



ONTARIO ENERGY BOARD

FILE NO.: EB-2013-0046

VOLUME: 1

DATE: September 20, 2013

BEFORE:	Paula Conboy	Presiding Member
	Ken Quesnelle	Member

THE ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board
Act, 1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by
Enbridge Gas Distribution Inc. for an
order or orders approving the clearance or
disposition of amounts recorded in certain
deferral or variance accounts.

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Friday, September 20th, 2013,
commencing at 9:37 a.m.

VOLUME 1

BEFORE:

PAULA CONBOY Presiding Member

KEN QUESNELLE Member

A P P E A R A N C E S

KRISTI SEBALJ	Board Counsel
COLIN SCHUCH LAWRIE GLUCK	Board Staff
DAVID STEVENS	Enbridge Gas Distribution Ltd.
VINCE DeROSE	Canadian Manufacturers & Exporters (CME)
DAVID MacINTOSH	Energy Probe Research Foundation
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
JAY SHEPHERD	School Energy Coalition (SEC)

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Description

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NO UNDERTAKINGS WERE FILED IN THIS
PROCEEDING

1 Friday, September 20, 2013

2 --- On commencing at 9:37 a.m.

3 MS. CONBOY: Good morning, everyone. Please be
4 seated.

5 The Board is sitting today in the matter of an
6 application by Enbridge Gas Distribution for an order or
7 orders approving the clearance or disposition of amounts
8 recorded in certain deferral or variance accounts.

9 The Board has assigned the application File No. EB-
10 2013-0046.

11 My name is Paula Conboy and I will be presiding over
12 today's hearing. And with me today is Board Member Ken
13 Quesnelle.

14 Now, we were originally going to sit today to hear
15 cross-examination on three unsettled issues. However,
16 Enbridge filed a letter on September 6 in which the company
17 explained that it had determined that it no longer
18 contested two of the three unsettled issues.

19 Specifically, the company will not seek to include
20 late payment penalty revenue reductions within the 2012 Gas
21 Distribution Access Rule cost deferral account, and the
22 company will not seek to include revenues received from
23 third parties for their extraction of byproducts from
24 Enbridge Gas within the company's revenues for earning
25 sharing mechanism deferral account purposes.

26 Given this determination, Enbridge has implemented the
27 agreed-upon consequences of not convincing the Board of its
28 position on those issues, as articulated in section 1(V)

1 and 1(X) of the settlement agreement within the relevant
2 deferral and variance accounts.

3 As a result of the adjustments related to the two
4 previously contested issues, Enbridge submits that the
5 principal amount for clearance with the 2012 earning
6 sharing mechanism deferral account is \$7.39 million as
7 compared to the previously reported balance of
8 \$10.35 million.

9 This reduction is offset by the fact that the balance
10 to be cleared within the 2012 Gas Distribution Access Rule
11 cost deferral account is reduced by \$916,000 and a credit
12 of \$5 million has been added to the purchase gas variance
13 account.

14 Enbridge updated its evidence, by way of letter dated
15 September 16, to reflect its withdrawal of the two
16 contested issues.

17 Although the Board notes that the table attached to
18 that letter entitled "Enbridge Gas Distribution, Inc.
19 deferral and variance account actual and forecast balances"
20 is marked as filed September 20, 2013. The Board will mark
21 this evidence as Exhibit K1.1.

22 **EXHIBIT NO. K1.1: LETTER ENTITLED "ENBRIDGE GAS**
23 **DISTRIBUTION, INC. DEFERRAL AND VARIANCE ACCOUNT**
24 **ACTUAL AND FORECAST BALANCES"**

25 MS. CONBOY: The Board will proceed today to deal with
26 the outstanding issue of whether the amount proposed to be
27 cleared in the 2012 transactional service deferral account
28 is appropriate; more specifically, whether revenues

1 associated with capacity release exchange transactions
2 should be recorded within that account.

3 May I have appearances, please?

4 **APPEARANCES:**

5 MR. STEVENS: Good morning, Madam Chair. My name is
6 David Stevens. I'm here on behalf of Enbridge.

7 MS. CONBOY: Good morning, Mr. Stevens.

8 MR. DeROSE: Good morning, Panel. Vince DeRose on
9 behalf of CME.

10 MS. CONBOY: Morning, Mr. DeRose.

11 MR. SHEPHERD: Jay Shepherd on behalf of the School
12 Energy Coalition.

13 MR. QUINN: Good morning, Madam Chair, and Member
14 Quesnelle. Dwayne Quinn on behalf of the Federation of
15 Rental-housing Providers of Western Ontario.

16 MS. CONBOY: Good morning, Mr. Quinn.

17 MR. MacINTOSH: Good morning, David MacIntosh for
18 Energy Probe.

19 MS. CONBOY: Morning, Mr. MacIntosh.

20 MS. SEBALJ: And Kristi Sebalj for Board Staff, with
21 Colin Schuch, the case manager.

22 MS. CONBOY: Thank you. On September 16th, the
23 Enbridge also filed responses to Mr. Quinn's July 20th
24 information requests. We will include those in the
25 evidence, and they'll be marked as Exhibit K1.2.

26 **EXHIBIT NO. K1.2: ENBRIDGE RESPONSES TO MR. QUINN'S**
27 **JULY 20TH INFORMATION REQUESTS**

28 MS. CONBOY: The company filed a hearing plan on

1 September 17, and we will proceed today in accordance with
2 that plan. Namely, what I have here is argument-in-chief
3 (sic), fifteen to thirty minutes. BOMA, I understand, will
4 not be joining us today.

5 CME, Mr. DeRose, I have you down for thirty to sixty
6 minutes of cross-examination.

7 MR. DeROSE: Yes, it will be, I would say, probably
8 fifteen to thirty.

9 MS. CONBOY: Thank you. And Mr. Quinn, I've got your
10 estimate at seventy-five minutes.

11 MR. QUINN: Yes, and I apologize that that was
12 estimated very high. At the time, we were very involved in
13 the infrastructure proceeding and hadn't seen this filing
14 in completion.

15 So based upon dialogue I've had with Mr. DeRose and
16 what he's going to handle, and my expectations for what
17 needs to be on the record to clarify things, I'm closer to
18 half an hour to forty-five minutes.

19 MS. CONBOY: Thank you. Mr. Shepherd, you will
20 proceed after Mr. Quinn?

21 MR. SHEPHERD: I will, and I won't have very much, I
22 don't think.

23 MS. CONBOY: Okay. Thank you. And Ms. Sebalj, I have
24 you down for thirty minutes.

25 MS. SEBALJ: Yes, I'd expect to be a lot shorter than
26 that, maybe ten or fifteen minutes.

27 MS. CONBOY: Thank you. I do appreciate that these
28 are estimated times of the length of cross-examination.

1 And in part, it will be determinative of what you hear
2 before you, and the answers that are given by the
3 witnesses. But we did try and get a bit of an idea of how
4 long our day would be.

5 Now, have we got any preliminary matters to deal with
6 today?

7 **PRELIMINARY MATTERS:**

8 MS. SEBALJ: Staff sent around an e-mail yesterday
9 with respect to this issue of Enbridge not contesting the
10 settlement which you've referenced in your opening remarks.
11 And I believe there has been a brief discussion among the
12 parties in the room with respect to how to manage that.

13 I guess my suggestion would be to turn it over to
14 Enbridge, just to address what we need to do, if anything,
15 to close the loop on that -- on what exactly needs to be
16 done to reflect -- we have the table which is now marked as
17 K1.1, which reflects, I think, the amounts. The question
18 is whether all the parties are on side with that and how we
19 reflect that.

20 MS. CONBOY: Thank you. Mr. Stevens, how do you
21 propose to move forward with K1.1?

22 MR. STEVENS: Thank you. In Enbridge's submission, I
23 think as has been laid out in the September 6th letter,
24 Enbridge has implemented what it understands to be the
25 agreed-upon consequences of not proving its case in
26 relation to the outstanding issue for GDAR, and the
27 outstanding issue for the extraction revenues within the
28 ESM.

1 As you pointed out, Enbridge has made the changes that
2 flow from that within its GDAR cost deferral account,
3 within its ESM deferral account, and also within the
4 purchased gas variance account.

5 So, in my submission, there's really nothing further
6 to do. To the extent that any approval of that is needed,
7 that approval will come through the approval of the
8 deferral and variance accounts.

9 The first step in that will be Enbridge's October 1st
10 QRAM, which includes a gas cost reduction of approximately
11 \$5 million to reflect the determination not to proceed with
12 this extraction revenues issue.

13 The other items, being the corresponding adjustment to
14 the earning sharing mechanism account related to moving the
15 extraction revenue to gas costs, as well as the change to
16 the GDAR account and the corresponding change to the ESM
17 account, will be approved through the clearance of all the
18 deferral and variance accounts, which is planned to be done
19 in conjunction with the January 1st QRAM.

20 MS. CONBOY: Okay. So I think in terms of process,
21 however, we're looking at, are we proposing -- or are you
22 proposing, rather, that the table in K1.1 constitutes an
23 amendment to the settlement agreement? And therefore we'll
24 have to make sure everybody else agrees that that's the
25 appropriate spot?

26 Alternatively, it can be filed as evidence and then,
27 while we don't need to hear cross-examination on it today,
28 it would be open for parties to make comments on those

1 updates in final submission.

2 MR. STEVENS: If the choice is to be between one of
3 those two, I would prefer the latter.

4 MS. CONBOY: Okay.

5 MR. STEVENS: I think, rather than going back to all
6 the parties to the settlement agreement once we've
7 completed the hearing, it would be more expeditious to
8 simply include the list of accounts to be cleared as
9 something that any party could comment upon through the
10 argument phase.

11 As I say, my understanding is that Enbridge has simply
12 implemented the settlement agreement, so I'm not expecting
13 any comments. But should there be any, that seems to be
14 the appropriate time.

15 MS. CONBOY: Okay. That seems like a reasonable
16 approach.

17 MR. DeROSE: Madam Chair.

18 MS. CONBOY: Yes.

19 MR. DeROSE: I'm wondering if perhaps through you, I
20 could -- I appreciate what Mr. Stevens said and as I
21 understand it, in K1.1, it would show the various
22 adjustments arising out of those two issues.

23 I'm wondering if it would be useful to the Board -- it
24 would certainly be helpful to me -- if Enbridge were to be
25 able to just, and they can do it either through written
26 form or perhaps even just orally very quickly right now --
27 if they could just identify the adjustments that flow, the
28 specific adjustments that flow from those two issues.

1 Because as I understand it, it's not just a reduction in a
2 single deferral account; there would also be an adjustment
3 with respect to the ESM.

4 So it would just be helpful if we understood sort of
5 the -- what accounts change and how they change.

6 MS. CONBOY: Okay. What about -- how about we do
7 this? Let's -- we will, obviously, go past the morning
8 break, so why don't we use the morning break for you, Mr.
9 DeRose, and anybody else who may have questions on how the
10 dollar amounts flow through?

11 After the morning break, if, Mr. Stevens, you have
12 somebody available from Enbridge to briefly talk to that
13 and put it on the record, and even if you have the
14 opportunity to speak about whether everybody else is
15 amenable to what you've proposed, in terms of whether it's
16 an updated settlement agreement or comments on -- I'm not
17 sure much turns on those two options, but if you're able to
18 use some time over one of the breaks today to look at those
19 numbers and make sure everybody's clear about the
20 adjustments you've made.

21 MR. STEVENS: Certainly. We'd be happy, if it would
22 be helpful, to have a witness -- or myself, if you're happy
23 to do it not as evidence -- walk people through the way
24 that the adjustments are made.

25 MS. CONBOY: Thank you. That would be of help.

26 MR. DeROSE: That's all that I was looking for, and I
27 think it could probably be done in five minutes. I don't
28 expect it to be overly complicated.

1 MS. CONBOY: Okay. So why don't we proceed now with
2 cross-examination on the remaining item?

3 And then, after the break, we can deal with your
4 question, Mr. DeRose. It will give Enbridge an opportunity
5 to make sure that, even though it is -- it may be a simple
6 trace-through of numbers, rather than putting them on the
7 spot, it will give them a chance to go through that
8 themselves first.

9 Mr. Quinn?

10 MR. QUINN: If I may, still on this issue, one of the
11 struggles that we had after the settlement conference is a
12 recognition that there was not an awful lot of evidence on
13 the record relative to the liquids extraction.

14 And therefore in our discussions and for the record, I
15 would like Enbridge to provide, if this letter is going to
16 be part of the record of this proceeding, just an
17 additional amount of information that will be helpful to
18 understand: Is this how Enbridge is going to handle
19 margins that are available between AECO and Empress going
20 forward, or is this just for this year on the settlement
21 agreement?

22 So it would be helpful for me to understand the
23 decision that they've made, and to be able to put some
24 information on the record and we don't find ourselves in
25 this position maybe again next year.

26 MR. STEVENS: I think I can address that quickly. I'm
27 just struggling to find the September 6th letter right now.

28 Enbridge did indicate within its September 6th letter

1 that the accounting treatment whereby extraction revenues
2 are treated as reductions to gas costs, that treatment will
3 continue in subsequent years, beyond 2012.

4 So I think the concern raised by Mr. Quinn has already
5 been addressed by Enbridge within the September 6th letter.

6 And I'm looking at the very last sentence on page 2 of
7 the letter of September 6, 2013.

8 MS. CONBOY: Okay. Is that the answer to the
9 question? Is that addressing your question, Mr. Quinn?

10 MR. QUINN: Very much so. And I just -- I think what
11 I'll do is have more dialogue at the break just to see if
12 we can refine what the discovery or the disclosure will be
13 for next year, so that this item can be tracked and
14 hopefully dispensed with quickly next year.

15 MS. CONBOY: So why don't we do that? Everybody can
16 get together at the break. We may need a longer break so
17 that you do have an opportunity go down and get a coffee as
18 well, and to make sure that everybody's comfortable with
19 the letter and that no further information is required.

20 MR. STEVENS: Sure, and we're happy to do that,
21 keeping in mind that this is a 2012 proceeding, of course.
22 So we're probably not going to get into a whole lot of
23 discussion about what happens in 2014 and 2015 and
24 subsequently.

25 MS. CONBOY: I'm very mindful that we're dealing with
26 a 2012 application, and to the extent you've talked about
27 2013, as long as everybody's comfortable, we can go
28 forward.

1 Is there anything else we need to deal with before we
2 get to the witnesses? Mr. Stevens? Are your witnesses
3 ready?

4 MR. STEVENS: The witnesses are ready. I believe they
5 have to be sworn or affirmed.

6 MS. CONBOY: They do indeed. Thank you.

7 **ENBRIDGE GAS DISTRIBUTION - PANEL 1**

8 **Jamie Donald Leblanc, Sworn**

9 **Don Small, Sworn**

10 **Malini Giridhar, Sworn**

11 MS. CONBOY: Go ahead, Mr. Stevens.

12 **EXAMINATION-IN-CHIEF BY MR. STEVENS:**

13 MR. STEVENS: Thank you. Enbridge's witnesses this
14 morning for this issue, starting from the left, are Malini
15 Giridhar, who's the vice-president gas supply and business
16 development for Enbridge Gas Distribution; Don Small,
17 manager of gas costs and budgets; and Jamie LeBlanc,
18 director, energy supply and policy.

19 We have a small amount of examination-in-chief, but
20 just before that, panel, I understand that you're
21 responsible for Enbridge's evidence in this proceeding,
22 including the interrogatory responses?

23 MR. LeBLANC: Yes.

24 MR. STEVENS: And the evidence on the issue to be
25 addressed today is primarily found at Exhibit C, tab 1,
26 schedule 6 and the associated interrogatory responses?

27 MR. LeBLANC: That's correct.

28 MR. STEVENS: And was that evidence prepared by you or

1 under your direction and control?

2 MR. LeBLANC: Yes, it was.

3 MR. STEVENS: And to the best of your knowledge, is
4 the evidence accurate?

5 MR. LeBLANC: Yes.

6 MR. STEVENS: Thank you. Ms. Giridhar, can you please
7 explain why Enbridge has filed detailed evidence in this
8 case about transactional services in general, and in
9 particular about capacity release exchange transactions?

10 MS. GIRIDHAR: Certainly. In reviewing our 2011 ESM
11 proceeding, it became clear to us that the level of detail
12 on the evidentiary record was inadequate to explain the
13 nature of our transactional services activities, and did
14 not provide the Board with a full understanding of the
15 nature of these activities.

16 And while we've had ESM proceedings for several years
17 now under incentive regulation, we've routinely cleared up
18 to 16 or 17 deferral accounts through these proceedings, so
19 it wasn't clear to Enbridge that it needed to provide such
20 evidence. However, during the cross-examination it became
21 clear to us that additional evidence would have been
22 helpful. We certainly did the best we could to answer the
23 questions that were put to us, but we have corrected that
24 in this proceeding by providing more evidence.

25 MR. STEVENS: Thank you.

26 Mr. Small, can you please provide some brief context
27 about Enbridge's experience with transactional services?

28 MR. SMALL: Certainty. Since the mid-1990s when we

1 started getting involved in transactional services, the
2 intent of those transactional services was that if the
3 company could generate additional revenue through the
4 optimization of their storage and transportation when those
5 assets were surplus and meeting the needs of the utility
6 customers, we would entertain generating additional
7 revenues with a third party, and that the bulk of those
8 additional revenues would go to the ratepayer and there
9 would be an incentive or a sharing for the company.

10 Throughout the IR term, 2008 to 2012, we've continued
11 to include upfront an \$8 million reduction in our rates to
12 recognize an anticipated amount of transactional services
13 revenue, so that has been a benefit directly to the
14 customers.

15 And in addition to that, if you were to include our
16 proposal for the clearance of the 2012 transactional
17 services deferral account, customers are going to see or
18 have seen an additional \$54.2 million.

19 So over that five-year term, transactional services
20 has been able to generate approximately \$94.2 million to
21 the benefit of the ratepayers.

22 MR. STEVENS: Thank you. Mr. LeBlanc, I note that
23 within Enbridge's evidence, explanation is given about
24 three elements that must be present for something to be a
25 transactional service transaction. Can you please explain
26 in detail those elements?

27 MR. LeBLANC: Sure. The three elements that Enbridge
28 believes are part of transactional services transactions

1 are that they must be unplanned, involve a third party, and
2 must be generated through the sale of surplus capacity, or
3 some valued component of that capacity.

4 On page 6 of its EB-2012-0055 decision, the Board
5 specifically confirmed the unplanned and temporary surplus
6 capacity characteristics of transactional services.

7 Enbridge believes the other essential element that is
8 necessary is the involvement of a third party. Gas supply
9 planning occurs in the spring, and when that plan is
10 struck, it's struck to meet the forecast winter and peak
11 customer demand for the upcoming gas year.

12 Optimization transactions are not part of this
13 planning activity, as in the spring it's too early to
14 understand the details of what specific capacity is going
15 to be surplus, and also -- and at what time, and also what
16 value might be extracted from that capacity.

17 Consequently, optimization transactions are unplanned.

18 Transportation capacity only has value in that it
19 enables someone to transport commodity.

20 The Board prohibited the practice of the utility
21 bundling commodity sales with surplus transport capacity
22 for sale to third parties in its RP-2003-0203 decision.

23 Therefore, the only way that the utility can generate
24 transactional services is through the sale of its surplus
25 capacity, or components thereof, to third parties.

26 The third party then is able to take that capacity and
27 bundle it with commodity and deliver it to an intermediary,
28 or to an end-customer.

1 As discussed on page 10 of EGD's pre-filed evidence,
2 found at Exhibit C, tab 1, schedule 6, EGD is dependent on
3 TransCanada Mainline capacity to meet the peak and winter
4 demand in the EDA. And therefore, in implementing its gas
5 supply plan, it must contract for a significant amount of
6 FT transportation.

7 As customer demand is lower during the spring, and the
8 summer and the fall, the company finds itself with a
9 significant amount of temporarily surplus capacity during
10 those times.

11 Since the cost of that capacity is sunk, because we
12 have to pay it, the best way for the company to use it is
13 to itself buy -- continue to buy gas at Empress, and use
14 that capacity to transport the gas to the franchise and
15 then divert it to fill storage.

16 Transactional services revenue is generated when the
17 utility can simultaneously sell off some of the value of
18 that capacity it is using to fill storage through base
19 exchanges, or capacity release exchanges.

20 MR. STEVENS: Thank you. And with that context, Mr.
21 Small, can you please exchange the nature of a capacity
22 release exchange transaction?

23 MR. SMALL: Sure. A capacity release transaction
24 begins when Enbridge will buy their gas at Empress. What
25 then happens is we would turn over a quantity of gas, or
26 the amount of volume associated with the exchange deal, to
27 that counterparty at Empress.

28 By assigning the transportation capacity to that

1 counterparty for the equivalent volume, it allows the
2 counterparty to access the FT RAM credits, or they have the
3 ability to collect those.

4 That counterparty will then -- in order to receive
5 those credits, they need to move gas on discretionary
6 service on TransCanada.

7 So what they would do is they would move gas from
8 Empress to Emerson using an interruptible transportation
9 agreement with TransCanada, which would be a very low cost.
10 So they've gained additional value from the FT RAM credit.

11 They would in turn sell the gas into the market at
12 Emerson, then they would turn around and buy gas themselves
13 and return it to us at Dawn, thereby completing the
14 exchange deal.

15 But the value here is that they can gain the price
16 differential between the two points, plus the enhancement
17 of the FT RAM credit.

18 So the value to them is for what they're paying
19 Enbridge is the transaction -- is that price spread between
20 Emerson and Dawn and the value of the FT RAM credit.

21 FT RAM credits are only available to the shipper, who
22 is the shipper identified by TransCanada. In order for
23 that counterparty to be eligible to receive those credits,
24 they need to be the shipper, which necessitates us
25 assigning them the capacity.

26 Now, this is maybe an area where there was a little
27 bit of confusion last year, where we were talking a little
28 bit about the invoicing and things. But once we've made

1 that assignment to TransCanada, TransCanada's automatically
2 going to give me a credit on my invoice, and they're going
3 to bill that counterparty directly.

4 Well, what the counterparty is going to do then is
5 they're going to turn around and re-bill me for the
6 transportation costs. But what is a common practice is, a
7 lot of my invoices where we've bought physical supply from
8 a counterparty and we've also done transactional services,
9 rather than them send us an invoice and then us send them
10 an invoice, they will net the two amounts together.

11 So on that invoice that I received from that
12 counterparty that we've done the exchange, they've
13 essentially invoiced me for the net difference between the
14 transportation costs and the value of the transactional
15 service.

16 So I'll take that invoice amount and I'll charge the
17 full transportation costs as part of my gas costs, and the
18 revenue associated with the transactional services revenue
19 I'll book to the ES revenue account.

20 So that's essentially is capacity release exchange
21 transactions, and how they can generate additional value
22 for the ratepayer through -- it's a complex option, I
23 agree, but it's a valuable option.

24 MR. STEVENS: Thank you. And finally, Ms. Giridhar,
25 can you please explain why, in Enbridge's view, based on
26 the evidence that has been provided by Enbridge in this
27 case, the Board can come to the conclusion that capacity
28 release exchange transactions are in fact TS transactions.

1 MS. GIRIDHAR: Certainly. As Mr. LeBlanc has
2 described, Enbridge understands from past Board decisions
3 that the Board has recognized that the criteria, or the
4 elements of a transactional services activity, are that
5 they arise from surplus -- temporarily surplus
6 transportation capacity, that it's an unplanned activity,
7 and that there's a third party involved.

8 In its EB-2012-0055 decision, the Board did confirm
9 that there was no evidence that Enbridge generated
10 transactional services revenue by managing its upstream
11 transportation on a planned basis.

12 It seems pretty clear to us that transactional
13 services activity occur as a result of third-party
14 requests, even though that wasn't specifically identified
15 in the decision.

16 Where we believe there was some lack of clarity was
17 with respect to whether the transportation was temporarily
18 surplus or not. And the evidence in this case does define
19 surplus transportation capacity as capacity not being
20 required to meet the needs of the customer in the franchise
21 on the day, because that is what transportation capacity is
22 ultimately secured for, to meet the demands of the customer
23 in the franchise on the day.

24 In addition, I think what the evidence does clarify is
25 the mechanics of the capacity release transactions. So not
26 only do we believe that capacity releases fit all of those
27 three elements, we've also clarified what the mechanics of
28 a capacity release are, and Mr. Small just talked about

1 them.

2 Inherently, there is three things that I'd like to
3 point out about a capacity release activity.

4 First of all, they arise because of the FT RAM
5 attribute. And TransCanada only allows the shipper of
6 record to use the FT RAM attribute.

7 The OEB, through its rules, does not permit Enbridge
8 to use the FT RAM credit for the benefit of the marketer,
9 because we cannot purchase and sell gas other than to our
10 customers.

11 These two factors require us to assign the capacity to
12 the marketer such that the value from the FT RAM credit --
13 FT RAM attribute can be unlocked.

14 The other thing that we have explained -- Mr. Small
15 did that -- is the mechanics of the invoicing.

16 So, because we cease to be the shipper on record
17 temporarily, TransCanada does not invoice us for the
18 transportation capacity. They invoice the new shipper, or
19 the new temporary shipper on record, which is the marketer.

20 The marketer then turns around and invoices us for
21 what TransCanada would have otherwise invoiced us. And
22 then the marketer is also giving us some of the revenues he
23 has generated from using the FT RAM attribute.

24 So what you really see is a net transaction, but it's
25 two transactions, and it's very common in the industry when
26 there is a receipt and a payable that the amount is netted.
27 Our credit departments love it. And I think all credit
28 departments love doing business that way.

1 So it's really the mechanics of how that activity is
2 conducted that perhaps was not as clear as it should have
3 been in the previous proceeding, but we believe we've
4 adequately explained that in this proceeding. Thank you.

5 MR. STEVENS: Thank you, panel. I have no further
6 questions.

7 MS. CONBOY: Thank you very much, panel, Mr. Stevens.

8 I've lost my list but I think, Mr. DeRose, you were
9 first.

10 MR. DeROSE: If that's fine.

11 **CROSS-EXAMINATION BY MR. DEROSE:**

12 MR. DeROSE: Good morning, panel.

13 First of all, just arising out of your direct
14 examination, you addressed the view that you were required
15 or you felt it incumbent upon yourself to provide further
16 information in this hearing, as opposed to the 2011 ESM.

17 I am correct that the manner in which you conduct base
18 exchanges and capacity releases in 2011 and 2012 are the
19 same? You haven't materially changed the way that you
20 conduct base exchanges or capacity releases; correct?

21 MR. LeBLANC: Correct.

22 MR. DeROSE: Sorry, I think you need your mic on for
23 Madam Reporter.

24 MR. LeBLANC: Sorry. Correct.

25 MR. DeROSE: Thank you. Now, can I have you turn to
26 -- it's CME Interrogatory No. 7. It's Exhibit I, tab 5,
27 schedule 7.

28 And what I would like to do is just -- sorry, I'll let

1 you pull that up. Do you have that? I suspect this is Mr.
2 Small that I'll be asking these to, but do you have that
3 interrogatory there?

4 MR. SMALL: Yes, I do.

5 MR. DeROSE: Okay. And in (a), we have set out what
6 we understood to be the components or two steps or two
7 components of a capacity release. We've used an Empress-
8 to-Dawn example, and I'd like to just have confirmation
9 from you that we are in agreement that this is how a
10 capacity release would work between Empress and Dawn.

11 So (i), you will see that we've set out that Enbridge
12 could deliver its own gas to a third party at Empress, in
13 exchange for that third party providing an equivalent
14 amount of gas to Enbridge at Dawn.

15 So would you agree that that's one component of the
16 capacity release?

17 MR. SMALL: That's correct.

18 MR. DeROSE: And the other component, which we've set
19 out in (ii), is that there's a current capacity assignment
20 by Enbridge of the capacity it held to carry its own gas
21 from Empress to Dawn. And when I say "its own gas", the
22 same amount of volume that would be subject to what we've
23 just discussed, the assignment; correct?

24 MR. SMALL: The one qualifier would be is, in the
25 question, it talked about our capacity, Empress-to-Dawn.
26 What we're really assigning to them is the contracted
27 capacity we have from Empress to the EDA.

28 The advantage of that contract to us in the summer is

1 the ability to divert that gas from the EDA back down to
2 storage.

3 So ultimately we would be buying the gas ourselves,
4 moving it in our transport, and then diverting the gas back
5 to storage.

6 MR. DeROSE: Okay.

7 MR. SMALL: But it's the long-haul transport that
8 we're assigning from Empress to the EDA.

9 MR. DeROSE: And that is the transport that, on any
10 given day, if the capacity release did not occur, if you
11 weren't approached by the third party or you didn't
12 approach the third party, if it wasn't available, you would
13 use that transportation to move that gas to the EDA?

14 MR. SMALL: And --

15 MR. DeROSE: And ultimately to Dawn?

16 MR. SMALL: Because even -- we -- just to clarify,
17 sorry. The contracted capacity that we have from Empress
18 to EDA, the level of contracted capacity that we've entered
19 into is to enable us to meet our peak and winter seasonal
20 demands. We recognize that there's going to be excess
21 capacity going to the EDA in the summertime, the excess in
22 what our summer demand is, but as Mr. LeBlanc alluded to,
23 we'll continue to fill that capacity in the summertime
24 knowing that we will then divert that gas back to storage.

25 And that's part of our overall supply plan.

26 So if we can do something in conjunction with a
27 counterparty through some sort of an exchange, and generate
28 additional revenue, that's what we would do through the

1 summer.

2 MS. GIRIDHAR: If I could just add, Mr. DeRose, I
3 think the fundamental point here is that the capacity is to
4 the EDA. The capacity is not required in the EDA or in
5 Ottawa.

6 What we're using is a diversion attribute of that
7 transport, and not all transport has it. For example, if
8 you took short-term firm transportation and you didn't need
9 it in Ottawa, you cannot do anything with the transport.

10 We're taking an add-on feature of that transport,
11 called diversion rights, and we are using it to fill gas in
12 storage.

13 That capacity is not needed in the EDA on that day.

14 MR. DeROSE: Well, panel -- and I'm sorry to bring it
15 back down to my simple level, but if the capacity release
16 did not occur on that day -- so let's just assume you have
17 one unit of gas. You would take that unit of gas that you
18 have at Empress. You would use your transportation to move
19 it to the CDA, and ultimately it would end up at Dawn if
20 it's in the summer; correct?

21 MS. GIRIDHAR: It would not go to the CDA or the EDA;
22 it would go to Dawn, get diverted.

23 MR. DeROSE: Okay. So -- but you would be using that
24 transportation capacity to move that volume of gas
25 yourself; correct?

26 MS. GIRIDHAR: Correct.

27 MR. DeROSE: And in a capacity release, you take that
28 same volume of gas. It is moved from Empress to the same

1 ultimate location in Ontario; correct? Under a capacity
2 release? It is delivered to you?

3 MR. SMALL: We ultimately get the gas back at Dawn.
4 That's correct.

5 MR. DeROSE: Right. And you assign the transportation
6 that, but for the capacity release, you would have used to
7 move the gas yourself?

8 MS. GIRIDHAR: Correct.

9 MR. DeROSE: Correct?

10 MR. SMALL: That's correct.

11 MR. LeBLANC: Yes. The exchange of the gas between
12 the two points is very much the same thing as the base
13 exchanges, an exchange of gas between two points.

14 The capacity release has this added complexity,
15 because of the contract we have with TransCanada that
16 involves having to do the assignment and in order for the
17 third party to gain access to that FT RAM.

18 But there's the two parts. One is an exchange very
19 much like a base exchange, and the second part is just the
20 -- you know, it's the paperwork, it's the contractual
21 complexity of making the transaction work.

22 MR. DeROSE: Well, and thank you for that because that
23 segues right into the next section that I wanted to talk to
24 you about, which was both some similarities and some
25 differences between capacity releases and base exchanges.

26 And in CME No. 7, you say that:

27 "The capacity release..."

28 And this is in response to (a), page 2 of 3. I don't

1 think you need to turn it up. I'll read it.

2 "The capacity release is the same as a base
3 exchange in that volumes are exchanged between
4 two counterparties at two different receipt
5 points on the same day."

6 So --

7 MR. SMALL: That's correct.

8 MR. DeROSE: That -- that, I think we can agree, are
9 the similarities between the two; correct?

10 MR. SMALL: Well, exactly. I mean, the way we've
11 always viewed it is that -- we talked a minute ago about a
12 service attribute with respect to that long-haul FT
13 transportation.

14 One of the reasons that we're going to contract for
15 that long-haul transportation, as I said, was to meet our
16 peak and winter seasonal demands, but because of the
17 service attribute of it, we can divert that gas back to
18 storage.

19 While a base exchange, where we're giving gas to a
20 counterparty at Iroquois and they give us back at Dawn,
21 that's utilizing the same type of service attribute, the
22 diversion attribute, whereas with the capacity release, the
23 service attribute we were talking about here is the FT RAM
24 credit.

25 So there's a service attribute associated with the
26 transportation capacity that, essentially, you're releasing
27 to the third party.

28 So the molecules are still being exchanged between two

1 points. There's nothing different just because the points
2 are different. It is just an added complexity; to
3 facilitate that transaction requires the assignment of the
4 capacity.

5 MR. DeROSE: And I'm sorry, you may have lost me. So
6 was the answer that, yes, the capacity release is the same
7 as the base exchange? That the similarities are that the
8 volumes are exchanged between two counterparties at two
9 different receipt points on the same day?

10 MR. SMALL: That's correct.

11 MR. DeROSE: Okay. And now I'd like to just go
12 through with you and just identify, as I understand, some
13 of the differences between the two. Okay?

14 MR. SMALL: Okay.

15 MR. DeROSE: So first of all, in terms of a base
16 exchange, can we agree that, again at the 10,000 foot
17 level, a base exchange can be described as a situation
18 where a third party wants gas at a specific location, but
19 has no way of getting there, and it gives you gas at -- for
20 instance, if we use Empress Dawn as an example, they will
21 give you the gas at Empress you will then use your
22 transportation to move the gas, whether it be the --
23 whatever receipt point you want, Mr. Small; and then you
24 give them the gas at a downstream receipt point for a fee.
25 Correct?

26 And I can tell you, I use that -- that description is
27 right out of last year's Board decision.

28 MR. SMALL: Okay.

1 MR. DeROSE: Can we agree that just at a 10,000 foot
2 level, that's a fair description?

3 MR. SMALL: Yes, yes.

4 MR. DeROSE: Okay. So in a base exchange, the third
5 party is giving gas to you at point A, being the first
6 point.

7 MR. SMALL: Well, sorry, just the way my mind works,
8 it's, we're giving him gas at point A means giving me a gas
9 at point B. But, yes, I understand.

10 MR. DeROSE: In a base exchange?

11 MR. SMALL: Yes, because I'm going to be giving him
12 gas. In a base exchange, if we can use an Iroquois-Dawn
13 exchange as a base exchange example, I will give him gas at
14 Iroquois and then he will in turn give me the equivalent
15 volume at Dawn on the same day.

16 MS. GIRIDHAR: If I may just add, Mr. DeRose, there is
17 no specific -- the exchanges are literally simultaneous.
18 We give gas at one point and receive it at another point on
19 the same day.

20 MR. DeROSE: I appreciate that, although you are
21 notionally using your transportation to move that gas,
22 because that's the point.

23 MS. GIRIDHAR: Correct.

24 MR. DeROSE: That's the surplus excess transportation
25 you can sell for a fee.

26 MS. GIRIDHAR: Correct.

27 MR. DeROSE: So while it's a simultaneous exchange, at
28 least for the Board's purpose, you are utilizing your

1 transportation; correct?

2 MS. GIRIDHAR: Correct.

3 MR. DeROSE: And so difference -- difference number
4 one, and I'll try and put this to you as simply as I can,
5 in a base exchange, the third party is giving -- I call it
6 giving you gas at point A, and you are giving them gas at
7 point B.

8 MR. SMALL: Fair.

9 MR. DeROSE: And in a capacity release, it's the
10 opposite. You are giving the third party gas at point A,
11 and they are giving you the gas at point B.

12 MS. GIRIDHAR: I don't know that we can agree to that.

13 MR. LeBLANC: I don't think it's the opposite. It is
14 basically the same thing.

15 So in the example that we commonly use, gas in
16 transportation is given up to get the gas to where the
17 third party wants it, and then they give us gas back at
18 Dawn. That's how it works.

19 MR. DeROSE: Okay, perhaps we can try it this way:
20 it's the opposite direction.

21 In a base exchange, you are, for a fee, giving the gas
22 down -- well, are you giving the gas to the third party
23 upstream or downstream?

24 MS. GIRIDHAR: I don't think that really is -- if I
25 may?

26 I would accept that the distinction between a base
27 exchange and a capacity release is that in the one case we
28 are using the transport to give the customer gas; in the

1 other instance, we're giving them the gas and the transport
2 for them to return the gas back to us.

3 That is the distinction. I don't know if the
4 direction or the upstream or downstream really is the
5 issue.

6 MR. DeROSE: Let me take you to last year's Board
7 decision, then, and see if you actually disagree with
8 anything that the Board said last year. Maybe this is the
9 easiest way to do it.

10 Do you have the decision and order dated March 14th,
11 2013, EB-2012-0055?

12 MS. GIRIDHAR: Yes.

13 MR. SMALL: Yes.

14 MR. DeROSE: Do you have page 7?

15 MR. SMALL: I do.

16 MR. DeROSE: Okay. So let's start with the first
17 sentence of the second paragraph:

18 "During periods of reduced demand, Enbridge
19 optimizes underutilized transportation capacity
20 by conducting base exchanges with a third party
21 between two points, i.e., receive gas at Dawn and
22 redeliver to the Central Delivery Area."

23 So is there anything factually wrong with that
24 sentence?

25 MS. GIRIDHAR: No.

26 MR. SMALL: No.

27 MR. DeROSE: Okay. Then let's go to the next:

28 "Such a transaction would arise in an instance

1 where a third party wants gas at a specific
2 location, but has no way of getting it there."
3 Stop there. Anything factually wrong with that?

4 MR. SMALL: No.

5 MS. GIRIDHAR: No.

6 MR. DeROSE:

7 "And thus Enbridge would conduct an exchange for
8 a fee to the third party."

9 MS. GIRIDHAR: Correct.

10 MR. DeROSE: Okay. Now, if we stop there, that type
11 of -- and do we agree that that's a fair description of a
12 base exchange?

13 MS. GIRIDHAR: Yes.

14 MR. SMALL: Yes.

15 MR. DeROSE: Okay. And that would only occur when you
16 have underutilized transportation. If you're using all
17 your transportation for your own gas, you wouldn't enter
18 into that?

19 MR. SMALL: Well, the point we've tried to make is
20 that the transportation is surplus, in the sense that we
21 don't need it on those days to meet the demand in the
22 franchise area.

23 So we would be diverting it to storage ourselves.

24 MR. DeROSE: Okay.

25 MR. SMALL: By doing the exchange, we still up with
26 the molecules where we want them, but we've done the
27 exchange whereby we've given the gas -- as it's described
28 here, we're giving that gas to a counterparty at a location

1 where they can generate value.

2 In essence, a capacity release is no different in the
3 sense that they can extract value by selling gas into the
4 market at Emerson versus the Dawn price.

5 So it's the same kind of thing. They can extract
6 value by selling the gas off of the export point at
7 Iroquois or somewhere from there, and give it back to us at
8 Dawn.

9 So the differential is where the value is to them.

10 MR. LeBLANC: If I could just add - sorry.

11 MR. DeROSE: Before you jump in. My question actually
12 was, you would only do a base exchange when your
13 transportation is underutilized. I think you were
14 answering a different question.

15 MR. LeBLANC: That's correct, sorry.

16 MR. SMALL: Sure.

17 MR. DeROSE: You may have been reading more into my
18 question than I meant; it really was that simple.

19 Okay. Let me then turn to page 8 of the decision, and
20 in the third paragraph, you describe a third method, or the
21 Board describes a third method that Enbridge uses to
22 generate transportation optimization revenue, referred to
23 as capacity releases, and the Board describes a capacity
24 release as follows:

25 "Capacity releases involve Enbridge providing gas
26 to a third party at one location,"

27 and they give the example Empress,

28 "and assigning that party a portion of its long-

1 haul capacity on TCPL."

2 Now, if I stop there, is there anything factually
3 incorrect with that statement?

4 MR. SMALL: No, there's not.

5 MR. DeROSE: Okay. And then the Board goes on:

6 "The third party then gives the gas back to
7 Enbridge at another location,"

8 and they give the example Dawn. Again, is there anything
9 factually incorrect with that?

10 MR. SMALL: No, that's correct.

11 MR. DeROSE: Okay, and:

12 "Enbridge receives a credit from TCPL for the
13 amount of the assignment, which is greater than
14 the amount being paid to the counterparty."

15 MS. GIRIDHAR: So this is where I think we need to
16 provide the clarification.

17 Enbridge receives a credit from TCPL for the amount of
18 the assignment. The counterparty bills us, in lieu of
19 TransCanada, the same toll that TransCanada would have
20 billed us for the amount of the assignment.

21 Those two transactions net off. Instead of
22 TransCanada billing us, it's now the counterparty billing
23 us.

24 On that same bill, because we have a netting
25 arrangement with the counterparty, they then put back a
26 credit equal to the revenues that they were going to share
27 with us.

28 So what you see from the counterparty again is a net

1 of two transactions; the cost of the transport that we
2 assigned to them, which they're now paying for because we
3 want our gas back at Dawn, and then they're adding it to
4 some revenues that they have collected, because they can do
5 more with the transport than we could have.

6 So it's not that they are charging us less; it's that
7 they are charging us the same as TransCanada, and adding to
8 it the revenues that they have recovered, that they have
9 agreed to share with us.

10 MR. DeROSE: And the consequence of that is that
11 you're able to move your gas for cheap -- for a lower
12 transportation cost, correct?

13 MS. GIRIDHAR: The consequence of that is that we are
14 able to do exactly what we set out to do with that -- had
15 we used the transport ourselves. Buy the gas at Empress
16 and put it in storage at Dawn; that's what the gas supply
17 plan asked us to do.

18 The consequence of that is that the third party has
19 been able to generate revenues that they're sharing with
20 us. It is no different than the way a base exchange
21 generates revenues that results in lower costs for our
22 customers overall, because there's revenues offsetting
23 those costs.

24 MR. DeROSE: So your customers are receiving the gas
25 in the same location that they would if you transported it;
26 correct?

27 MS. GIRIDHAR: Correct.

28 MR. DeROSE: But the costs of transporting that,

1 because you are sharing in the -- as you describe it,
2 sharing in the profit, the cost is lower; isn't it that
3 simple?

4 MS. GIRIDHAR: Exactly like a base -- it is that
5 simple, and it's exactly the same in a base exchange. The
6 cost of taking gas to the CDA, in the Board's example in
7 the decision, is lower because the party has given us some
8 revenues for the base exchange. It's the exact same thing.

9 The underlying transportation cost is TransCanada's
10 tolls.

11 MR. DeROSE: Now, but I -- if I could just -- I'm
12 sorry.

13 MS. GIRIDHAR: Generation of revenues -- sorry.

14 MR. LeBLANC: Sorry, if I could just add, the way I
15 see it -- and it's the same, but I just explain it maybe in
16 a little different way, is we're doing our best to use that
17 capacity that we've paid for in order to meet peak by
18 moving gas into Dawn. So we're using that in that capacity
19 as best we can.

20 What a transactional services is, is on the back of
21 that, moving that gas into storage, we can seek out
22 opportunities to generate revenue using the attributes of
23 the transport that's being used to fill storage.

24 So it's that additional -- an additional step on top
25 of maximizing the value of the transport by moving the gas
26 into Dawn that is the transactional service, both in a base
27 exchange or a capacity release exchange.

28 MR. DeROSE: In a base exchange, you are not having

1 gas delivered for your customers; correct?

2 MS. GIRIDHAR: We are. It's going to -- it is going
3 to Dawn.

4 MR. DeROSE: Well, but you're delivering it to a third
5 party. You aren't delivering it...

6 MS. GIRIDHAR: We are receive -- in all instances, we
7 need gas at Dawn to go into storage. It's not going to
8 meet the customer's need in the franchise on that day.

9 MR. DeROSE: Thank you.

10 MS. GIRIDHAR: It's going into storage in all
11 instances.

12 MR. DeROSE: And -- but in a capacity release, as
13 you've said, it's following -- it's the same gas being
14 delivered to the same place. You're using your
15 transportation. But because you're entering into the
16 capacity release, you're sharing in the optimization that's
17 being conducted by the third party; correct?

18 I think you agreed with me before. I just want to
19 make sure that we are in agreement on that.

20 MS. GIRIDHAR: The only thing I'd clarify is that it's
21 the third party that's -- because we've assigned the
22 transport to the third party, it's the third party that's
23 using the transport.

24 MR. DeROSE: Okay. Thank you very much. Those are
25 all of my questions.

26 MS. CONBOY: Thank you very much, Mr. DeRose. Mr.
27 Quinn?

28 MR. QUINN: Conscious of the time, did you have a time

1 in mind that you wanted to break?

2 MS. CONBOY: Well, given what you've just heard, Mr.
3 Quinn, has your estimate changed?

4 MR. QUINN: It hasn't, because of the complexity that
5 has been re-entered into the equation so --

6 MR. DeROSE: I'll take the blame for that, Madam
7 Chair.

8 MS. CONBOY: Okay. Well, we're going to -- we'll
9 press on, and we'll take our break around 11 o'clock or
10 where there's a natural spot in your cross.

11 MR. QUINN: Okay. I'll be mindful of time. Thank you
12 very much.

13 MS. CONBOY: Thank you.

14 **CROSS-EXAMINATION BY MR. QUINN:**

15 MR. QUINN: Good morning, folks from Enbridge. I've
16 seen a lot of you in the last little while, but not Mr.
17 Small and Mr. LeBlanc.

18 I appreciate that there has been a fair amount of
19 history here created over the last couple of years. And I
20 used the word "complexity" at the outset, recognizing that
21 I may have been one of the culprits or co-complicitous in
22 creating that complexity.

23 So my goal here this morning is to maybe change the
24 perspective and simplify this in a way that may be helpful
25 to all of us and, I appreciate, the Board.

26 So if I could ask you to turn up from your evidence,
27 schedule 6, which you've referred to a few times, starting
28 at page 2, do you have at that?

1 MS. GIRIDHAR: Yes.

2 MR. SMALL: Yes.

3 MR. QUINN: Okay. I thought it was helpful that you
4 had placed a figure that tries to describe the annual cycle
5 that occurs for any utility that has got seasonally
6 adjusted loads.

7 And I guess what I want to just make sure, again, in
8 terms of creating a different dialogue, when we look at the
9 supply and demand, you've broken into two sections. The
10 supply area would traditionally be the spring to the fall;
11 would that be correct?

12 MR. LeBLANC: I think supply happens all throughout
13 the year. We take delivery of gas all throughout the year.

14 MR. QUINN: Okay. The purposes for the supply may
15 change throughout the year. While you do take supply
16 throughout the year, you have a period during, if I may
17 say, lower demand cycles, where the supply is to fill
18 storage; would you agree with that?

19 MR. LeBLANC: That's correct.

20 MR. QUINN: Okay. So if we look at the left-hand
21 side, you have a period of storage injection on the far
22 left-hand side of your diagram?

23 MR. LeBLANC: Yes.

24 MR. QUINN: And that would traditionally be the summer
25 months or the warmer periods of the shoulder months in the
26 spring or the fall; is that correct?

27 MR. LeBLANC: Correct.

28 MR. QUINN: So at that point, you have used your

1 transport capacity to fill storage consistent with your gas
2 supply plan; would you agree with me about that?

3 MR. LeBLANC: Yes.

4 MR. QUINN: Okay. Now, as you've referred to -- and
5 you did state that supply comes throughout the year. And
6 in the winter, you have supply still arriving for purposes
7 of, more, meeting demand.

8 And so the right-hand side of your graph, you use your
9 transport capacity more -- not to fill storage, but to
10 serve your in-franchise needs; would you agree with that?

11 MR. SMALL: That's correct.

12 MR. LeBLANC: Yes.

13 MS. GIRIDHAR: Which is the ultimate purpose of that
14 transport, which is to take gas through the franchise to
15 meet the needs of the customer.

16 MR. QUINN: Correct. And so in either of those cases,
17 you need -- and transport is a means to an end. What you
18 actually need is the molecule moved from point A to point
19 B; correct?

20 MS. GIRIDHAR: To the customer, yes.

21 MS. GIRIDHAR: Correct.

22 MR. QUINN: And the point B being where the customer
23 is.

24 MS. GIRIDHAR: Correct.

25 MR. QUINN: Or in this -- in the supply case or the
26 storage fill case, to fill storage to ultimately meet that
27 customer's demand at a later time?

28 MS. GIRIDHAR: At a later point in time.

1 MR. QUINN: Okay. Okay. I think that that was
2 helpful. I understand I may be going slower than you folks
3 would normally speed through this.

4 MS. GIRIDHAR: Could I maybe just clarify one thing,
5 though?

6 I think we need to understand -- I might have
7 mentioned this earlier -- that the one thing all transport
8 does is to take gas from A to B in a particular volume and
9 at a particular point in time, and that's how we contract
10 for transport.

11 You always contract it to the franchise because that's
12 where the customer is going to need it, for some point of
13 the year.

14 Some transport comes with added features that we call
15 service attributes. Some transport comes with a feature
16 called diversion rights, which is what we can use to
17 utilize that transport to fill gas in storage.

18 If the nature of that transport was one where we did
19 not have diversion rights -- and in fact, people familiar
20 with TransCanada's current toll hearing would understand
21 that they are trying to change the nature of that diversion
22 right -- if that transport wasn't being utilized to get gas
23 to the franchise, it possibly couldn't be used to get gas
24 into storage.

25 So it's really the nature of the transport that's
26 allowing us to utilize it, to take it somewhere else than
27 the customer.

28 FT transport, we've used it for 50 years in that

1 fashion. It was created for that purpose, to help LDCs
2 meet their demand. And I think we should not lose sight of
3 that fact.

4 We cannot simply say that transport is always used
5 either to get gas to the customer or to storage. It's
6 actually used to get gas to the customer. In some
7 instances, it has the ability to divert. Sorry.

8 MR. QUESNELLE: Mr. Quinn, if I could just interject
9 at this point? Could you expand on that as to how you
10 determine in advance what portions, or what proportions,
11 rather, of your transport services would have that feature?

12 And when do you have to make that, and how do you do
13 the calculation as to how to proportion which has or does
14 not have that attribute?

15 MS. GIRIDHAR: So there's -- the long-haul transport
16 that we get from Empress has this feature called diversion.
17 Some of the short-haul does, too, but primarily long-haul
18 is how the service evolved.

19 We try and use that long-haul such that we can fully
20 utilize those diversion rights to fill gas in storage,
21 because that way we are utilizing the transport year-long.
22 All through the year. It minimizes costs for our
23 customers.

24 But we have seasonal demands that exceed what that
25 long-haul can provide. And that, for the remainder, we use
26 a combination of short-haul transport, which also provides
27 some limited diversion rights. But we also use something
28 called short-term firm transport, that comes with no

1 diversion rights.

2 But we figure that using that short-term transport for
3 three months of the year without diversion rights is more
4 economical than us going and procuring even more long-haul
5 transport, and not being able to use the diversion rights.

6 So when we do our gas supply planning, we're actually
7 looking at it from the perspective of least cost. We know
8 we have this high-cost transport from Alberta that comes
9 with bells and whistles, and we only contract for as much
10 of it as we need, such that we can utilize all the features
11 of that transport.

12 So that's how we determine.

13 MR. QUESNELLE: So the anticipation of having capacity
14 release does not enter into the proportion of which
15 products you're buying, then?

16 MS. GIRIDHAR: No, it does not.

17 MR. QUESNELLE: Okay. Thank you.

18 MR. QUINN: And again, I think we've found ourselves
19 talking about features of the tools that you have at your
20 disposal; one being transport, the other being, implicit in
21 this diagram, storage.

22 Would you agree with me that these are essentially
23 your asset rights that help you meet your peak demand?

24 MS. GIRIDHAR: Correct.

25 MR. QUINN: As far as the molecule goes, then, getting
26 the molecule you have two purposes for it. One is either
27 storage fill for subsequent delivery in the future, or,
28 two, to meet the demands in the higher demand periods.

1 MS. GIRIDHAR: Correct.

2 MR. QUINN: Okay. So moving forward, Mr. DeRose took
3 you to, and I guess you probably can turn up page 7 of the
4 Board's decision in the EB-2012-0055. If you would like to
5 turn that up again?

6 It's in the second paragraph. Mr. DeRose took you
7 through this time of periods of reduced demand, where you
8 have underutilized transportation capacity or underutilized
9 asset rights, more broadly. And an exchange is occurring.

10 Would you agree with me that exchange occurs because
11 you have surplus asset rights, and there isn't a direct
12 need for the molecule either to fill storage or to meet a
13 customer need?

14 MS. GIRIDHAR: Could you repeat the last part of your
15 sentence? It doesn't meet -- the molecule is needed. We
16 don't need the transport.

17 MR. QUINN: Well, in this situation on page 7, if I
18 can ask -- draw your attention to that: during periods of
19 reduced demand that molecule is not needed for the
20 customer; correct?

21 MS. GIRIDHAR: Correct.

22 MR. QUINN: Okay, so you're using the excess transport
23 rights to move that molecule from point A to point B for a
24 third party.

25 MS. GIRIDHAR: Correct.

26 MR. QUINN: Okay. So it is --

27 MS. GIRIDHAR: And receive, in return, the same
28 molecule to storage.

1 MR. QUINN: Not -- I didn't add that. You've added
2 that. This may be from Empress to the EDA; as that
3 example, you're not getting the molecule to storage. Is
4 that correct?

5 If I may, on that question, I'd like to hear -- in an
6 example of Empress to EDA, the molecule does not go to
7 storage, correct?

8 MS. GIRIDHAR: So could I just -- so you're suggesting
9 that we give the customer gas at -- in the EDA, and they
10 give us gas at Empress? Or is it the reverse? How are
11 you --

12 MR. QUINN: The third party, not the customer --

13 MS. GIRIDHAR: Okay.

14 MR. QUINN: -- gives you gas at Empress, and you give
15 them back gas at the EDA.

16 The gas does not go to storage, correct?

17 [Witness panel confers]

18 MS. GIRIDHAR: That particular example, Mr. Quinn, is
19 really not how we do our transactional services. The only
20 instance where we receive gas at Empress and we give it in
21 the EDA is actually for a customer. So our Western T
22 customers, for example, would give us gas at Empress and we
23 would give it to them in the EDA.

24 MR. QUINN: Okay. Well, then, to simplify matters,
25 using the example that was in the Board's decision, which I
26 heard you agree with Mr. DeRose you had no concerns with,
27 the gas is received by you at Dawn, and you have
28 redelivered it to the Central Delivery Area.

1 In that case, that molecule was not needed to meet
2 customer demand; is that correct?

3 MS. GIRIDHAR: Correct. It was not needed for
4 customer demand. We planned to put it into storage.

5 MR. QUINN: Now, in this case, you have used your
6 excess transport rights to move gas. But in essence, you
7 have not increased your balance in storage.

8 In other words, if they give you the gas back, and you
9 give it the gas at the EDA, if you had not done that
10 transaction, you would still be at the same storage balance
11 because you've have netted ten molecules given to you at
12 Dawn, you've redelivered ten molecules for third-party use
13 in the CDA.

14 So your storage balance has not changed, correct?

15 MS. GIRIDHAR: We would have put that gas into --
16 sorry, let me just take a second.

17 MS. CONBOY: Excuse me. Mr. Quinn, I was just saying
18 to my colleague, a lot of this would be helpful to me if I
19 had a diagram in front of me. And I don't know if I'm the
20 only one that would be aided by having a visual aid.

21 I'm wondering if we could take our -- if you don't
22 mind, and I realize I'm cutting you off, but if we could
23 take a break and during that break -- I realize that
24 there's one this the evidence. I find it a little bit
25 difficult to follow.

26 But I would certainly follow the cross-examination a
27 lot easier if we had a diagram in front of us.

28 So can we take a twenty-minute break? And if you can

1 round up a diagram for people, that might be useful.

2 MS. SEBALJ: Sorry, Madam Chair, you're talking about
3 this one in the evidence, and ask some -- a bit more.

4 MS. CONBOY: I'm talking about the map in the
5 evidence, which I am struggling to read.

6 MS. SEBALJ: Okay. Fair.

7 MS. CONBOY: Is that all right with you, Mr. Quinn?
8 I've interrupted you in the middle of your --

9 MR. QUINN: No, we're serving the Board here and we
10 want to make sure that you're clear on the facts. So if
11 that would help, we'd be pleased to take a break.

12 MS. CONBOY: I did say twenty minutes. Why don't we
13 break for half an hour, because then we can also use the
14 time for Mr. DeRose's question that he had this morning, in
15 terms of following the numbers through on K1.1.

16 Thank you very much.

17 --- Recess taken at 10:46 a.m.

18 --- On resuming at 11:22 a.m.

19 MS. CONBOY: Thank you. Please be seated. Thank you
20 very much.

21 Mr. Stevens, do you want to just tell us briefly what
22 we have in front of us, and then we can continue with Mr.
23 Quinn?

24 MR. STEVENS: Certainly. What we have in front of us
25 is a schematic setting out TCPL transportation paths from
26 Empress to Enbridge's franchise areas, as well as to Dawn.
27 And also there's lines to show -- the witnesses will
28 explain this, but lines to show various of the items that

1 we've been discussing today in terms of the different types
2 of transactions and Enbridge's gas supply plan.

3 MS. CONBOY: Thank you. And should we mark that as an
4 exhibit, Ms. Sebalj?

5 MS. SEBALJ: Yes. It will be Exhibit K1.3.

6 **EXHIBIT NO. K1.3: SCHEMATIC SHOWING TCPL**
7 **TRANSPORTATION PATHS TO ENBRIDGE FRANCHISE AREA AND TO**
8 **DAWN.**

9 MS. CONBOY: Thank you.

10 MR. QUESNELLE: It's worth noting this isn't to scale,
11 I take it?

12 [Laughter]

13 MR. QUINN: NTS, not to scale.

14 MS. CONBOY: Mr. Quinn, please proceed.

15 MR. QUINN: Thank you. I appreciate the break and the
16 opportunity to have something that, hopefully, we can work
17 with.

18 And what I'd like to do, if I may, is just to apply
19 some units to this map that I think will describe what I
20 was trying to reinforce previously.

21 MS. CONBOY: Thank you.

22 MR. QUINN: And certainly I expect if I have anything
23 wrong here, the witnesses can correct or change my
24 underlying assumptions.

25 But what I intend to do in --

26 MR. SMALL: Sorry, Mr. Quinn, if you wouldn't mind,
27 can we maybe just have a couple of minutes just to kind of
28 describe what this schematic is supposed to represent, and

1 then we can go on to some of your examples, maybe?

2 MS. CONBOY: That would be helpful for us, Mr. Small.

3 MR. SMALL: So the bold line, or the dark solid line,
4 that would represent TransCanada's pipeline. So what we've
5 tried to show is that, as per our gas supply plan, the
6 solid line would show us buying gas at Empress, moving that
7 gas all the way to the EDA; and then in the summertime when
8 we've got more gas there than we need, we would divert that
9 gas all the way back down to Dawn for injection into
10 storage.

11 Under a base exchange, we would still be buying the
12 gas at Empress, but you see that kind of dotted solid line
13 going to the EDA and then to Iroquois, and that's where we
14 would give the gas to the counterparty at Iroquois.

15 And then you see that there is an arrow down at the
16 bottom, "base exchange", where they deliver the gas back to
17 us at Dawn.

18 Now, under the capacity release one -- that's the dots
19 -- we would still buy the gas at Empress, but now the
20 counterparty is moving it to Emerson, where they then sell
21 the gas. And then you see down at the bottom they give us
22 the gas back at Dawn as well.

23 So in all three, we've achieved what our objective
24 was, was to get the gas to Dawn where we wanted to inject
25 it into storage.

26 MS. CONBOY: Thank you.

27 MR. SMALL: Okay.

28 MS. CONBOY: Please go ahead.

1 MR. QUINN: Okay. Thank you.

2 What I -- maybe I'll start this way, Mr. Small.
3 You've given us one example of each of, in your view, the
4 three different types. Would it be fair to say that
5 there's many different types of transactions that could
6 occur using the asset rights?

7 MR. SMALL: There would be a number, yes. We were
8 just trying to focus on those two.

9 MR. QUINN: I appreciate that's your focus, which may
10 be different than mine. So if I may, I'd like to add some
11 numbers to a specific example, and possibly distinguish it
12 from the examples provided to this point.

13 So again, I tried to use some round numbers when we
14 were trying to keep this at the high level. So for the
15 purposes of the example, I'm assuming that the peak demand
16 in the CDA is a hundred units.

17 MR. SMALL: All right.

18 MR. QUINN: And that hundred units is met in a design
19 plan by 80 units of long-haul that goes Empress to CDA. So
20 on the line that goes ostensibly from North Bay down --
21 North Bay's not on here, but North Bay would be where the
22 triangle starts, for others. You've got long-haul of 80
23 units, and you have a combination of short-haul and STS
24 services that go between Dawn and the CDA.

25 MS. GIRIDHAR: Are we talking about a winter day or a
26 summer day, or...

27 MR. QUINN: I'm talking about these are your
28 annualized demands, contracts for -- to be able to meet the

1 peak demand in the CDA.

2 MS. GIRIDHAR: So this is peak day in the CDA?

3 MR. QUINN: This is the rights to be able to meet the
4 peak day in the CDA.

5 So would you agree with me, then, if you have 80 long-
6 haul and short-haul and STS rights of 20, your demand in
7 the CDA of a hundred would be met on a peak day?

8 MS. GIRIDHAR: Mm-hmm.

9 MR. SMALL: That's correct.

10 MR. QUINN: Okay. So the example that I wanted to
11 walk through would be a day at the CDA where you do not
12 need a hundred. And I think your evidence speaks to it. I
13 don't have a direct reference, but there are days where you
14 don't use a hundred percent of your rights; correct?

15 MS. GIRIDHAR: Correct.

16 MR. QUINN: So on a day that 90 units are required in
17 the CDA, if you did no transaction, you would deliver 80
18 units on the long-haul because you keep your long-haul full
19 throughout the winter; correct?

20 MR. SMALL: That's correct.

21 MR. QUINN: Then you would supplement that 80 with 10
22 units going from Dawn to the CDA on your transport rights
23 of short-haul and STS?

24 MR. SMALL: That's correct. Yes.

25 MR. QUINN: Okay. So now what we have is the base
26 case alternative for that day, but again, recognizing that
27 you have underutilized rights of 10 units of short-haul and
28 STS, you have the opportunity to have a delivery service

1 provided to a third party, or an exchange service provided
2 to a third party, wherein they give you 10 units of gas at
3 Dawn. You then take those 10 units and essentially use
4 your 10 units of underutilized short-haul rights and STS
5 rights to bring that gas from Dawn to the CDA, where you
6 basically give up 10 units of gas in the CDA for the third-
7 party marketer's use.

8 Would you agree with me that that is a base exchange?

9 MR. SMALL: No. I'm struggling with the example,
10 because it sounds to me like you're suggesting that we
11 would move that additional gas along our short-haul and
12 then sell it into the CDA to that counterparty.

13 MR. QUINN: No. They gave you the gas at Dawn and you
14 do a same-day exchange in the CDA for 10 units, but you've
15 used your assets capability, so -- to effect the balance.

16 MR. SMALL: If on the day, we didn't need that
17 incremental transport, short-haul transport, to satisfy
18 demand, and we knew that it was going to be empty, if a
19 counterparty had -- gave us gas at Dawn and asked us to, we
20 could move it for him, yes.

21 MR. QUINN: Okay. So would you call that a base
22 exchange?

23 MR. SMALL: Yes.

24 MR. QUINN: Okay. Thank you. Now, I just want to
25 make one more point here. The gas that is arriving in the
26 CDA, that is not for your customers' benefit; is that
27 correct? Or for your customers' usage, I should say?

28 MS. GIRIDHAR: The 10 units?

1 MR. SMALL: The 10 units?

2 MR. QUINN: The 10 units, yes.

3 [Witness panel confers]

4 MR. LeBLANC: We've looked at that example in a bit
5 more detail, and we actually don't agree this is not a base
6 exchange. This is a simple sale of transport to a third
7 party to move the gas for them.

8 MR. QUINN: That's your decision to define it that
9 way. But to the extent that somebody asked you for a base
10 exchange from Dawn to the CDA on a given day, could you
11 effect a ten-unit transfer from Dawn to the CDA using your
12 asset rights?

13 MR. LeBLANC: It's not a base exchange, but we could
14 sell transport to them to get gas to the CDA.

15 A base exchange has two movements of gas; this only
16 has one. All this is is we've picked up their product at
17 one point and delivered it to another point. So we've
18 simply sold transportation to them. There's no base
19 exchange.

20 It's their gas the whole way. They give it to us -
21 it's just like driving a truck and delivering a product.
22 We picked it up at one point for them, and delivered it to
23 another. So it's not a base exchange.

24 MR. QUINN: That's not the way I asked. I asked if
25 they came to you and asked for a base exchange between Dawn
26 and the CDA, could you effect it on that day, using your
27 asset rights?

28 Maybe said better, if you look at the description

1 again in the Board's decision on page 7, which I referenced
2 before:

3 "During periods of reduced demand, Enbridge
4 optimizes underutilized capacity by conducting
5 base exchanges with a third party between two
6 points, i.e. receive gas at Dawn and redeliver to
7 the CDA area."

8 Does what I have described fit the general category
9 that the Board has presented in their decision?

10 [Witness panel confers]

11 MR. SMALL: We'll go along with that, yes.

12 MR. QUINN: Okay, thank you. And again, just to make
13 sure that I got it correct for the record, that ten units
14 of gas that arrives at the CDA is for a third party's
15 utilization?

16 MR. SMALL: That's correct.

17 MR. QUINN: I think those are my questions. Thank you
18 very much.

19 MS. CONBOY: Thank you very much, Mr. Quinn. Mr.
20 Shepherd?

21 **CROSS-EXAMINATION BY MR. SHEPHERD:**

22 MR. SHEPHERD: Thank you, Madam Chair. I think I
23 probably only have one question. And if Mr. DeRose was at
24 10,000 feet and Mr. Quinn was at 2,000 feet, I'm at about
25 a million feet.

26 My question is far more simple than any of these other
27 ones. I look at the decision last year with respect to
28 2011. I hear you describe that you're not doing anything

1 different in 2012 and 2011. And I'm not sure I understand
2 what you're asking the Board to decide.

3 Are you asking the Board to decide that the 2011
4 decision was incorrect? Are you asking the Board to decide
5 that there's some change that has happened that would
6 result in a different conclusion this year than last year
7 and, if so, what is that change?

8 I just don't understand what you're asking the Board
9 to decide here. Could you help me with that?

10 MR. STEVENS: I'm not sure, Mr. Shepherd, whether
11 that's a question of evidence particularly, or a question
12 of argument.

13 To the extent that it's a question of argument, we
14 rely on the statement that the Board made in its final rate
15 order last year, indicating that the determination or
16 decision in any given year, from an administrative tribunal
17 such as the Ontario Energy Board, is premised on the facts
18 in evidence for that case.

19 There's no -- as you know, there's no principle of
20 stare decisis. Each case is decided on its own merits.

21 Enbridge has acknowledged that it ought to have done a
22 better job of bringing forward more pre-filed evidence last
23 year, when it turned out that this was a more contentious
24 issue than it anticipated.

25 We've tried to do that this year, and we're asking the
26 Board to make a decision for 2012 based on the merits of
27 the evidence presented this year.

28 It will have no impact on what was decided last year;

1 it will have no impact on the amounts that flowed through
2 the 2011 accounts. It impacts solely on 2012 accounts.

3 MR. SHEPHERD: Madam Chair, I wasn't intending to have
4 an argument about this. I was actually -- I really just
5 want to be very clear on what they're asking for.

6 If they're asking for this Board Panel to make a
7 decision that is inconsistent with the decision made in the
8 last case, in the 2011 case, that's fine. I just want to
9 know that, so that we can characterize our arguments
10 accordingly.

11 If they're saying there's something different this
12 year than last year, I think we're entitled to have clarity
13 on what that is.

14 MR. STEVENS: With respect, Madam Chair, I believe
15 Enbridge has answered that the nature of the transactions
16 hasn't changed, and I believe Ms. Giridhar explained the
17 reason why Enbridge has come forward in this case.

18 So the position is not premised on circumstances
19 having substantially changed from what happened in 2011.
20 It's premised on Enbridge better explaining itself.

21 MS. CONBOY: Thank you. Just a minute, please.

22 [Board Panel confers]

23 Thank you. I'm going to try and -- without pulling up
24 last year's decision, I think what we're hearing from
25 Enbridge right now is consistent with the decision that was
26 rendered last year, in that the proceeding this year, the
27 decision that we will make this year, is based on the
28 evidence that we have in front of us for this year, and not

1 use last year as a precedential value for this year's
2 proceeding.

3 If you would like to make comments on that, Mr.
4 Shepherd, you are obviously more than welcome to in your
5 final submission. And then Enbridge will have an
6 opportunity to reply.

7 But I think, for the purposes of today, I think we
8 will just proceed without having the witnesses having to
9 respond to that.

10 MR. SHEPHERD: Madam Chair, are we then accepting that
11 Mr. Stevens is -- I don't mean this in a combative way in
12 any way, I'm just trying to be very clear -- that his
13 statement, which I understood to be they would like the
14 decision this year to be inconsistent with last year's,
15 that is, based on this year's evidence but not coming to
16 the same conclusion as the panel last year, that that is
17 what Enbridge is asking for?

18 MS. CONBOY: I hear them saying that the Board made
19 the decision last year based on the evidence that they had
20 before them.

21 I think what I hear them saying is that you would have
22 made a different decision had we done a better job of
23 explaining ourselves. And therefore, this year we're going
24 to make a better effort at explaining ourselves, and
25 hopefully the decision will be different.

26 That is Enbridge's position.

27 MR. SHEPHERD: Okay.

28 MS. CONBOY: Have I got that right?

1 MR. STEVENS: Yes, you have, thank you very much.

2 MS. CONBOY: Thank you.

3 MR. SHEPHERD: Thank you. Then I'm very clear now.

4 Thank you.

5 MS. CONBOY: Thank you.

6 MR. SHEPHERD: That's all.

7 MS. CONBOY: Ms. Sebalj?

8 **CROSS-EXAMINATION BY MS. SEBALJ:**

9 MS. SEBALJ: Good morning -- barely. I'm going to ask
10 you to pull up two tables. The first is at Exhibit C, tab
11 1, schedule 6, and it's appendix C. And the second is an
12 attachment to an attachment of the FRPO No. 5
13 interrogatory. So that's Exhibit I, tab 7, schedule 5, and
14 then it's at -- plus appendix A. Appendix A was an
15 attachment was an attachment which was an interrogatory
16 from the cost-of-service proceeding, 2011-0354. And then
17 attached to that is a table.

18 MS. CONBOY: You're going to have to give us a minute,
19 Ms. Sebalj. That was an awful lot.

20 MS. SEBALJ: I apologize. I probably should have just
21 photocopied them for you, Panel. I apologize.

22 MR. QUESNELLE: Perhaps, Mr. Schuch -- we did some
23 housekeeping at the break here. We took the other
24 hearing's carts away, with some of my material on it.
25 Would you be able to retrieve -- they're just next door, I
26 take it, are they? Are they close by?

27 MS. SEBALJ: No. They've actually gone up, but if you
28 could --

1 MR. QUESNELLE: Oh, have they? I just need the
2 interrogatories. The interrogatories are right there.

3 MS. CONBOY: Why don't we just use Colin's?

4 MR. QUESNELLE: Thank you.

5 MS. SEBALJ: So the C1-6-1 should be fairly evidence.
6 The FRPO No. 5-1, there have been sort of different
7 variations on that interrogatory response. So does anyone
8 need help finding it?

9 MS. CONBOY: I think the first reference -- is that
10 the map that you're looking at?

11 MS. SEBALJ: No, it is appendix C, which is...

12 MS. CONBOY: It's a table.

13 MS. SEBALJ: It's a table, yes. It doesn't have a
14 title. It says "item number" on the top left-hand side,
15 "item number" and "Transportation," and then columns are
16 "Root" and "Contracted daily volume".

17 MS. CONBOY: And then, I'm sorry, the interrogatory
18 responses?

19 MS. SEBALJ: Yes. So FRPO Interrogatory No. 5, and
20 then attached to that, interestingly enough, is FRPO
21 Interrogatory No. 5 from the cost-of-service proceeding,
22 0354, and then at the back of that there is a table.

23 Yes? No?

24 MS. CONBOY: Yes, I have it. Thank you.

25 MS. SEBALJ: Thank you. I was just hoping that my
26 binder wasn't in a different order than everybody else's,
27 and I wasn't just leading you astray.

28 Okay. Do the witnesses have it? Most importantly,

1 perhaps?

2 MR. LeBLANC: Yes, we do.

3 MS. SEBALJ: Okay. Thanks. Am I right in saying that
4 between these two tables we're looking at all of the
5 capacity releases? And other information, but certainly
6 the capacity releases are in there that occurred in the
7 2012 calendar year?

8 MR. SMALL: That's correct.

9 MS. SEBALJ: Okay. Can you explain what the
10 difference is between the line item described as
11 "Transactional service capacity release"? And there is
12 one, Empress-to-EDA, and there's one, Empress-to-Iroquois,
13 at least in the -- at least in the FRPO interrogatory
14 response tables -- and the line item described as
15 "Transactional service assignment," which is line 13 of the
16 -- I guess I'm looking at the FRPO interrogatory table now.
17 It says "Transactional services assignment" at line 13.

18 Is there a difference between those things, or are
19 they split out somehow that I don't understand?

20 MR. SMALL: So if we're looking at the interrogatory
21 -- or the, sorry, appendix C from this year, you're
22 referring to item number 12?

23 MS. SEBALJ: Yes. So it's line 12 on the Exhibit C,
24 tab 1, schedule 6, and it's line 13 on the Interrogatory
25 No. 5.

26 MR. SMALL: Well -- sorry. Sorry. On the appendix C,
27 we have line 12, which is TCPL FT Dawn-to-EDA, for 114,000?

28 MS. SEBALJ: Yes.

1 MR. SMALL: And we assigned away some of that capacity
2 in the April through to October period, 12,200. That was
3 for April 12th.

4 MS. SEBALJ: Got you. So these are not -- these don't
5 have anything to do with capacity release? These
6 transactional services assignments are simply assignments
7 of the line above, the TCPL FT, Dawn-to-EDA?

8 MR. SMALL: That's correct.

9 MS. SEBALJ: Thank you. So I'm dealing just with
10 line 5, then, in the Exhibit C, tab 1, schedule 6,
11 "Transactional services capacity release, Empress-to-EDA."

12 And then I'm not seeing the equivalent -- on the FRPO
13 Interrogatory No. 5, line 7 is "Transactional services
14 capacity release, Empress-to-Iroquois."

15 Is there a similar such line in the Exhibit C, tab 1,
16 schedule 6? You have -- you have TCPL FT Iroquois, but
17 then I don't see a transactional services capacity release.
18 Is that because there weren't any?

19 MR. SMALL: On appendix C we've identified the
20 contracted capacity in line item 6, which is capacity we
21 held from Empress to Iroquois. So that was a contract that
22 we entered into and it kicked in November 1 of 2011.

23 MS. SEBALJ: Yes?

24 MR. SMALL: So when you look at the FRPO, the schedule
25 from the cost-of-service proceeding, you'll see that amount
26 under line item 6. And there was no assignment, because we
27 wouldn't have assigned in any way that capacity through the
28 winter. We needed that through the winter of November '11

1 to March '12.

2 But similarly to the capacity that we would have had
3 Empress-to-EDA, in the summer months, if there was an
4 opportunity, we would have released that capacity as well.

5 So it was no different than the Empress-to-EDA amounts
6 that we've been talking about this morning.

7 MR. LeBLANC: So if the line had been in FRPO 5, it
8 would be zero.

9 MS. SEBALJ: Thank you. That was what I was -- so
10 there weren't any capacity releases of the Empress-to-
11 Iroquois?

12 MR. SMALL: Correct.

13 MS. SEBALJ: How were the revenues related to these
14 line items treated in 2011? So that would be the... that's
15 the C-1-6, the 2011 months. The revenues associated with
16 these transactional services capacity releases, how were
17 they treated?

18 MR. SMALL: The revenues associated with the capacity
19 releases that we see on appendix C?

20 MS. SEBALJ: Yes. Appendix C, tab 1, schedule --

21 MR. SMALL: During the summer of 2012?

22 MS. SEBALJ: Yes.

23 MR. SMALL: Yeah. So the revenues associated with
24 that, that would have -- that's the amount that I think we
25 showed on the previous appendix, appendix B. We showed the
26 total capacity release net revenue in 2012 to be
27 18.6 million.

28 MS. SEBALJ: And that was treated how?

1 MR. SMALL: And that's -- the way we've treated it for
2 2012 is to do the 75-25 sharing and have those amounts
3 captured currently in the transactional services deferral
4 account.

5 MS. SEBALJ: And in 2011?

6 MR. SMALL: Well, we did the same thing in 2011.
7 However, subsequent to the Board's decision, we took those
8 amounts out, and that was the just under 800,000 that I
9 believe that we transferred into the PGVA in -- for the
10 2011 records.

11 MS. SEBALJ: Thank you. Can you confirm that in both
12 of these tables, you have only included transactions that
13 occurred for -- capacity release transactions that have
14 occurred for a period of one month or longer?

15 I think that's cited in the evidence somewhere, but
16 can you just confirm that for us?

17 MR. SMALL: The capacity releases were for at least a
18 month. Maybe what I could help you -- would help is, in a
19 subsequent response to FRPO, some additional questions, we
20 did provide a table, and it would have been on page 2 of 5
21 of what was filed as K1 -- and unfortunately I didn't write
22 down the -- K1.2.

23 So on page 2, we list out the transaction date and the
24 term of the various capacity releases that we did through
25 the 2012 period, and then the amounts of the capacity that
26 was released.

27 So you can see that there was a number of transactions
28 that were entered into for the April to October period.

1 Then down towards the bottom, you can see that we did
2 another small transaction for May to September. And then
3 we did a May to October, and then we did one deal for the
4 month of October alone, and then a couple of small deals
5 for the month of November.

6 MS. SEBALJ: And is the month -- I want to talk about
7 the month of November for a moment.

8 MR. SMALL: Sure.

9 MS. SEBALJ: The month of November is winter for
10 Enbridge's purposes? It's considered winter?

11 MR. SMALL: Considered to be winter. But every winter
12 is going to be different, and we would have done an
13 assessment. And you can see from the dates when those
14 transactions were entered into. One was done the 15th of
15 October, and two were done on 23rd of October.

16 So by the time we had gotten to that stage, we had a
17 pretty good idea of what our needs were going to be, and if
18 we were going able to continue to satisfy the demand of the
19 customer.

20 And after that discussion, we decided that we could
21 still operationally release that capacity.

22 MS. SEBALJ: Sorry, a second ago you said 23rd
23 October. You meant 23rd November, is that what you --

24 MR. SMALL: No, no. The trade date --

25 MS. SEBALJ: Oh, is trade date was October, I see
26 that.

27 MR. SMALL: -- was October 23, yes.

28 MS. SEBALJ: But the term is November, so it's for the

1 month of November.

2 MR. SMALL: Yes.

3 MS. SEBALJ: So 7,913 gJs per day.

4 MR. SMALL: And then there was another one for 6,858.

5 MS. SEBALJ: Okay. And so November is a winter month,
6 but you will do some transactions, depending on what you
7 see in October, what you see happening in October?

8 MR. LeBLANC: Yeah, as we see the weather unfolding,
9 we can tell, you know, whether we're going to have excess
10 capacity, and then we start releasing a little bit at a
11 time.

12 Once we're comfortable that we'll have no problem
13 meeting our primary objective to serve our customers, we
14 can start releasing a little bit as early as October for
15 our November period.

16 MR. SMALL: But we'd only do it for the month of
17 November.

18 MR. LeBLANC: Yeah, not a longer period.

19 MS. SEBALJ: So, just for clarity then, for our
20 purposes, winter is March to November for gas supply
21 purposes?

22 MS. GIRIDHAR: November to March.

23 MS. SEBALJ: November to March -- sorry, my apologies.
24 November to March, yes, of course.

25 MS. GIRIDHAR: If I might just add there, that you
26 must keep in mind that we are really looking -- you know,
27 we are planning our transportation portfolio for our peak
28 day. I don't believe we've ever historically had a peak

1 day in November. And regardless, we wouldn't release
2 capacity well in advance. So we really, you know, we
3 waited til the last -- til the end of October to make the
4 determination that we would be fine releasing that amount
5 of capacity, which is, you know, 0.5, probably a little
6 over -- 0.75 percent. Like, less than 1 percent of our
7 peak day requirement.

8 So we felt pretty good that we were not going to need
9 that capacity.

10 MS. SEBALJ: Has the design day ever occurred in
11 Ontario during either November or March, to your
12 recollection?

13 MS. GIRIDHAR: Subject to check, I'd have to say I
14 know for sure it hasn't occurred in November, and I do not
15 believe it has occurred in March.

16 MS. SEBALJ: So the transactions that you're showing
17 on, Mr. Small, on the Exhibit K1.2, is that the extent of
18 the -- that that's it? Those are all of the capacity
19 releases? Are there any that would be for much shorter
20 periods, from a day to a month, that aren't shown on
21 this chart?

22 MR. SMALL: No. There would be no value to a
23 counterparty if you only released capacity for a day.

24 So they would want it for a month and, as we describe
25 in the evidence, there becomes additional value if you can
26 assign it for a longer period of time. So that's why we've
27 -- the majority of them are the April to October time
28 frame.

1 MS. SEBALJ: Okay. Thank you. I think I'm going move
2 away from the tables now. Thankfully, you can put those
3 away. I just have a couple more questions.

4 FRPO No. 8, IR No. 8; there was a question about spot
5 gas in the summer.

6 So the question was: How much spot gas or landed gas
7 did Enbridge buy in the summer of 2012 that was not
8 supplied by a firm transportation contract?

9 And the response is: During the June to August 2012
10 period, Enbridge purchased a little over 20,000 (sic) gJs
11 of supply at Dawn.

12 I'm just wondering --

13 MR. SMALL: Sorry, that's twenty million.

14 MS. SEBALJ: Sorry, yes, twenty million gJs at Dawn.
15 Why is there a need to buy spot gas in summer, if there's
16 temporary surplus?

17 MR. SMALL: Well, when we're developing our gas supply
18 plan, we certainly want to make sure that we've got level
19 of firm transportation that will assist us to meet our peak
20 day. But we know that it will be in excess of what the
21 summer demands are.

22 But the other thing we'll be looking at is the level
23 of additional supplies that we would need to fill storage,
24 and the actions that we have taken is to buy additional
25 Dawn discretionary in the summertime to fill storage.

26 So there isn't enough -- the level of capacity we've
27 got is enough to satisfy that winter peak day demand and
28 seasonal demands. The excess above the summer demand

1 wouldn't be enough to fill storage on its own. We need to
2 buy additional supplies in the summertime.

3 MS. SEBALJ: Can I take you to Board Staff IR No. 6?

4 The reference is, if I can find myself, Exhibit I,
5 tab 1, schedule 6, and in this IR we're talking about how
6 Enbridge is assured that gas will be delivered by the third
7 party at Dawn when you do a -- when you do exchanges.

8 And the answer essentially says that you enter into a
9 transactional services arrangement, which is attached, and
10 the counterparty is required to sign, and there is a clause
11 in there, or a term in there that says that if in the event
12 that a customer failed to deliver the volume specified in
13 the exchange agreement and Enbridge purchased replacement
14 gas, then Enbridge would use the amounts received under
15 paragraph 4.6 of the transactional services agreement to
16 offset any incremental cost incurred.

17 And I was just wondering whether Enbridge has ever had
18 to invoke this clause.

19 MR. SMALL: No, we haven't.

20 MS. SEBALJ: Thanks. And then my last sort of area
21 relates to Board Staff IR No. 1, but it also relates to a
22 big chunk of Enbridge's evidence in C, tab 1, schedule 6.
23 And this is the piece that you spoke about in your chief,
24 about the three conditions that have to be satisfied before
25 you'll do a capacity release or an exchange.

26 And those three conditions are that it's unplanned,
27 that there's a third-party service request, and temporary
28 surplus capacity.

1 And I believe in your chief you explained that the
2 unplanned piece, the Board confirmed in its decision and
3 the surplus capacity, was confirmed, and that Enbridge has
4 added the concept of a third-party service request.

5 Did I accurately summarize what was said this morning?

6 MR. LeBLANC: Yes, you did.

7 MS. SEBALJ: Okay. I'm wondering where -- I agree
8 that the Board certainly spoke about planned versus
9 unplanned in the Enbridge decision.

10 But you further break it down in your evidence, and
11 you say at paragraph 15 of your evidence that:

12 "There are two circumstances that must be known
13 in order for optimization transactions to be
14 forecast and planned."

15 So you're sort of talking about the reverse now. This
16 is what needs to have -- needs to exist if a transaction is
17 planned.

18 And you say:

19 "First, the knowledge that a specific level of
20 transportation capacity will be surplus at a
21 specific point in time; and second, the value
22 that Enbridge can extract for that specifically
23 identifiable surplus capacity must be known."

24 And I'm wondering where those two subcomponents, if
25 you will, of the planned versus unplanned came from. Is
26 there an authority for that, or is that Enbridge's view of
27 the world?

28 MR. SMALL: What we were trying to describe, there was

1 -- at last year's proceeding, there seemed to be a lot of
2 focus on this concept that you knew from one year to the
3 next that you were going to be doing it.

4 And we tried to explain that as part of our supply
5 plan, we knew that there was going to be a level of
6 capacity that was going to be excess of the demand, and we
7 were going to divert it. So we knew that there was going
8 to be an amount in there. And quite frankly, not just
9 those type of deals but all types of transactions get
10 recognized as part of the eight million.

11 But the point we were trying to make when we're
12 talking about it here is if we're doing our supply plan
13 back in May or June of the year prior to the start of the
14 fiscal year, at that point in time there's no counterparty
15 that would be willing to provide a value to an April-to-
16 October exchange.

17 So if in April or May of 2011 I was doing my 2012
18 portfolio, is there going to be availability for a base
19 exchange or a capacity release? Well, we know, from
20 historically knowing what our daily summer demands are
21 going to be, that there will be some excess.

22 But what's the value of that transaction going to be?
23 And at that point in time, we have no way of knowing what
24 that value is going to be.

25 And I think that's -- in part, it's recognized that
26 there is going to be some value for transactional services,
27 and that's why we've always had this eight million
28 included, but you never know what the actual amount's going

1 to be.

2 And in fact, you look at what we got for capacity
3 releases in 2011 versus 2012, there is a huge difference.
4 And that's just a reflection of what the value is in the
5 marketplace. We couldn't have anticipated what that was
6 going to be when we were developing our supply plan.

7 MR. LeBLANC: And so that's the value side. And then
8 on the knowledge of volume side, until we start to get into
9 that, that season, we don't know if we're going to have and
10 how much volume we're going to have in the next season. So
11 that's kind of the volume part. The volume part -- we know
12 there's going to be some. We're not sure how big that's
13 going to be. So that's kind of the question around the
14 volume part.

15 MS. SEBALJ: Okay. And my other question with respect
16 to all three of the conditions that you've cited in your
17 evidence is whether -- and I think this was referenced in
18 an IR, but the answer wasn't clear to me. Do you use these
19 conditions in your groups to screen a transaction? Do you
20 say: Are these three conditions fulfilled, before you will
21 do a transaction?

22 MR. SMALL: Yes. Yes. I mean, the primary purpose is
23 that we want to make sure that the needs of the utility
24 customer are going to be met first and foremost. And then
25 once we're assured that that's going to happen, then if
26 there is an opportunity, volume available, then it would be
27 pursued.

28 MS. SEBALJ: The only other question I had -- and it

1 relates to the crosses of Mr. Quinn and Mr. DeRose -- I'm
2 still a tiny bit confused about whether, for every capacity
3 release transaction that you do, ultimately the gas is
4 redelivered and injected into storage.

5 MS. GIRIDHAR: Correct.

6 MS. SEBALJ: So there is never a storage deficit as a
7 result of a capacity release transaction --

8 MS. GIRIDHAR: Never.

9 MS. SEBALJ: -- or a base exchange.

10 MS. GIRIDHAR: Never.

11 MS. SEBALJ: Thank you. Those are all my questions.

12 **QUESTIONS FROM THE BOARD:**

13 MS. CONBOY: May I take you back, please, to this
14 diagram, which I found quite useful? Thank you.

15 And, Mr. Small, you were taking us through two
16 examples. And let me see if I can paraphrase what you had
17 said.

18 That a base exchange would be -- first of all, you're
19 getting the gas at Empress and it needs to go to Dawn or to
20 the customers, depending on the time of year and day and
21 the demand.

22 So a base exchange would be giving gas to a third
23 party at Iroquois, and that third party giving it back to
24 you at Dawn?

25 MR. SMALL: That's correct.

26 MS. CONBOY: Okay. The capacity release, if I
27 understand your explanation, would be giving gas to a third
28 party at Emerson, and the third party giving it back at

1 Dawn?

2 MR. SMALL: Sorry. We would be giving the gas to the
3 counterparty at Empress.

4 MS. CONBOY: At Empress?

5 MR. SMALL: They would then move it themselves through
6 IT transportation to Emerson, and sell it there.

7 MS. CONBOY: I see.

8 MR. SMALL: So maybe just to throw some numbers to
9 help, so if we had capacity on TransCanada to the EDA for a
10 hundred --

11 MS. CONBOY: Okay.

12 MR. SMALL: -- and we knew the demand on the day in
13 the summertime was going to be 80 in the EDA, as part of
14 our supply plan we would plan to divert 20 units back to
15 storage to Dawn.

16 So under the base exchange, we would continue to buy
17 the hundred, move the hundred, and then, at Iroquois, drop
18 off 20 units to that counterparty, because that was in
19 excess of our demand that we were going to move anyways.
20 We give them that 20; they give me back the 20.

21 MS. CONBOY: Understood.

22 MR. SMALL: So under the capacity release deal, I
23 still would buy the hundred. I know I need 80. So if I
24 release 20 right at there, at Empress, and I release that
25 20 capacity, they then have the gas and the capacity to do
26 with it what they want.

27 So then they would sell effectively 20 into the market
28 at Emerson, give me 20 back at Dawn, so I've still got my

1 20 at storage that I wanted.

2 MS. GIRIDHAR: If I might just add, the only
3 difference is, as has been mentioned earlier, it's a
4 question of who's holding the transport. So in a capacity
5 release, we have released the transport to them. There's
6 actually no impact in terms of how much gas we bought at
7 Empress and how much needed to go into storage.

8 MS. CONBOY: So the molecules are the same, is what
9 you were trying to say beforehand, but the difference then
10 is the store -- is the capacity on the lines?

11 MS. GIRIDHAR: Correct. The contracting arrangement;
12 who's got the capacity.

13 MS. CONBOY: Thank you.

14 MS. GIRIDHAR: Us or the marketer.

15 MR. QUESNELLE: Well, just to clarify -- on that point
16 I think you've stated before, and it's to unlock the value
17 within the FT RAM?

18 MS. GIRIDHAR: Exactly.

19 MR. QUESNELLE: Okay. Thank you.

20 MS. CONBOY: Mr. Stevens, have you got any -- sorry,
21 before I go there, Mr. MacIntosh, I didn't have you down
22 for cross-examination; is that correct? Thank you.

23 Mr. Stevens, any re-examination?

24 MR. STEVENS: No, thank you, I do not.

25 MS. CONBOY: Great.

26 MR. STEVENS: We do, Madam Chair -- if it's helpful to
27 the parties and I think it would be, from discussions we've
28 had offline, we could take the opportunity to have Mr.

1 Culbert take the witness stand and briefly explain the
2 mechanics of what's happened with Enbridge's deferral
3 accounts, to reflect the two issues that Enbridge is no
4 longer contesting.

5 MS. CONBOY: Thank you. That would be great, just
6 after I hear from Mr. Quinn who's putting his hand up.

7 Mr. Quinn?

8 MR. QUINN: Thank you. I'm stuck procedurally as to
9 the right thing to do, so I'm in your hands.

10 We did get a representation that was entered in as
11 K1.3.

12 MS. CONBOY: Yes.

13 MR. QUINN: We added some -- I added some additional
14 detail in terms of numeric values to make it make sense.

15 I don't know if there's opportunity to enhance the
16 exhibit and enter it in as an exhibit with the approval of
17 Enbridge, or if Enbridge should come up with the numbers I
18 had and put it on record, if that would be of assistance
19 for people to see it visually.

20 What I'm concerned about, stepping ahead, if I go and
21 put this in in final argument, somebody would say I would
22 be putting evidence in my reply argument.

23 MS. CONBOY: Oh, I see.

24 MR. QUINN: And I don't want to do that, obviously.

25 MS. CONBOY: Mr. Stevens?

26 MR. STEVENS: I guess we're all at the disadvantage of
27 not having seen the transcript to know exactly how it reads
28 as Mr. Quinn was going through his questions with his

1 example. I believe it was 80, 10 and 10.

2 I think that if Mr. Quinn was simply to explain in his
3 argument, perhaps with the representation of this chart,
4 that would be fine. But if we need to write it on now, we
5 could. I just don't know whether that's going to lead to
6 another round of questions, which I'm sure everybody would
7 prefer to avoid.

8 MS. CONBOY: Yes. Just a minute, please.

9 [Board Panel confers]

10 MS. CONBOY: Mr. Quinn, I think we're going to leave
11 the exhibit as is, for the reasons set out by Mr. Stevens.
12 We do have the transcript. We've got the diagram. We can
13 -- you've put them together and you can certainly reference
14 the amounts between the two points, in order to avoid
15 further questions.

16 MR. QUINN: Okay. I trust I'll be able to convert
17 that. Thank you.

18 MS. CONBOY: Thank you. So that would be helpful, to
19 have Mr. Culbert take us through. The witnesses are
20 excused, with our thanks.

21 MR. SMALL: Thank you.

22 MR. QUESNELLE: Your witness is ready to be sworn in,
23 Mr. Stevens?

24 MR. STEVENS: Yes, thank you.

25 **ENBRIDGE GAS DISTRIBUTION - PANEL 2**

26 **Kevin Culbert, Sworn**

27 MS. CONBOY: Mr. Stevens, would you like to guide your
28 client through?

1 MR. STEVENS: Certainly.

2 **EXAMINATION-IN-CHIEF BY MR. STEVENS:**

3 MR. STEVENS: Members of the panel, as we discussed at
4 the outset of today's session, Enbridge has indicated that
5 it is not contesting the previously contested issues
6 related to the GDAR cost account, and to extraction
7 revenues within the earnings sharing account.

8 Within Enbridge's letter of September 6th, 2013,
9 Enbridge set out the mechanics of what will happen to
10 implement the parties' agreement in the settlement
11 agreement of the consequences resulting from Enbridge
12 failing to make its case.

13 I don't know, Madam Chair, whether it would be helpful
14 to make this letter into an exhibit for this proceeding, or
15 whether it's sufficient that it was filed within the
16 proceeding. I'm speaking of the September 6th letter.

17 MS. CONBOY: Ms. Sebalj?

18 MS. SEBALJ: I had actually had a discussion and
19 thought that that would be a good idea. I think the letter
20 provides a bit of a walk-through.

21 I understand that some of the parties have additional
22 concerns related to other matters, but this letter
23 certainly helped me understand directionally where the
24 numbers were changing, and how they were changing.

25 So are we okay to mark it?

26 MS. CONBOY: I'm fine to mark it. Thank you.

27 MS. SEBALJ: K1.4.

28 **EXHIBIT NO. K1.4: LETTER DATED SEPTEMBER 6TH, 2013**

1 **FROM ENBRIDGE GAS DISTRIBUTION**

2 MS. CONBOY: Thank you.

3 MR. STEVENS: Thank you. The first of the issues, as
4 I noted, is described on page 2 of Exhibit K1.4, and it
5 relates to the 2012 GDAR costs account.

6 The disputed item had related to whether Enbridge
7 would be allowed to recover the impact of decreased late
8 payment penalty revenues.

9 The settlement agreement spelled out what would happen
10 if Enbridge was not able to prove its case. And as we've
11 described in the letter, Enbridge has now taken steps to
12 implement that aspect of the settlement agreement.

13 Mr. Culbert, can you just walk us through how that can
14 be seen in Exhibit K1.1, which is the current balances
15 within Enbridge's 2012 accounts?

16 MR. CULBERT: Yes, certainly. The discussion we had
17 at break around the request by Mr. DeRose to try and better
18 explain what has happened to the balances, goes from -- you
19 can look at the original balances in either of Exhibit C,
20 tab 1, schedule 1, page 2; that was the initially proposed
21 balances for clearance.

22 It's also contained at page 6 of the agreement; the
23 exact same balances are located there.

24 So what I'll do is go through the GDAR balance at that
25 time, that we were requesting clearance of, is shown at
26 line 6 of that exhibit, shown as 1.0978 million dollars.
27 Well, it's in thousands actually, but it's 1.1 million
28 dollars.

1 So what has happened as a result of the company not
2 contesting this issue is that at year-end, we believed that
3 \$900,000 should be a recoverable amount of lost LPP
4 revenue. The effect of that was that at year-end the
5 company recorded \$900,000 as a revenue stream in its
6 financials, in recognition that we should be receiving that
7 \$900,000 as part of that \$1.1 million balance I just spoke
8 to.

9 As a result of not contesting the issue, the \$900,000
10 needs to be reversed from our earnings. So the effect of
11 that is that \$900,000 reduces the GDAR balance from 1.1 to
12 -- as you see in Exhibit K1.1, same line number 6 --
13 reduces the balance that we're requesting recovery of in
14 the GDAR down .2 million.

15 At the same time, what happens is, as a result of
16 removing the voice recognition of the \$900,000, the ESMDA
17 effectively goes from -- the requested clearance of the
18 ESMDA would have been \$10.35 million shown at line 11 of
19 Exhibit C, tab 1, schedule 1, reduces the balance by
20 0.45 million or 50 percent of the amount because the
21 earnings sharing is a 50 percent arrangement.

22 So the 10.35 million would be reduced by 0.45 million
23 down to 9.9 million.

24 Now, that's just the first step of the two issues that
25 we're not contesting any further. So that's what the
26 balance would become at that point in time.

27 That's the effect of the elimination of the LPP
28 revenues that we would have been requesting.

1 MS. CONBOY: Thank you. Do you want to take us to the
2 next issue?

3 MR. STEVENS: Yes, please. The other item that
4 Enbridge has indicated it will not contest relates to
5 extraction revenues obtained by Enbridge in relation to gas
6 that was purchased.

7 Enbridge has determined that it will not contest the
8 intervenor position, or the position taken by others, that
9 the extraction revenues ought to be treated as an offset to
10 gas costs, as opposed to a revenue item for Enbridge.

11 That's set out within the second large paragraph on
12 page 2 of the September 6th letter at Exhibit K1.4.

13 Mr. Culbert, can you walk us through the accounting
14 implications of that?

15 MR. CULBERT: Absolutely. Again, at year-end, the
16 financial statements would have recognized this \$5 million
17 as a revenue stream. As a result of the agreement shown at
18 page 10 of 13, the effect of not contesting this issue
19 means that the \$5 million needs to be reversed as a revenue
20 stream inside of our earnings calculation.

21 The effect of that is, in addition to what the ESM
22 amount became as a result of the LPP revenues,
23 \$9.9 million, you need to further reduce that balance by
24 half of the \$5 million which would have been flowing
25 through the ESMDA at that time.

26 So if you go from \$9.9 million and reduce that balance
27 by a further 2.5, or 50 percent of the extraction revenue
28 as \$5 million, the ESM balance becomes \$7.4 million.

1 Now, I've rounded this in millions to show what
2 happens. When we put the actual amounts through that are
3 shown the agreement of -- I think it was \$916,000 for LPP,
4 et cetera -- it rounds it down to \$7.93 million. But in
5 effect, it's the same results.

6 So what happens is that the ESM then goes down to the
7 7.392 that you're seeing on K1.1 -- yes -- the ESM number
8 now becomes \$7.39, as shown at line 11 of Exhibit K1.1 in
9 column 3.

10 MR. STEVENS: And at the same time, I understand
11 there's an adjustment to the PGVA?

12 MR. CULBERT: Yes. So in recognition that the
13 \$5 million ought to be entirely credited to the ratepayers,
14 in our QRAM it's docket number EB-2013-0295 at Exhibit Q4-
15 3, tab 1, schedule 2, page 1, line 13A. You would see a
16 credit amount of \$5 million going into the PGVA, which will
17 be cleared to customers going forward.

18 MS. CONBOY: Thank you.

19 MR. STEVENS: And just as a final item on this topic,
20 panel, I should indicate for the record that Enbridge has
21 agreed in subsequent QRAM filings, it will include a
22 reference to the amount of extraction revenue that's being
23 applied as an offset to gas costs in any particular month
24 that's part of the -- that's the subject matter of that
25 QRAM.

26 So this practice will continue, and the number can be
27 identified in subsequent filings.

28 MS. CONBOY: Thank you. Were there any questions of

1 clarification from the other parties?

2 MR. DeROSE: No, but I would like to just thank
3 Enbridge for doing this. I found it helpful. If I'm the
4 only one --

5 MS. CONBOY: As did I.

6 MR. DeROSE: Thank you.

7 MS. CONBOY: No, as did I. Thank you.

8 MR. QUINN: And I would add my thanks. I met with
9 Enbridge counsel at the break, and they've accommodated
10 what my concern was that numbers were outside of this
11 proceeding, and they're now on the record to move forward
12 in QRAM to take care of this business.

13 So we appreciate that.

14 MS. CONBOY: Thank you. Mr. Culbert, thank you very
15 much for being a witness on the spot today.

16 So that concludes the cross-examination. I do note
17 that in the hearing plan there were next steps set out,
18 with argument-in-chief being filed no later than Friday,
19 October the 4th, submissions by the parties no later than
20 Friday, October the 18th, and reply on Wednesday, October
21 the 30th. And the Board is satisfied with those times.

22 With that, we are adjourned. Thank you very much for
23 your time, everybody.

24 --- Whereupon the hearing adjourned at 12:24 p.m.

25

26

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28