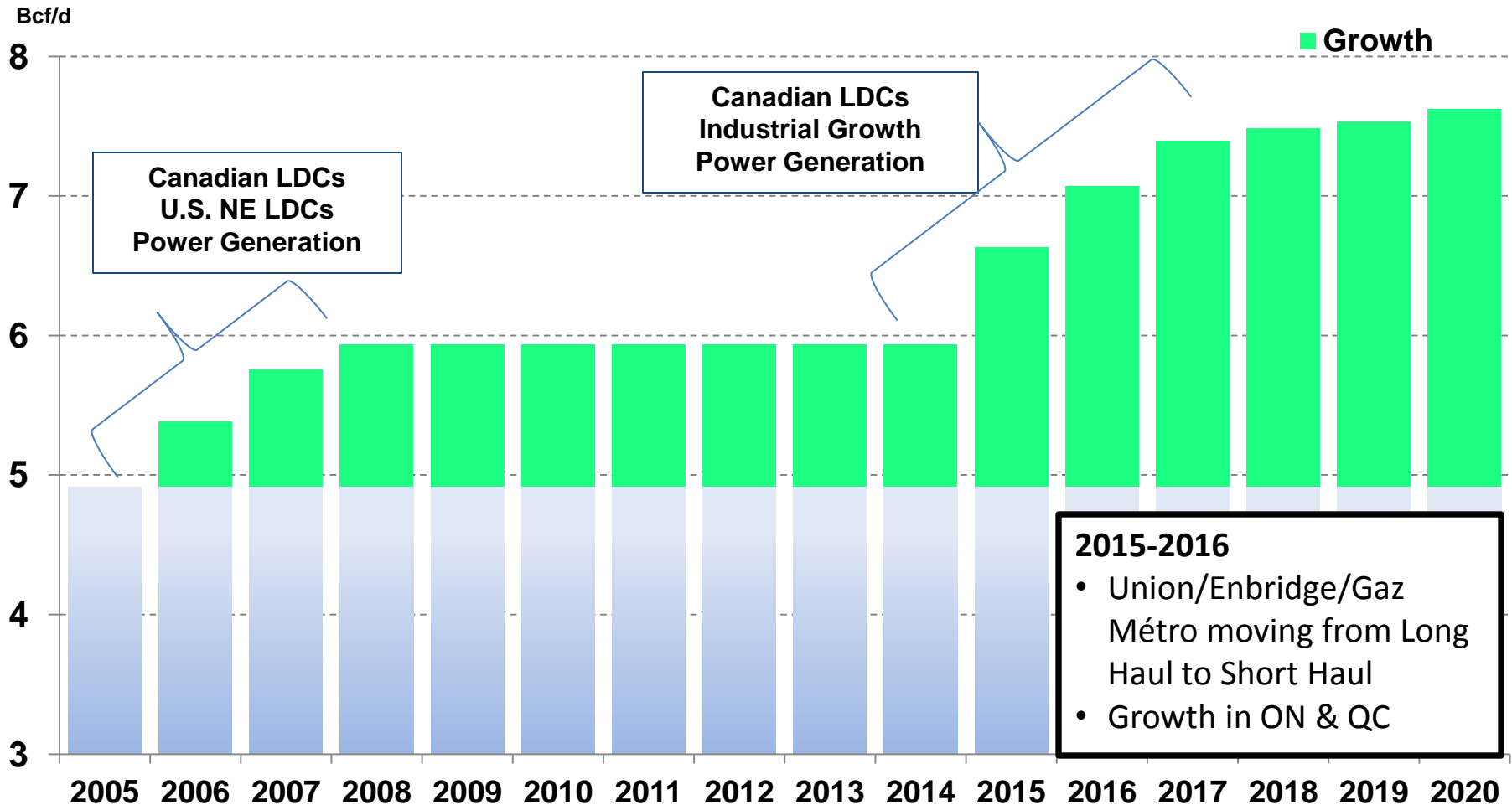
New Supply and Infrastructure

- Ontario's economic competitiveness and prosperity depends on industry and other energy-intensive businesses having access to robust supply at competitive energy prices
- Incremental demand for natural gas supply and transportation on the Dawn-Parkway System from downstream markets attracts new cost competitive supply sources, such as the Marcellus and Utica.
- Increased supply from the Marcellus and Utica supports the continued growth of the Dawn Hub, increasing market depth and liquidity over the long term
- Increasing access to Dawn as well as Marcellus and Utica supply provides significant gas cost savings for Ontario natural gas consumers

Union Gas Expansion Plans

Growth in Dawn to Parkway Capacity

Expansion Planned for 2015 to 2018



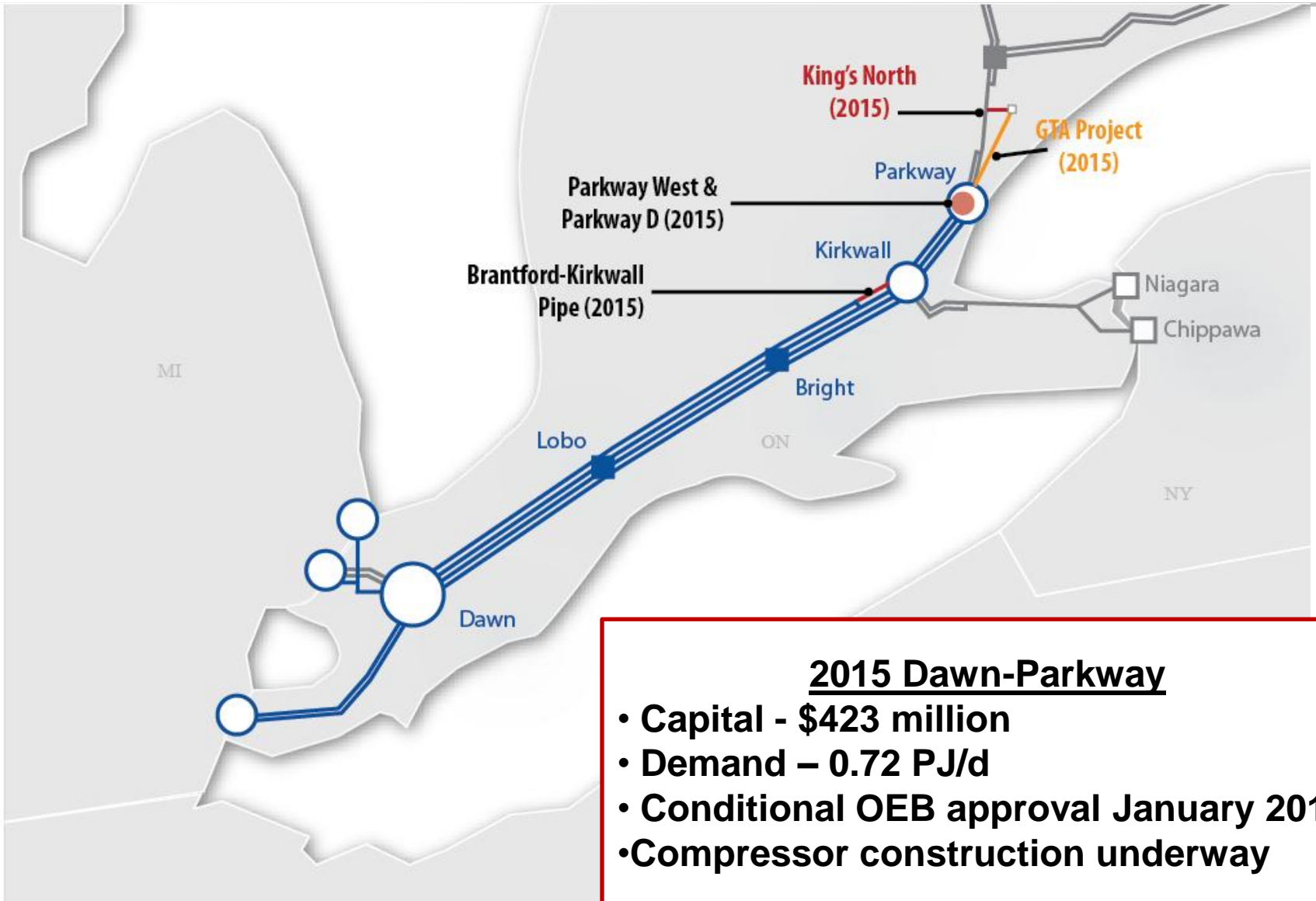
2015-2018 Dawn Parkway System growth largely in response to LDCs seeking natural gas supply from or through Dawn

Proposed Projects

2015 Dawn Parkway System Expansion



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2015 Dawn-Parkway

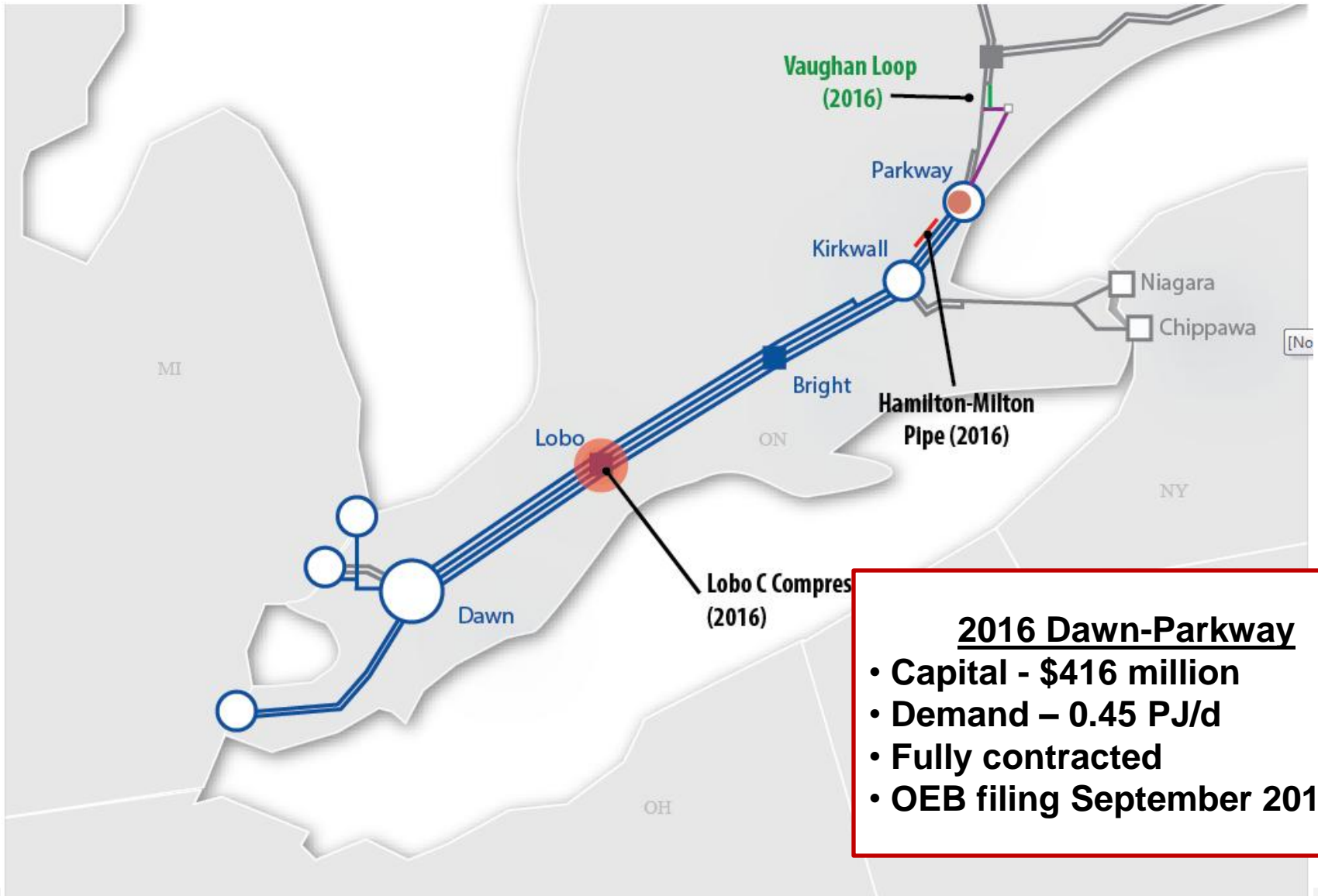
- Capital - \$423 million
- Demand – 0.72 PJ/d
- Conditional OEB approval January 2014
- Compressor construction underway

Proposed Projects

2016 Dawn Parkway System Expansion



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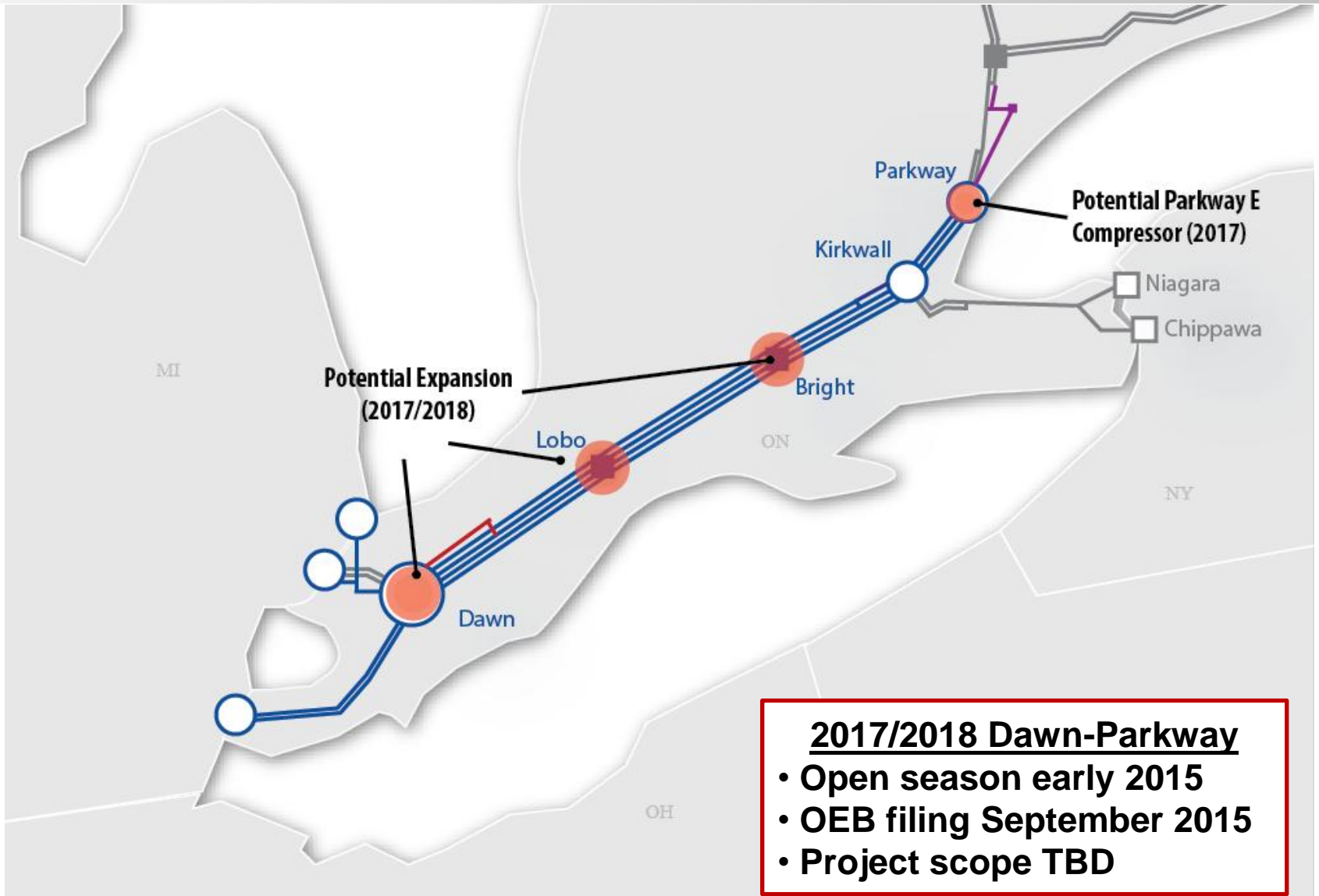


2016 Dawn-Parkway

- Capital - \$416 million
- Demand – 0.45 PJ/d
- Fully contracted
- OEB filing September 2014

Proposed Projects

2017/2018 Dawn Parkway System Expansion



2017/2018 Dawn-Parkway

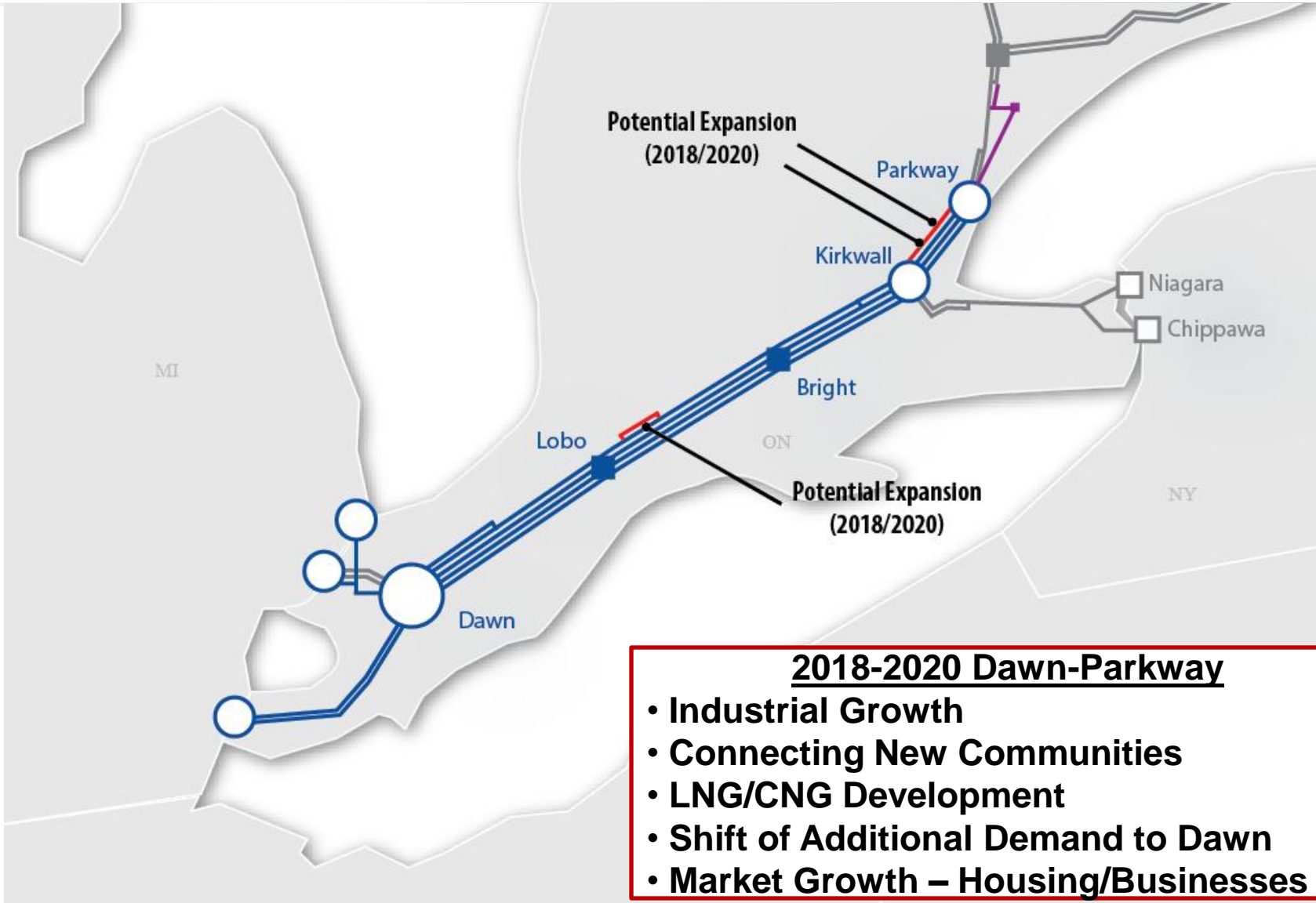
- Open season early 2015
- OEB filing September 2015
- Project scope TBD

Potential Projects

2018-2020 Dawn Parkway System Expansion



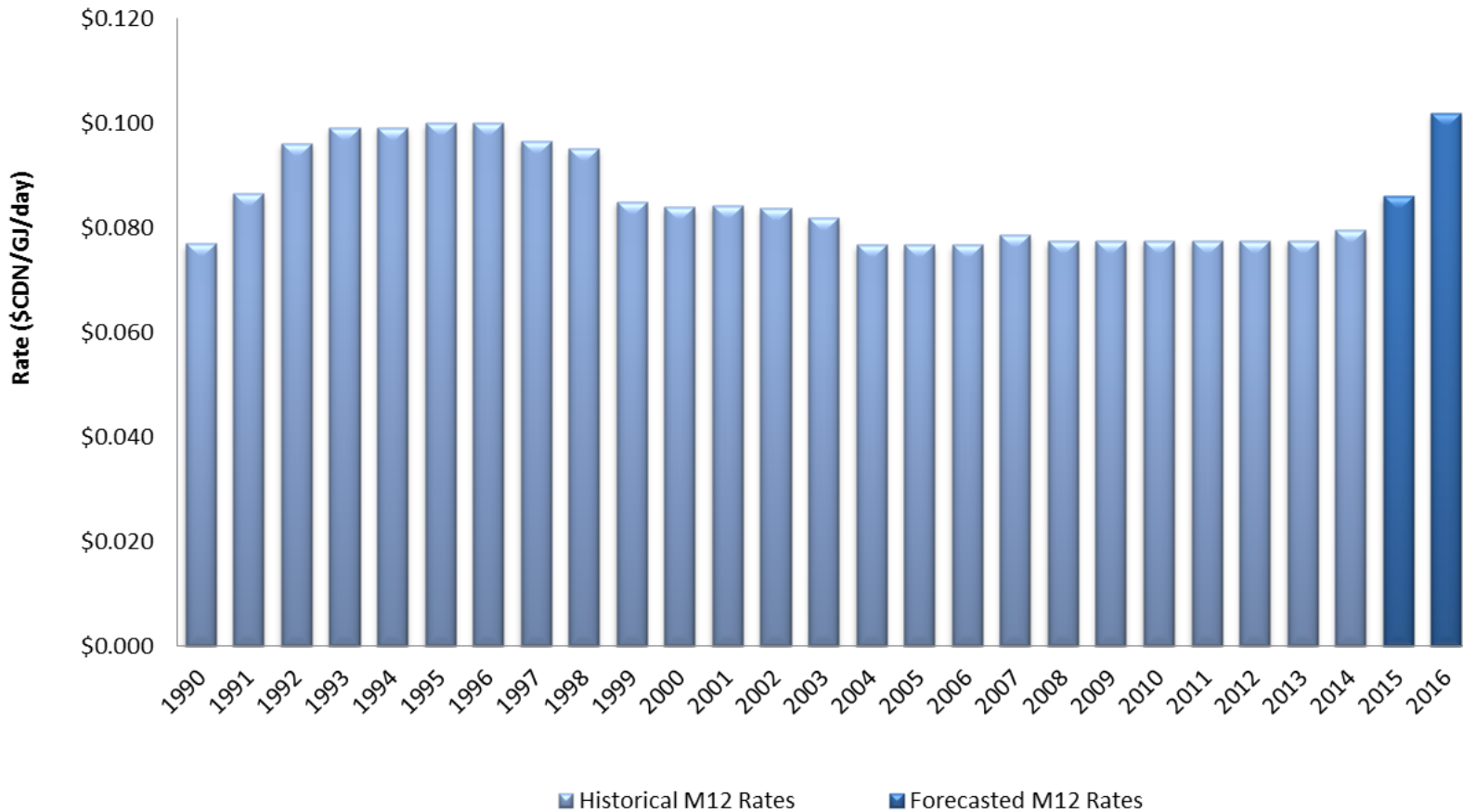
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Dawn to Parkway Rates

Expansion Increases Transportation Rates

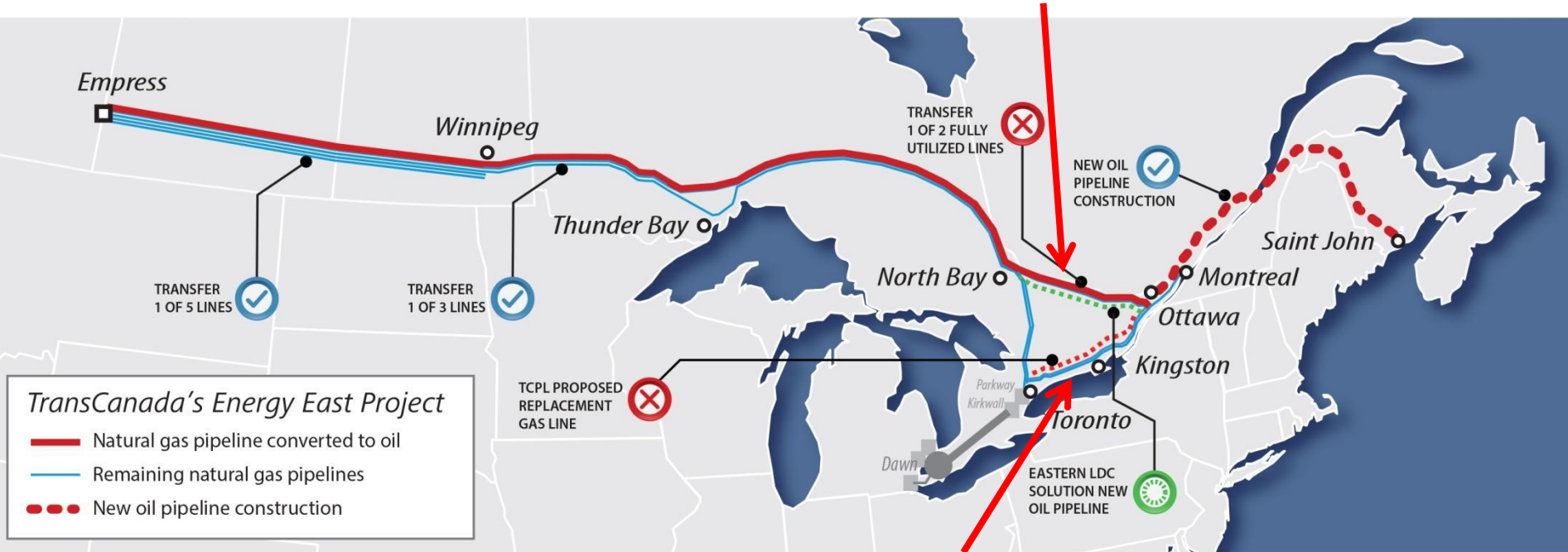
M12 Transportation Rates



Energy East Project

Energy East Project

TCPL Removing Fully Used North Bay to Ottawa Natural Gas Pipeline (1.2 PJ/d)



TCPL Replacing Natural Gas Pipeline at Half of the Capacity

Union supports concept of Energy East Project. Current structure will negatively impact eastern gas markets and consumers.

TransCanada proposes to remove 40% of the existing natural gas capacity in Eastern Triangle (North Bay and Ottawa) @ \$0.4 billion net book value for oil project and replace with half the capacity @ estimated \$1.5 billion

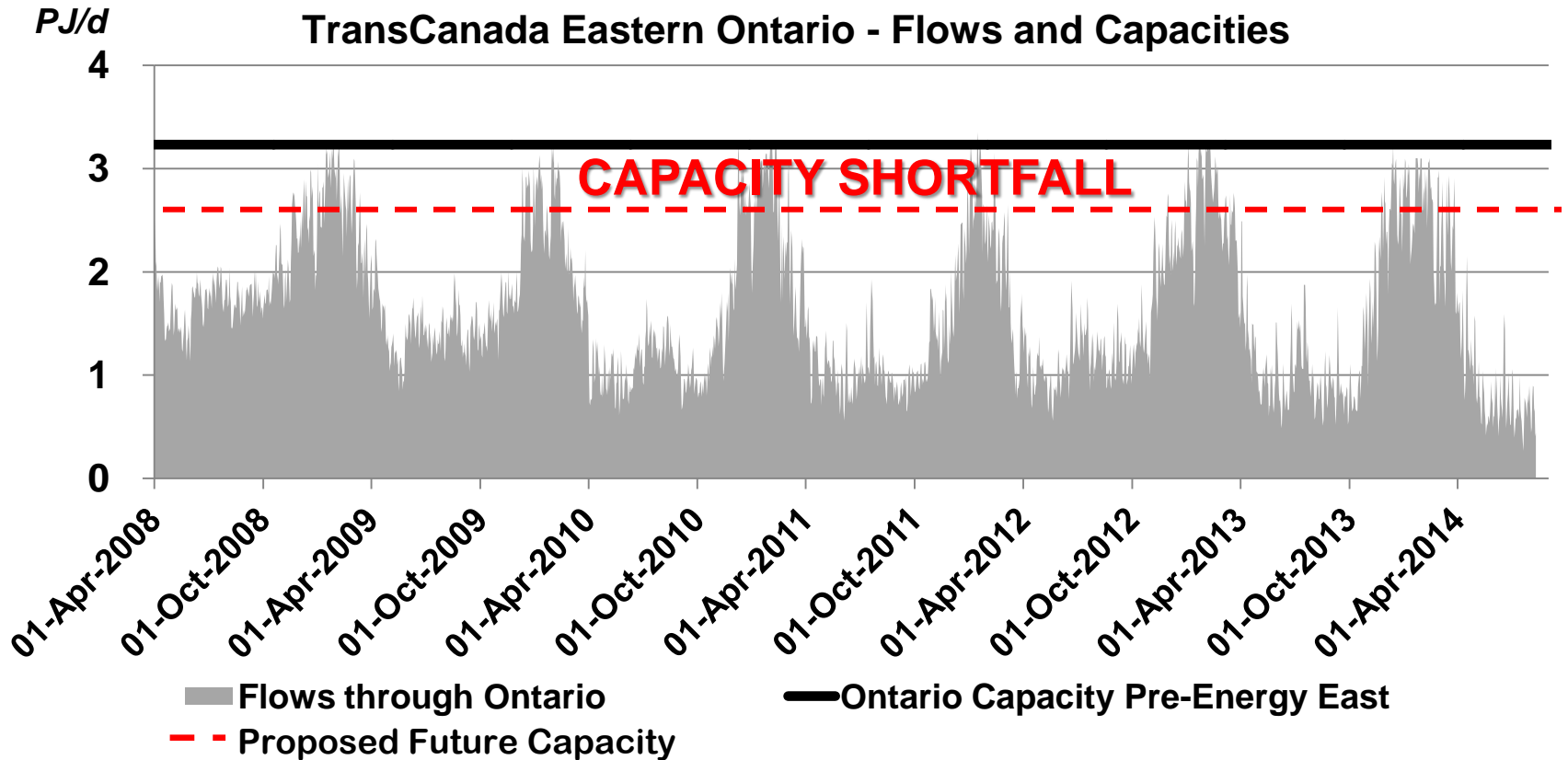
Eastern LDC Position

1. Maintain sufficient capacity to meet eastern Canadian natural gas needs
 - Existing capacity is required to meet peak day demand
2. Eastern Canadian natural gas consumers should not pay more to replace capacity that exists today
 - NPV to 2030 not appropriate means of measuring cost impacts
3. Capacity constraint may lead to higher commodity costs in Ontario

Energy East is not a fair deal for gas shippers

Eastern Triangle Capacity and Flow

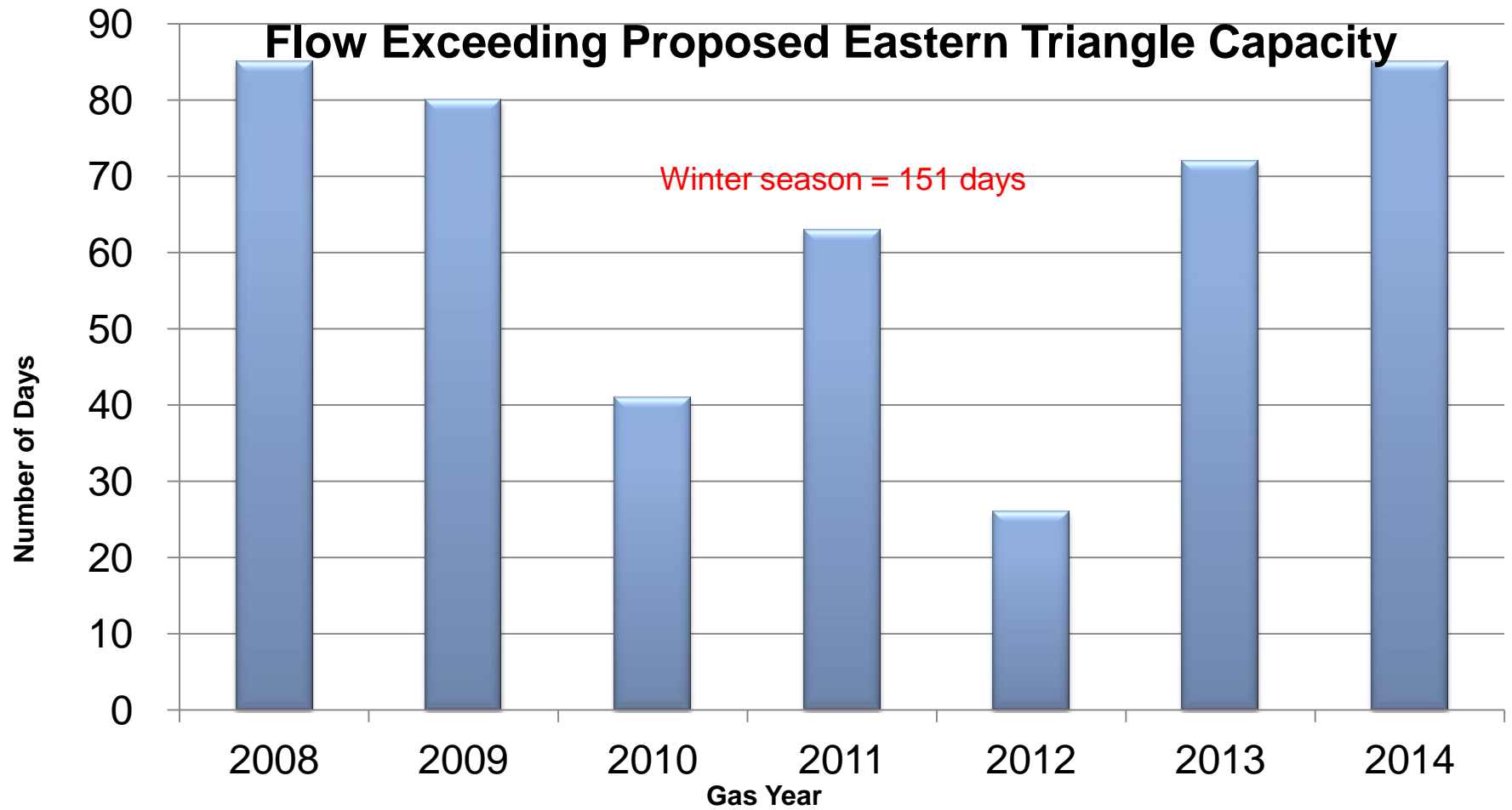
Full Utilization During Peak Winter Months



Energy East proposal will result in a capacity shortfall in the Eastern Triangle impacting Ontario and Québec natural gas markets

Eastern Triangle Utilization

Natural Gas Markets Depend on Eastern Triangle Capacity

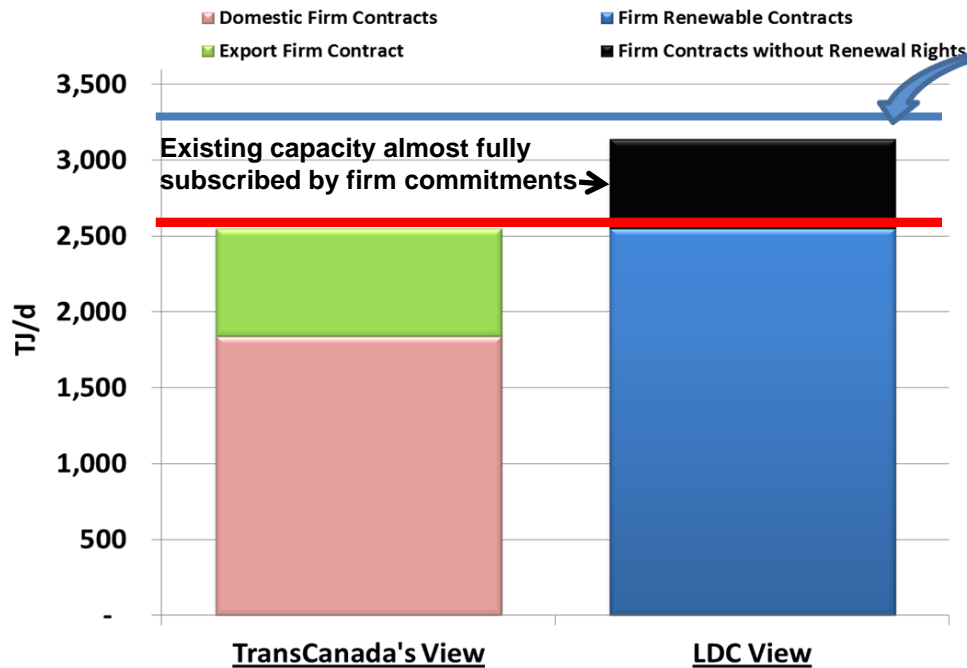


Capacity shortfall most likely to impact industrial and institutional customers who cannot commit to long term firm contracts

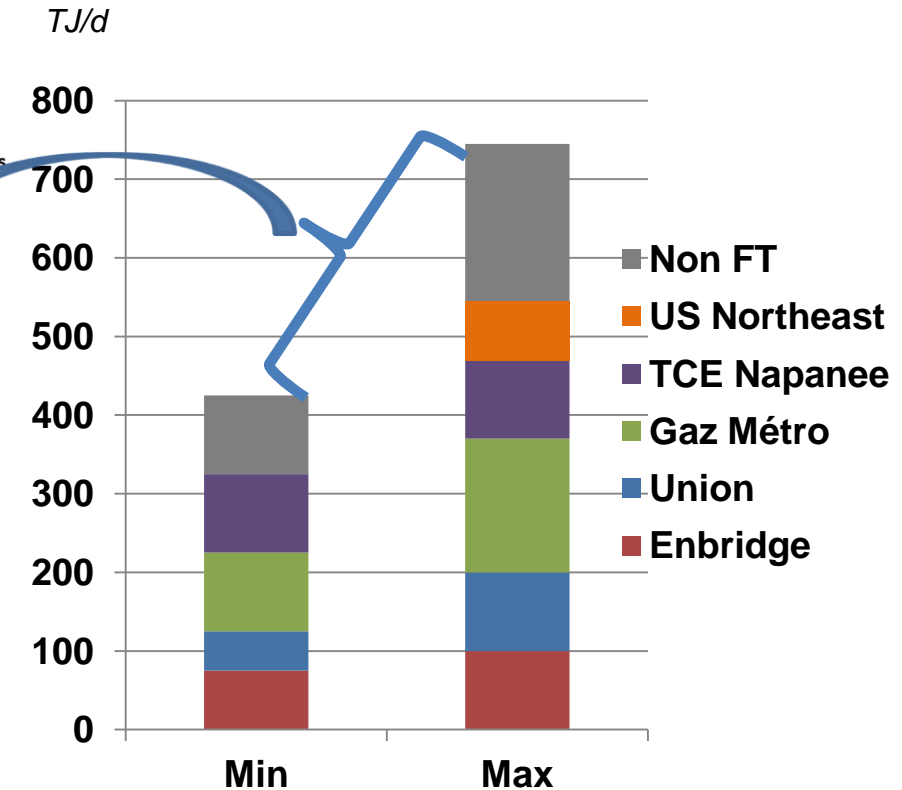
Eastern Triangle Firm Contracts

Most Existing Capacity Contracted on Firm Basis

Firm Contracted Capacity



Capacity Requirements Beyond 2016



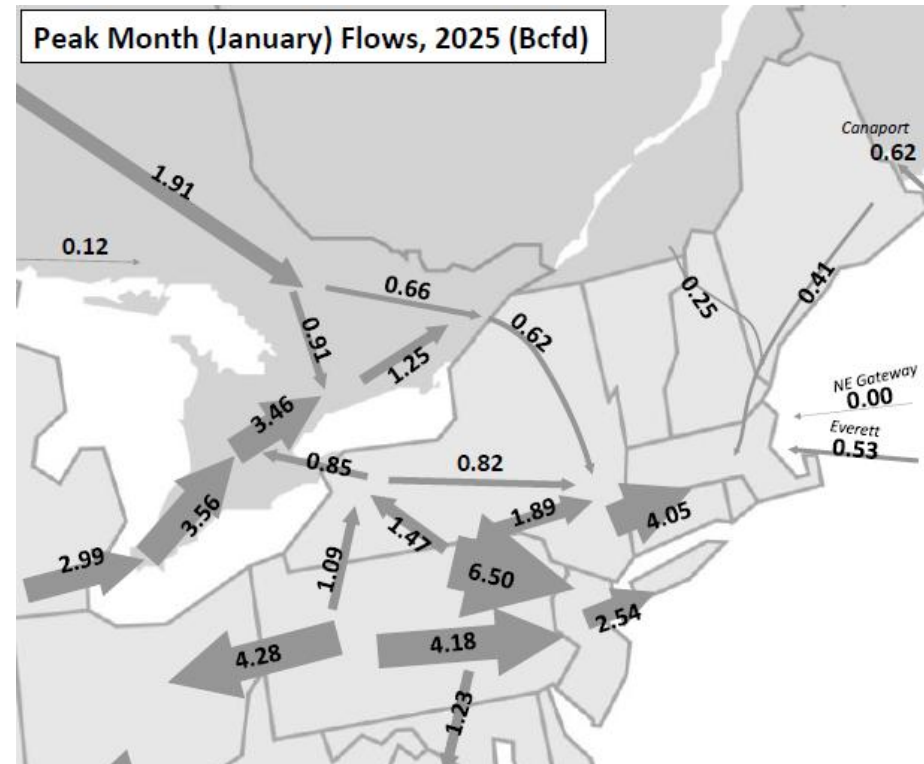
*Capacity in addition to 575 TJ/d included in the Eastern Mainline Project application

Total replacement capacity required estimated to be between 1,000 TJ/d and 1,200 TJ/d

Export Market Expectations

Supply U.S. Northeast During Peak Periods

- TransCanada forecasts imports at Waddington from the U.S. Northeast due to large regional pipeline build out
- ICF forecasts continued exports to the U.S. Northeast during peak months
 - U.S. Northeast demand will continue to outpace addition of pipeline capacity
 - Peak day exports are expected to decline on an annual basis
- LDC discussions with U.S. Northeast customers supports expectation of continued exports
 - All LDCs value diversity of supply
 - Dawn has access to storage and liquid market
- Export markets transacting at Dawn increase liquidity to the benefit of Ontario and Québec consumers



With reduced capacity in the Eastern Triangle, Ontario and Québec will compete with U.S. Northeast for supply

Conclusion

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