

1 Plant provide Alliance with an incentive to replace the extracted energy through an
2 increase in gas receipts which would result in offload of receipts on the Alberta
3 System, and a reduction in volumes available for Mainline Western receipts.

4 ***Bison and Ruby Projects***

5 The Bison project, which transports Rockies gas into the Northern Border system,
6 and the Ruby project, which transports Rockies gas to Malin and California markets,
7 both displace WCSB gas out of Midwest and California markets, making some
8 volumes previously shipped on Foothills at Monchy and Kingsgate available to the
9 Mainline.

10 **Impact of Structural Change on Mainline Competitive Risk**

11 One of the ways in which the impact of the major structural changes discussed above
12 can be seen in Figure 11-21, which shows aggregate flows at Mainline Northeast US
13 export points combined with REX flows and Marcellus production. The new gas
14 supply has backed Mainline supply out of markets traditionally served by the
15 Mainline. REX and Marcellus gas also displace other US gas supplies from northeast
16 US markets.

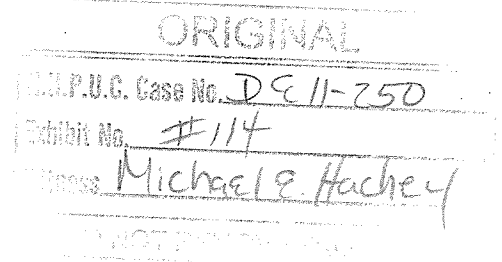
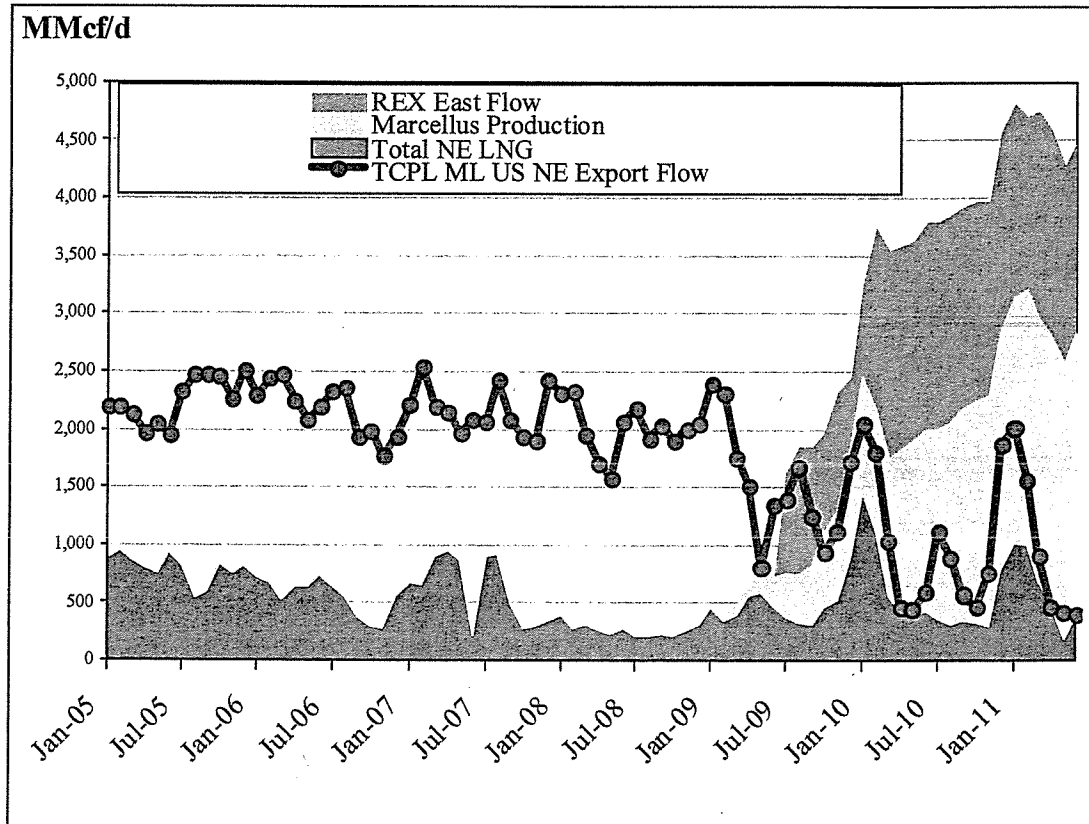


Figure 11-21: Mainline Northeast Export Flows and New Supply



1 Another impact of the structural changes and resultant increased competition to the
2 Mainline long-haul system can be seen in Figure 11-22, which shows Mainline long-
3 haul firm capability and the level of long-haul contracts. Long-haul contracts have
4 declined from 7 Bcf/d in 1998-99 to 1.3 Bcf/d in 2010-11, leaving substantial
5 uncontracted long-haul capacity. Long-haul Mainline supplies are being replaced by
6 competing supplies accessing the Mainline system in the market area. The reduction
7 in long-haul contracting combined with declining Mainline flows have led to major
8 increases in the Mainline tolls. The annualized Eastern Zone Tolls increased from
9 1.02 \$/GJ in 2007 to 2.45 \$/GJ in 2011.⁴⁵ High Mainline tolls have negatively
10 impacted the Mainline competitive position in eastern Canadian and Northeast US
11 markets.

⁴⁵ Applied for Final 2011 tolls.