

ANALYSIS OF AGREEMENT CONTAINING (Enbridge) and (EPCOR)
gas pipeline transportation from many Deepwater Continental Shelf oil and gas
and exploration blocks ("blocks") in certain natural gas producing areas in the Gulf of
Mexico. Enbridge has a wholly owned subsidiary in Texas in the District of Columbia. Enbridge
alleges that, resulting from the Merger, Enbridge will have access to competitively sensitive
information of its competitor, the Discovery Pipeline, and gain voting rights over the
Pipeline's significant capital expenditures, including expansions needed to connect
the Pipeline to the Texas coast. Without adequate safeguards, Enbridge could misuse that information and voting
rights to the detriment of the Pipeline and its shareholders. The Discovery Pipeline has
Enbridge is required

B. Spectra

Spectra is one of the largest North American pipeline and midstream companies. Spectra predominately focuses on natural gas, providing natural gas gathering, storage, and transportation in the southeastern and northeastern United States and in southern Canada. Through a joint venture with Phillips 66 ("Phillips"), Spectra owns an indirect minority interest in the Discovery Pipeline, a natural gas pipeline that transports natural gas from Deepwater areas in the Gulf of Mexico to processing plants in Louisiana.

III. The Proposed Merger

Respondent Enbridge and affiliated companies under its control entered into a merger agreement with Spectra, dated September 5, 2016, pursuant to which Sand Merger Sub, Inc., a newly created direct wholly owned subsidiary of Enbridge, will merge with and into Spectra, with Spectra surviving the merger. The combined entity will be the largest energy

V. Market Structure

The Commission’s Complaint alleges that Enbridge and Spectra own interests in the pipelines closest to wells drilled in certain blocks in the Gulf Producing Areas, including blocks that lie between the pipelines. Enbridge, through a wholly owned subsidiary, owns and operates the Walker Ridge Pipeline. Spectra holds an indirect minority ownership interest in the Discovery Pipeline, via its 50% joint venture with Phillips (DCP Midstream, LLC (“DCP”), which in turn has an effective 36.1 percent limited partner interest in DCP Midstream Partners, LP (“DPM”). DPM owns a 40 percent interest in the Discovery Pipeline; Williams Partners L.P. owns the majority interest (60 percent) in the Discovery Pipeline and is its operator.

The Commission’s Complaint alleges that the length of pipeline needed to connect an existing pipeline to a well is a major factor in determining the overall cost for the pipeline to connect to the well. Thus, more distant pipelines likely face higher costs to connect to wells, resulting in higher natural gas pipeline transportation prices for natural gas producers. Where the Walker Ridge Pipeline and the Discovery Pipeline are a producer’s nearest options – as they are for many blocks in the Gulf Producing Areas – they each likely could expand to connect to the producer’s well for the lowest costs. As such, the Walker Ridge Pipeline and the Discovery Pipeline are the two pipelines most likely to compete successfully for projects in certain blocks in the Gulf Producing Areas.

VI. Effects of the Merger

While Spectra does not outright own the Discovery Pipeline, it holds a majority interest in it (or operate it), and Enbridge holds a majority interest in the Walker Ridge Pipeline.

Enbridge and Spectra are the only pipelines in the Gulf Producing Areas that compete for projects in certain blocks in the Gulf Producing Areas. Enbridge and Spectra are the only pipelines in the Gulf Producing Areas that compete for projects in certain blocks in the Gulf Producing Areas.

VIII. The Agreement Containing Consent Order

The proposed Order resolves the anticompetitive concerns described above by requiring that (1) Enbridge erect firewalls to limit its access to public information relating to the Discovery Pipeline and (2) all representatives appointed by Enbridge or Spectra to the DCP or DPM boards of directors recuse themselves from any vote pertaining to the Discovery Pipeline, with two limited exceptions. First, Enbridge's representatives may vote on initiatives to expand the Discovery Pipeline beyond natural gas pipeline services in the Gulf of Mexico. This provision ensures that Enbridge does not have to participate in business ventures unrelated to the Discovery Pipeline's current business. Second, Enbridge's representatives may participate in votes to change DPM's ownership interest in the Discovery Pipeline. The use of firewalls and recusal provisions is appropriate because the competitive concerns arise from a discrete overlap that constitutes a relatively small portion of DCP's and DPM's overall physical footprints and business portfolios.

The proposed