

BACKGROUND AND EXPLANATION OF TRANSACTIONAL SERVICES REVENUE

1. The purpose of this evidence is first to provide an overview of transactional services ("TS") revenue by explaining on what basis transactional services revenue is generated and the types of transactional service transactions. Following this an analysis of the transactional services revenue and/or gas cost reductions generated by various types of transactions available to Enbridge Gas Distribution Inc. ("EGD") to optimize gas supply for ratepayers is presented. The evidence also considers why compensating the utility through a revenue sharing mechanism is beneficial for ratepayers.

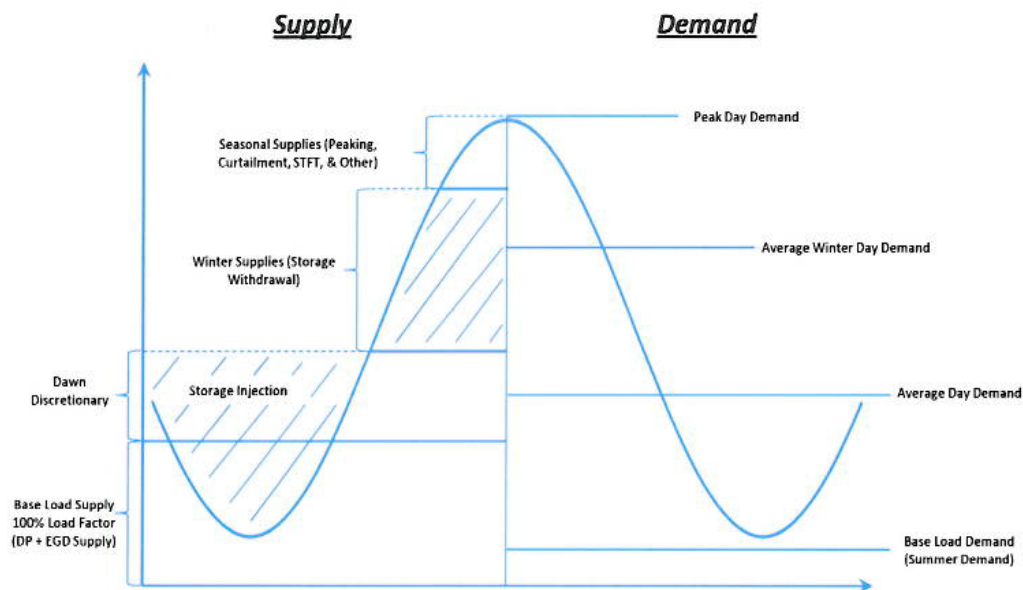
Gas Supply Plan

2. EGD procures natural gas supply, transportation and storage in order to ensure that it is able to meet franchise demand 24 hours a day, 7 days a week, and 365 days a year. In developing its gas supply plan EGD balances reliability of supply and transportation, diversity of production source and pipelines and a need for a level of flexibility to respond to variation in demand against cost to arrive at a robust and manageable plan suited to meet the needs of its customers.
3. Demand on the EGD distribution system can be broken out into several components: base load demand, average day demand, seasonal or average winter demand and peak day demand. Base load demand refers to load which is not temperature sensitive and is defined as demand during the summer (July & August). Winter demand is comprised of base load demand plus heating load. Peak day demand refers to load conditions which are the greatest on a day within a year. Average day is comprised of all aforementioned three demand components and is calculated as annual demand divided by 365 days.

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4. EGD serves these demands through various components of its supply portfolio including: base load supply, discretionary supply, winter supplies and seasonal supplies. Base load supply is comprised of long haul contracts on TransCanada Pipelines Limited ("TCPL") and Alliance/Vector pipelines along with Direct Purchase ("DP") deliveries. Discretionary supply includes purchases at the Dawn trading hub ("Dawn"). Base load and discretionary supplies are used to serve average day demand and provide gas for injection into storage when not required by the market. Aforementioned sources of supply plus paths of shorter haul on Union and TCPL pipelines are utilized to meet winter demand along with withdrawals from storage. When demand increases to a level at or approaching peak day demand additional seasonal supplies including peaking supplies and curtailment are employed. The figure below provides a stylized picture of supply and demand.

Figure 1. – Relationship of EGD's Gas Supply and Demand



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5. Every year there are a number of considerations that go into the development of the supply portfolio
 - i. changes in degree days, customer adds, change in average use
 - ii. customer migration between Sales and Direct Purchase service
 - iii. changes in peak day demand requirements – not only changes to the absolute level of peak day but how it relates to average winter daily demand
 - iv. changes in the market place – access to new supply alternatives, new pipeline transportation opportunities and alternative storage arrangements
 - v. review of how the market responded the previous year to firm versus interruptible transportation
 - vi. other changes in supply reliability, diversity and operational flexibility
6. EGD's Gas Supply Strategy group uses an application known as SENDOUT to assist in the development of the supply portfolio. Firm transportation contracts (i.e., Firm transportation service on TCPL and Alliance/Vector pipelines) are a sunk cost meaning that they must be paid for regardless of whether they are used to transport gas or not. SENDOUT uses the attributes of the various supply and demand components to maximize the use of firm transportation contracts. It then helps determine how to best use other supply options including storage levels to ensure demand is met.
7. Transactional services optimization is not considered by the planning group or modeled by SENDOUT at the planning stage as it is not possible to predict when transportation will be surplus on the day (due to fluctuations in demand) or the daily pricing that will drive the value of optimization deals. However, as can be

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seen in the above graphical representation of how demand is met with a SENDOUT optimized supply plan, it is important to note that base load transportation exceeds base load demand (also known as average summer daily demand) and the combination of all transportation components exceeds the average winter day demand. It is therefore expected at a general level that there will be surplus transportation capacity that can be made available for optimization on certain days throughout the year. This is considered in the annual ratemaking process. For 2012 an amount of \$8 million was incorporated into rates to reflect the ratepayer's share of the generation of transactional services revenue in some form.

8. The table below identifies the peak day design forecast for 2012 and the contracts that were required to meet that peak day demand as per the gas supply plan.

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Table 1 - 2012 Peak Day Design Forecast Fulfillment Summary

As per the 2012 Budget

In Gigajoules (GJs)	CDA	EDA	Total
Demand	3,164,452	577,411	3,741,863
Less Curtailment	(129,737)	(31,788)	(161,524)
	<u>3,034,716</u>	<u>545,623</u>	<u>3,580,339</u>
TCPL FT Capacity	90,424	196,970	287,394
TCPL STFT	250,000	75,000	325,000
TCPL Short Haul	139,879	114,000	253,879
TCPL STS	369,464	80,611	450,076
Direct Purchase (Ontario T-Service)	349,653	32,693	382,346
Storage and Delivered Services	1,741,278	-	1,741,278
Peaking Service	<u>94,018</u>	<u>46,349</u>	<u>140,367</u>
	<u>3,034,716</u>	<u>545,623</u>	<u>3,580,339</u>

Roles of various departmental groups in the development and execution of the EGD gas supply plan

- Gas Supply Strategy group – The primary responsibility of the Gas Supply Strategy group is to identify the necessary assets – storage, transportation, peaking services and delivered services – required in the supply plan to meet the peak, seasonal and annual demands of EGD's customers under design day conditions.

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10. Gas Supply group – The primary responsibility of this group is to arrange for the necessary gas supplies required to meet franchise demand and fill storage. The group also ensures that the long haul transportation contracts are operated at 100% load factor and that peaking and delivered services are procured as necessary. Also, once authorized by the Gas Control group, this group enters into transactional service deals – both storage optimization and transportation optimization – with third party marketers.
11. Gas Control group – Throughout the year the Gas Control group is responsible for forecasting the day to day demand of EGD's customers. The Gas Control group then nominates (or schedules) on a daily basis for the delivery of natural gas under the various pipeline and storage contracts that EGD has entered into. The Gas Control group also has the responsibility of determining whether or not to call for curtailment during the winter season. Once satisfied that the demands of EGD's customers will be met, the Gas Control group authorizes the Gas Supply group to use any remaining temporarily surplus transportation and/or storage assets to generate transactional service revenue.
12. Gas Cost Accounting group - Upon the receipt of the various commodity, transportation and storage invoices the Gas Cost Accounting group reconciles and verifies these invoices to ensure accurate and timely payments to third parties. The Gas Cost Accounting group also ensures that these amounts are booked accurately as either a gas cost or transactional services revenue item and that amounts are booked correctly to either the Purchase Gas Variance Account ("PGVA") or the Transactional Services Deferral Account ("TSDA").

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13. Organizing the department in the above described groups helps ensure that decisions get made for the right reasons. Everything starts with the Gas Supply Strategy group which develops a gas supply plan aimed at reliably and cost effectively meeting customer demand. Once the plan is in place, the Gas Control group carries out and monitors implementation of the plan. They decide if and when capacity is available for the Gas Supply group to optimize and generate Transactional Services revenue. The Gas Cost Accounting group summarizes and properly records the transactions throughout the year.

Transactional Services

14. The concept of transactional services was first introduced in the mid 1990's under the premise that if circumstances arose where the assets acquired by EGD to meet customer demand were not fully required then those assets could be made available to generate third party revenue. To be considered transactional services the transaction opportunities must be unplanned, a third party must be requesting a service and EGD must have temporarily surplus capacity. To help better understand these elements they are explored in more detail below.
15. Unplanned – Optimization transactions opportunities cannot be forecast at the time the gas supply plan is developed and are therefore unplanned. There are two circumstances that must be known in order for optimization transactions to be forecast and planned. First the knowledge that a specific level of transportation capacity will be surplus at specific points in time and, second, the value that EGD can extract for that specifically identifiable surplus capacity must be known. These circumstances cannot be known at the gas supply plan development stage.

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16. Third party service request – As noted above EGD does not sell natural gas to third parties except in unusual operational conditions (pipeline or storage force majeure and extreme weather events). In its Reasons for Decision in RP-2003-0203 dated November 1, 2004 the Board disallowed the practice of bundling commodity sales with surplus transportation capacity to generate transactional service revenues. As a result EGD is unable to market surplus capacity to end use customers other than its own, as end use customers typically require units of energy at a particular location and time rather than units of capacity. Consequently, a request from a third party marketer or supplier who is able to combine surplus EGD capacity with commodity sales is needed for generating transactional services revenue.
17. Temporarily surplus capacity - EGD has surplus transportation capacity to the franchise at various points in time because it procures transportation at a level to meet peak day demand in the franchise. Temporarily surplus capacity, as one of the elements of transactional services, does not include surplus commodity as EGD rarely if ever has surplus commodity purchases. Gas is purchased either to serve the customer on the day or to inject into storage for use to serve demand at a later date.
18. Transactional services optimization can be grouped into two different categories – storage optimization and transportation optimization. Storage optimization transactions typically rely on storage or loan of gas between two points in time but at the same location (i.e., Dawn). The transaction is made possible because of the existence of a price spread that exceeds the cost of storing or loaning gas for the period of time in question. Transportation optimization transactions typically rely on the exchange of gas on the day between two locations. The transaction is

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made possible because the price spread between the two locations exceeds the cost of completing the exchange between the two locations.

19. An example of storage optimization is as follows: A third party has supply at its disposal in April but does not have a market for that supply until August. The third party therefore approaches EGD about the possibility of storing gas until August. If EGD can accommodate such a request – an injection in April with a withdrawal in August - then EGD will do so. The fee for this service will be based upon the price differentials between April and August which generates net revenue.
20. An example of transportation optimization occurs when a third party has gas available at a particular point (Dawn), and needs the gas at another point (Iroquois), but does not have a way of getting the gas there. EGD is approached by the third party and, without impacting its ability to meet customer demand, can accommodate a point to point exchange of gas through the use of one of its transportation contracts. The price spread between the two points generates net revenue and the two parties proceed with the deal.
21. Since the assets used to enter into these optimization transactions are being paid for by the customer, through EGD's rates, the majority of the revenue generated should and does flow back to the customer base. To incent EGD to work to maximize the revenue generated, and therefore maximize the benefit to customers in the form of reduced rates, a sharing mechanism has and continues to exist where a portion of optimization revenues generated is returned to EGD for the benefit of shareholders.

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Types of Transactional Services Exchanges

22. While there may be opportunities during the winter months to enter into transactional services deals the majority of deals occur in the summer months. During the summer months, when demand is less than the amount of gas that can be moved on base load supply contracts, EGD will continue to buy gas to fill that transportation capacity to fill storage as discussed earlier. The transportation associated with this gas, which is surplus to meeting customer demand on the day, creates one of the primary opportunities to generate transactional services exchanges.
23. Unlike the CDA where more transportation options exist, EGD is dependent on TCPL pipeline capacity to meet the peak and winter demand in the Eastern Delivery Area (EDA). It is therefore necessary to contract for a significant level of long haul transportation to the EDA resulting in long haul transportation that significantly exceeds the average summer daily demand in the EDA. The gas supply plan therefore intends for this excess supply to be diverted to storage for use in the following winter. This need for significant diversion to storage provides opportunity for transactional services. The size of the diversions over a period of time can allow for capacity release exchanges (described in detail later on), with their enhanced value, to be done rather than base exchanges on the day if the right conditions exist going into the storage injection season. For this reason many examples given below focus on EDA related transportation. The following table provides a comparison of the assets required to meet peak day, average winter and average summer daily demands in the EDA in support of examples discussed later.

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Table 2 - Eastern Delivery Area Demand Summary

Eastern Delivery Area (EDA)
As per 2012 Budget

In Gigajoules (GJs)	<u>Peak Day</u>	<u>Avg Winter Demand (January to March)</u>	<u>Avg Summer Demand (April to October)</u>
Demand	577,411	334,742	102,594
Less Curtailment	<u>(31,788)</u>	<u>-</u>	<u>-</u>
	<u>545,623</u>	<u>334,742</u> (A)	<u>102,594</u> (C)
TCPL FT Capacity	196,970	196,970	196,970
TCPL STFT	75,000	75,000	-
Direct Purchase (Ontario T-Service)	<u>32,693</u>	<u>32,693</u>	<u>32,693</u>
Sub Total	304,663	304,663	229,663
TCPL Short Haul	114,000		
TCPL STS	80,611		
Peaking Service	<u>46,349</u>	<u>-</u>	<u>-</u>
	<u>545,623</u>	<u>304,663</u> (B)	<u>229,663</u> (D)
Amount Required from TCPL Short Haul and TCPL STS		30,079 (A-B)	
Amount of Long Haul required to be diverted to storage			127,069 (D-C)

24. The following is a description of the types of exchange deals that EGD has done in the last few years, including the year that is the subject of this application. A copy of a TransCanada system map has been included as an aid as certain delivery

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points on their system, such as Emerson and Iroquois, and their relative position on TCPL's system are referenced in the examples (See Appendix A).

25. Base exchange – A base exchange is the simplest type of exchange. EGD gives a third party gas at one location and receives gas back from that third party at a different location on the same day. The Iroquois/Dawn exchange described earlier is an example of a typical base exchange. If for illustration the proposed exchange volume was 50,000 GJs and it was a day in July where (equivalent to the average summer day in Table 2 above) the customer demand on the day was 102,594 GJs /u EGD would be able to complete the deal as 50,000 GJs is less than the 127,069 GJs being diverted to storage using long haul contract capacity. From a /u gas supply plan perspective nothing has changed. 127,069 GJs gets injected into /u storage but by doing the deal transactional services revenue is generated for the benefit of ratepayers. Base exchanges meet the elements of transactional services as they are unplanned, a third party is requesting service and EGD has adequate temporary surplus capacity.
26. STS-RAM credits exchange – To understand STS-RAM credit exchanges, STS-RAM credits themselves and how they are accumulated and consumed must first be understood. STS-RAM¹ credits are a characteristic of TCPL's Storage & Transportation Service (STS) contract service, are made available from November 15th to April 15th and arise when EGD does not fully utilize 100% of its daily contracted TCPL STS capacity. Credits can accumulate throughout the month, are only available for use within that month and can only be applied against TCPL

¹ As an aside it should be noted that the recent NEB decision, RH-003-2011, eliminates STS-RAM credits and FT-RAM credits so these transactional services opportunities will end in 2013.

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Interruptible Transportation (IT) costs. This is a unique feature that impacts the definition of temporarily surplus. Transportation contracts can be deemed temporarily surplus if they are not required to meet customer demand on a particular day. RAM Credits can be deemed temporarily surplus at a point in time in the month when EGD determines that the accumulated credits will not be used up to meet the demand of utility customers in the month.

27. STS contracts are used in the winter to withdraw gas from storage to supplement contracted TCPL long haul capacity to meet customer demand. As Table 2 above showing the situation in the EDA indicates through a comparison of peak day demand to average winter day demand, there will be days throughout the winter when EGD will not require 100 % of its STS capacity. If credits accumulate on certain days, and during the month EGD requires IT services to meet the daily customer demand, the associated costs of the IT services will be offset in part by the accumulated STS-RAM credits. This is what has been referred to in past hearings as “STS-RAM for own use”² and these credits are treated as gas cost reductions and therefore get booked to the Purchased Gas Variance Account (PGVA). If as the end of the month approaches the Gas Control group determines that it will not require IT services to meet customer demand and that it has excess STS-RAM credits on hand that will expire, it will authorize the Gas Supply group to proceed to try and extract value from those expiring credits. The Gas Supply group will then work with third parties interested in an exchange where STS-RAM credit value can be realized through use of the credits as an offset to TCPL IT used to deliver gas to the third party in the exchange. As an example, a third party may be interested in moving gas from Empress to Emerson however, the only way they

² “STS-RAM credits for own use” do not meet the elements of transactional services as no third party is involved in realizing their value.

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can do that is by using TCPL IT and paying the applicable toll. If EGD were to instead take possession of the gas at Empress and move it on TCPL IT, then EGD will be able to use STS-RAM credits to reduce the effective cost of the transportation. EGD would then give the gas back to the third party at Emerson and EGD and the third party would agree on a price that allows for a sharing of the benefit from the use of the STS-RAM credits thus creating transactional services revenue. STS-RAM exchanges meet the elements of transactional services as they are unplanned, a third party is requesting service and EGD has adequate temporary surplus capacity.

28. Capacity release exchange – As Table 1 above illustrates, EGD requires 100% of its contracted TCPL long haul capacity to meet peak day demand. In the summer, as discussed previously, EGD continues to operate its long haul contracts at 100% load factor and injects the amount in excess of customer demand on the day into storage for use in the following winter. Utilizing these contracts at 100% load factor means a characteristic of these contracts known as FT-RAM credits are not available to EGD. Above a simple exchange, known as a base exchange, has already been described. An alternative to a base exchange like the Iroquois/Dawn exchange example used earlier, would be for EGD to give gas to a third party at Empress (instead of Iroquois) and still receive the gas back from the third party at Dawn. The only added nuance would be that, instead of using its TCPL long haul contract to deliver the gas at Iroquois, EGD would temporarily assign the associated long haul capacity to the third party. From EGD's perspective, nothing is different from the earlier base exchange example. EGD exchanged its gas and its transportation capacity for equivalent gas delivered at Dawn for injection into storage. Additional value however may be created from the point of view of the third party as it can choose to resell the gas it received from EGD at Empress at a

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relatively close point like Emerson using TCPL IT for delivery which, as it has left the assigned TCPL Firm Transportation (“FT”) empty, triggers the availability of the FT-RAM credits. The value of the FT-RAM credits offset by the TCPL IT cost provides a net benefit to the third party that can be applied against the price differential between the gas they sold at Emerson and the cost of the gas they would have to purchase at Dawn in order to complete the exchange. As part of the exchange the third party and EGD would agree on pricing that allows for a sharing of that additional value generated by the counterparty having access to the FT-RAM credits.

29. As an alternative to capacity release exchanges EGD could have deviated from the recommendations of its SENDOUT model, to utilize long haul contracts at 100% load factor, and leave a portion of its FT capacity empty thereby generating FT-RAM credits for “own use”. This alternative was discussed as part of an undertaking Response (J1.1) in the EB-2012-0055 proceeding. The analysis presented later on in this evidence shows that this alternative generates significantly less value for ratepayers. This is true even if EGD receives a share of the value generated from the capacity release exchanges through the transactional services revenue sharing mechanism.
30. Unlike a base exchange that is done on the day, the value to a third party of a capacity release exchange type of transaction is further enhanced, due to the fact it is locked in for a period of time (potentially several months) offering predictability. From EGD’s perspective, leaving transactional service opportunities in the summer until the gas day may limit the size and value of the exchange deals available whereas entering into a deal for the entire summer ensures greater value. Capacity release exchanges meet the elements of transactional services as they

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are unplanned, a third party is requesting service and EGD has adequate temporary surplus capacity.

31. What can sometimes be difficult to understand in the case of capacity release exchanges is the notion that they cannot be planned (and are therefore unplanned according to the earlier described elements of transactional services) in advance as part of the gas supply plan due to the fact that it is known that there will be surplus capacity throughout a large portion of the summer and EGD will be injecting gas into storage. First of all, as described earlier in the definition of “unplanned”, there are two circumstances that must be in place to be planned. One is that pricing, and therefore whether or not there is value sufficient to warrant completing a deal, must be known. At the gas supply planning stage in late spring, pricing is not known as there are too many variables in the market to be able to find a third party willing to price and complete a transaction. Secondly, one must know what specific level of transportation capacity will be available for a specific point or period of time. This second circumstance is complicated by STS withdrawal rights associated with EGD’s STS contracts. To explain this important nuance one must understand STS withdrawal rights (another characteristic of TCPL STS contracts) and how they arise.
32. STS withdrawal rights are accumulated when gas is diverted and injected into storage using EGD’s STS contract capacity. They do not accumulate if gas is injected into storage using a capacity release exchange to Dawn as STS contract capacity is not used to inject the gas in this situation. EGD begins the winter with the necessary STS withdrawal rights accumulated as dictated by the gas supply plan. As winter unfolds, and variations in demand as compared to the gas supply plan occur, more or less gas than expected is withdrawn from storage and

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transported using STS withdrawal rights. This variability affects how many STS withdrawal rights EGD will have left on hand to roll into its next season requirement and will therefore influence how many STS withdrawal rights that will need to be generated in the upcoming storage injection season. The level of STS withdrawal rights³, as compared to plan, affects whether the Gas Control group can authorize capacity release exchanges and at what volume level.

33. In the EB-2012-0055 Decision rendered by the Board, capacity release exchanges were determined to not be transactional services and EGD was therefore directed to treat capacity release exchange revenues as a pass-through, in their entirety, to ratepayers rather than use the sharing formula applicable to transactional services revenue. The Board agreed with EGD that capacity release activities were not undertaken on a planned basis and were therefore unplanned (one of the elements of transactional services). The Board did not mention whether it considered the fact that a third party is needed to fulfill the elements of transactional services however EGD is of the view that it is one of the three elements needed. The point of departure between this evidence and the EB-2012-0055 Decision is with regard to the third element of transactional services, temporarily surplus capacity. The Board stated "The Board notes that in a capacity release, the gas purchased by Enbridge at Empress is required to serve its customers." In fact, the transportation used to complete capacity release exchange transactions is temporarily surplus capacity as it is not required to meet the demand of its customers on the day. The transportation used to complete capacity release exchange transactions is

³ Due to the warmer than expected winter in 2012 EGD recognized that it would come out of the heating season with an unusually large number of STS Withdrawal Rights remaining. This partly explains the level of transactional services Capacity Release Exchanges in 2012.

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temporarily surplus capacity in the same way that it is temporarily surplus capacity for base exchanges and for STS-RAM credit exchanges.

Summary of transactional services for 2012 and their proposed disposition

34. Appendix B provides a summary of the transactional services revenue generated in 2012.
35. Appendix C provides details of the monthly capacity release volumes in 2012 and the associated revenues.

Why EGD should be incented to maximize capacity release exchanges through treatment as transactional services

36. During the summer the average demand is less than the contracted long haul FT capacity to the EDA (see Table 2 above). EGD continues to flow that capacity at 100% load factor and make that excess gas available for injection into storage. There are four options available to EGD to get the excess gas into storage. The first would be to simply divert the gas from the EDA using its STS capacity contracts to inject the gas into storage. This option would involve no transactional service transaction and would not create any financial benefit to the ratepayer or the shareholder. The second option is to enter into a base exchange deal with a third party on a day or a number of days throughout the summer which still provides EGD with gas for injection as per the supply plan but in this case there will be avoided fuel cost as well as revenues generated from the exchange. The downside to such a transaction will be that by waiting until the gas day to enter into an exchange may limit the size of the volume to be exchanged and consequently its value. The limit to the size of the transaction will be dependent upon whether or not there is a market for these types of deals on the day. The third option available

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would be to enter into a capacity release exchange deal. EGD still receives gas for injection into storage, as is required by its gas supply plan. The advantage to this option is that locking in a fixed volume for the entire summer with the third party provides greater value thereby increasing the amount of transactional services revenue generated. The fourth option would be for EGD to purposely leave a portion of its long haul FT capacity empty in order to generate FT-RAM credits and the resulting value. The only way to collect the FT-RAM credits would be to flow gas on TCPL IT. Under this option there would be transportation savings that would allow EGD to acquire additional gas at Empress and avoid buying an equivalent volume at Dawn thereby generating gas costs saving that would flow to the PGVA.

37. It is difficult to quantify how much transactional services revenue may have been generated during the summer of 2012 if EGD had followed the second option- base exchanges - for the entire volume that was being diverted back to storage. What is known is that during the summer EGD was able to do base exchanges for an average fee of \$0.15 /GJ. Hypothetically if EGD had done base exchanges for the entire volume associated with capacity release exchanges it may have generated \$3.8 million (translating into \$2.9 million in benefit to ratepayers) in transactional services revenue. By comparison transacting under the third option – a capacity release exchange - EGD was able to generate \$18.6 million in revenue. This translated into a \$14.0 million benefit to the ratepayers if treated as transactional services revenue as EGD believes it should be. If option 4 had been used and EGD had intentionally left a portion of its long haul capacity empty to generate FT-RAM credits, procured additional supplies and moved those supplies via TCPL IT service, the most that could have been saved would have been \$1.9 million in gas costs. The following table summarizes the above analysis.

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Table 4 - Summary of options available to maximize transportation value while still injecting gas into storage according to the gas supply plan (see Appendix D for more detail on the calculations)

\$ (millions)		Third Party Involvement	Incremental PGVA Impact	Transactional Services Revenue	Ratepayer Share
Option 1	Diversion of excess supply to Storage	No	-	-	-
Option 2	Base Exchange	Yes	-	(3.82)	(2.87)
Option 3	Capacity Release Exchange	Yes	-	(18.63)	(13.97)
Option 4	Utilization of FT RAM Credits	No	(1.86)	-	(1.86)

38. Asset optimization through transactional services ultimately benefits ratepayers through reduced rates. It has been a long established practice to incent the utility to maximize these transactions for the benefit of ratepayers through a revenue sharing mechanism. Capacity release exchange transactions are unplanned, a third party is requesting a service and EGD has temporarily surplus capacity available to accommodate them. If EGD had chosen the alternative discussed earlier of using FT-RAM for “own use” for storage injections, like it does for STS-RAM, the gas cost reduction generated for ratepayers would have been far less than the ratepayers portion of transactional services revenue that was generated from capacity release exchanges. EGD’s capacity release transactions, like base exchanges and STS-RAM credit exchanges, meet the elements of transactional

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services and respond to the incentives to maximize transportation services revenue for the benefit of ratepayers as intended by design.

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