

Gaz Métro Limited Partnership

**Undertaking:**

**“To provide, as a percentage, the cost of moving gas as opposed to storing it on Dawn” July 13, 2006 Transcript, Page 101.**

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Response:

In order to respond to the undertaking we have analysed the costs involved in using Long Haul Firm Transportation on the TransCanada system to supply our service area winter demand in comparison with a supply structure which uses Dawn based storage. Our analysis is based on our specific situation of an LDC located in Quebec and the costs involved in bringing gas from Empress to the GMi EDA. The results of our analysis might not be applicable to other parties that are located elsewhere.

The assumptions we have used in this analysis are based on the rates in effect in December 2005, which was a pivotal period in our negotiations with Union Gas for our latest contract renewal. The analysis is therefore based on an annual capacity of 4 415 580 GJ with a deliverability rate of 52 987 GJ/Day. The commodity prices we've used are also based on December 2005 market expectations of future commodity prices.

In order to respect our confidentiality obligation with regard to the costs of our existing storage contracts with Union Gas as well as to maintain our ability to negotiate the lowest possible cost for our customers, it is essential to keep the costs of our alternatives confidential. For the purpose of this analysis, we have used as a working hypothesis, a winter summer price differential of 1,403\$ and a Storage reservation charge of 0,917\$ (Union Gas Limited in Exhibit B, Tab 1 UGL Undertaking 16 dated April 17, 2006).

The factors we considered in our analysis are the rates in effect for both long-haul and short-haul transportation (M12 & STS), the compressor fuel requirement in both scenarios, the expected cost of the commodity and the cost of financing the gas put in storage under a supply structure that would include the use of Dawn based storage as well as the resale value of the transportation capacity when it is not required in the winter and the increased cost of purchasing gas in the winter if we were to use long-haul transportation as a load balancing tool.

The main variable that would influence the costs of using long-haul transportation as a load balancing tool is the resale value of the transportation capacity when it is not required in the summer.

The resale value of the transportation capacity in the market fluctuates significantly over time. Our base scenario is based on an average resale value of 0,40 \$/GJ. For comparison we also ran our analysis with a resale value of 0,20 \$/GJ and 0,60 \$/GJ.

The table below provides a comparison, on a percentage basis, between the costs of using long-haul transportation as a balancing tool and the use of Dawn based storage. We have factored in are all the costs involved in transporting the gas from Empress to the GMI EDA.

In the first table, we have only considered the difference between winter and summer gas prices but not the cost of the gas itself.

<b>FT Long-Haul resale value assumptions (\$/GJ)</b>	<b>Costs of using a FT Long Haul supply structure expressed as a percentage of the costs of a supply structure which includes Dawn based storage (%)</b>
0,20 \$/GJ	133,2%
<b>0,40 \$/GJ</b>	<b>119,2%</b>
0,60 \$/GJ	105,3%

In the second table, we factored in the total cost of purchasing the commodity in both scenarios and the results would be as follows:

<b>FT Long-Haul resale value assumptions (\$/GJ)</b>	<b>Costs of using a FT Long Haul supply structure expressed as a percentage of the costs of a supply structure which includes Dawn based storage (%)</b>
0,20 \$/GJ	114,5%
<b>0,40 \$/GJ</b>	<b>108,4%</b>
0,60 \$/GJ	102,3%