

Feb. 3, 2015

Lori Hunter, Mayor  
Municipality of Temagami  
P.O. Box 220  
Welcome Centre, Lakeshore Dr.  
TEMAGAMI, ON P0H 2H0

File  Incoming  Other  
Mayor   
Council   A  
CAO   
Building   
Finance     
Ec Dev     
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Public Wks     
PPP   
Social Services



Re: TransCanada Pipeline's Energy East Project

Dear Lori Hunter, Mayor

I would like to take this opportunity to clarify our position on Energy East and recent communications initiated by TransCanada. Union Gas, Enbridge Gas Distribution and Gaz Métro are not opposed to the Energy East Pipeline. In fact, we support the majority of the project and believe that, done right, this project could provide significant benefits to Canada.

However, our collective responsibility is, first and foremost, to stand up for our 3.6 million customers. The bottom line is that the Energy East project, as currently structured, is unfair to Ontario and Québec communities. This concern was recently confirmed in an independent review by Québec's energy regulator which concludes that "the natural gas component of the project introduces costs and risks that natural gas shippers currently do not and should not have to bear." This key point has been excluded from TransCanada's public response to the report.

The problem with the Energy East project is twofold:

1. TransCanada has underestimated the market demand and, as a result, the proposed replacement pipeline is too small.

TransCanada has repeatedly suggested that it will only re-purpose pipeline capacity that is no longer being contracted and that natural gas capacity servicing Canadian consumers will not be impacted. What they are not saying, is that the existing pipeline is fully contracted and has operated at full capacity for many days during both last winter and this current winter. What they are not saying, is that they have based the size of the replacement gas pipeline on customers' willingness to sign new 15-year transportation contracts. Many customers who buy their own gas – including as much as half of the industrial, institutional and large commercial customers in eastern Ontario - have for years, relied on shorter-term services offered by TransCanada. While we are working with customers to educate them on the TransCanada proposal and on potential options, some customers are unable to commit to long-term contracts to keep their existing gas service and as a result, TransCanada has understated the market. As a result, the replacement pipeline TransCanada proposes to build is too small to meet the existing needs of Ontario and Québec.

2. Ontario and Québec natural gas consumers will be stuck with the cost and risks related TransCanada's proposal to build a new replacement natural gas pipeline.

The cost of the new, smaller replacement gas pipeline will be at least \$1 billion more than the cost of the existing, larger gas pipeline that TransCanada wants to remove and convert to oil. Furthermore, TransCanada's proposal puts Ontario and Québec at risk for the actual costs to build this new pipeline, even though there is an existing gas pipeline that meets our needs today. It's estimated that this cost could be up to \$50 a year for 50 years for homeowners and up to \$500,000 a year for 50 years for industrial employers in Eastern Ontario. There is no reason why gas consumers should pay anything for an oil pipeline. When you take into consideration these costs and risks, it is clear why we are concerned about the negative impact to families, businesses and the economy.

Less capacity at a higher cost – that's not right.

Affordable energy helps attract industry, retain existing businesses and create jobs for our residents – it's critical to the economic development of our communities.

If TransCanada's position was correct, and natural gas customers would be better off and have adequate pipeline capacity and lower costs, why would we, along with Enbridge and Gas Métro, take issue with the project? We wouldn't because that's exactly what we want for our customers. Unfortunately, the TransCanada proposal does not provide adequate capacity and lower costs.

For over 100 years, Union Gas has worked hard to build a strong reputation of reliable service and affordable energy to the communities we have the privilege of serving and we will continue to stand up for our communities and customers. For this project to be truly in the national interest, it must represent the interests of Ontario and Québec municipalities and not expose municipalities to new costs and risks. The simple solution? TransCanada should leave the natural gas pipeline in place and build a new oil pipeline from North Bay to Ottawa, paid for by TransCanada and not by natural gas consumers in your community.

If you need further information, please visit [www.fairenergieeast.ca](http://www.fairenergieeast.ca). Your local Union Gas District Manager, Steven Jelich would also be please to answer your questions at 705-475-7914 or email at [sjelich@uniongas.com](mailto:sjelich@uniongas.com).

Yours sincerely,



Steve Baker  
President, Union Gas Limited