EB-2012-0451
EB-2012-0433
EB-2013-0074

ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for: an order or orders granting leave to construct a natural gas pipeline and ancillary facilities in the Town of Milton, City of Markham, Town of Richmond Hill, City of Brampton, City of Toronto, City of Vaughan and the Region of Halton, the Region of Peel and the Region of York; and an order or orders approving the methodology to establish a rate for transportation services for TransCanada Pipelines Limited;

AND IN THE MATTER OF an application by Union Gas Limited for: an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Parkway West site; an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Town of Milton; an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Brantford-Kirkwall/Parkway D Compressor Station project; an Order or Orders for pre-approval of the cost consequences of two long term short haul transportation contracts; and an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the City of Cambridge and City of Hamilton.

REPLY ARGUMENT OF UNION GAS LIMITED

(PARKWAY WEST PROJECT, EB-2012-0433)

Torys LLP
79 Wellington St. W., Suite 3000
Box 270, TD Centre
Toronto, Ontario M5K 1N2

Crawford Smith (LSUC #: 42131S)
Tel: 416.865.8209
csmith@torys.com

Myriam Seers (LSUC #: 55661N)
Tel: 416.865.7535
mseers@torys.com

A. Overview

1. This is Union Gas Limited's Reply Argument in EB-2012-0433. This argument should be read in conjunction with Union's Argument-in-Chief. For the reasons set out in that argument and below, Union remains of the view that the relief requested in respect of the Parkway West Project (the "Project") should be granted by the Board.[1]

2. The need for the Project has received broad, near unanimous support from intervenors. Board Staff has also indicated its support. To the extent concerns have been raised unrelated to need, these have largely focused on issues of pre-approval of the cost consequences associated with the Project and cost allocation.

B. General

3. Parkway is the only Compressor Station on the Dawn-Parkway System that does not have loss of critical unit coverage. The construction of a compressor to provide reserve horsepower will ensure that Union will be able to meet its contractual commitments and ensure that natural gas continues to be delivered to customers downstream of Parkway in Ontario, Quebec and the U.S. Northeast, including those customers serviced from the suction and discharge side of the Parkway Station today and those customers that will be served by Enbridge's GTA Project application.

4. The planned facilities have not changed since the application was filed in January 2013. The Project is required now. It is not being built based on future demands; the operational flows already support the need for increased reliability and resilience. The consequence of a loss of critical unit event at Parkway exists today. The Project is not dependent on other projects.[2] It allows for continuation of reliable service to Union's customers.

5. The balance of this Reply has been organized based on the Board's Issues List.

---

[1] Unless otherwise indicated capitalized terms have the same meaning as in Union's Argument-in-Chief.

[2] Undertaking J9.6

Issue A1: Are the Proposed Facilities Needed? / Issue A5: Is the Proposed Timing of the Various Components of the Project Appropriate?

6. With the exception of COC and BOMA, all parties have indicated their support for the Project, recognizing the need for LCU coverage today.

7. In its argument, COC states that the approvals requested in relation to the Project should be denied. COC provides no basis for its position. Rather, its argument appears to be directed entirely to matters unrelated to the Project. There is no discussion in its argument about the Project or its various elements. Indeed, the phrase LCU appears nowhere in COC's argument. Its focus is on a generalized discussion of shale gas development in the U.S. and de-contracting on TransCanada's Mainline. To the extent these issues are relevant at all, they are discussed in Union's Reply Argument in EB-2013-0074. They do not bear on the need for this Project.

8. BOMA is the only party that takes the position that the Project is not needed. The premise of its position is that a single compressor can be installed to meet both the need for LCU coverage and to address growth requirements. BOMA's argument in this respect is divorced from the evidentiary record. The passages of the transcript BOMA relies upon do not support its position. In fact, they confirm that the Project is needed now.

9. At page 29 of its argument, BOMA states that "Union has agreed that, at the hearing, one compressor can provide both some growth capacity and some LCU protection." BOMA refers in support of its statement to an unspecified BOMA interrogatory and Volume 3, p. 136 of the Transcript. A similar statement is made at page 35 of BOMA's argument.

10. As noted in Union's Argument-in-Chief at page 17, Union, in its response to an interrogatory at Exhibit I.A4.UGL.Staff.23, addressed the question about whether one compressor could meet the requirements for LCU (Parkway C) and for growth (Parkway D). The Projects are not amenable to a combined solution as they address different needs. The Parkway West Project is driven by the need to increase system reliability through the use of LCU compression (Parkway C) and measurement and, as a result, the capacity created by that equipment must remain in reserve. The Brantford-Kirkwall/Parkway D Project is a growth project. If one solution were developed for both reliability and growth, the compressor would need to operate to meet growth volumes and would not provide LCU protection. The Parkway C LCU compressor is a compressor of a similar size to the existing Parkway B compressor <u>and</u> the

proposed Parkway D compressor, and is larger than the existing Parkway A compressor. The Parkway C LCU compressor therefore can come on line and protect against a failure of any of the other compressors on the Parkway sites.

11. There is no interrogatory from BOMA or any party that supports BOMA's argument. There is no such testimony at the reference BOMA cites (Transcript, Vol. 3, p. 136). The exchange on this topic, beginning at page 130, is set out below. It appears that BOMA has wrongly equated Union's evidence that LCU protection involves keeping horsepower in reserve with the suggestion that one, sufficiently large compressor can address both the need for LCU coverage and the growth volumes discussed in EB-2013-0074.

> MR. BRETT: Yes, that's right. That was my question. Thank you.
>
> And you're proposing to add two further compressors, each with an ISO rating of 44,5000. So that will be an additional 89,000 at Parkway West; is that correct?
>
> MS. GEORGE: That's correct. The LCU unit and the D unit.
>
> MR. BRETT: Yes. One you say is for LCU and one you say is for growth; correct?
>
> MS. GEORGE: That's correct.
>
> MR. BRETT: Now, the notion that you put forward in your evidence, as I understand it, is that you would use one of these compressors only for LCU, and you would use the other compressor only for growth. Is that the case? Is it the case that you will always have one of those two compressors sitting idle under all circumstances?
>
> MS. GEORGE: <u>We've responded to that question under A1.Staff 2, part (b).</u>
>
> <u>So the way we operate LCU is that we keep that horsepower in reserve. There are times when we may have all four idling or operating in the idling mode to ensure that we can turn it on quickly in the case of an outage, but we will keep the equivalent horsepower in reserve.</u>

MR. BRETT: So when you say “keep the equivalent horsepower in reserve” – thank you for that answer – you don't mean necessarily keep one entire compressor in reserve? You mean keeping a sufficient amount of horsepower in reserve, an amount of horsepower in reserve that would be sufficient to cover off the -- for the horsepower of compressor B if it should fail; is that correct?

MS. GEORGE: That's correct.

MR. BRETT: Okay. So that just – just to be clear, then, you could have – if we had, for example, three compressors running – let's assume for the moment we had three compressors at Parkway, the existing two plus one other one, we'll call it compressor X, and it has the same capacity as B, of course, you would make sure that – you could run those three compressors to deal with an existing load, the existing load was – you were putting through the compressors, provided that you kept enough spare horsepower, that if B went down you could cover for it; is that right? I think I'm just trying to say what you just said in a –

MR. RIETDYK: Yeah, I just want to qualify that so that we're clear. We need an LCU compressor to have the full reserve capacity of the largest compressor on the site. So it can't put one twice the size of it there. So that's why we need C and D, to cover off our failure of one of the others.

MR. BRETT: Well, now I don't understand. What I thought you just said to me is that you now have A and B there. A has 20,000 horsepower; B has 44,500. Let's assume we add another compressor, a single compressor. And we don't designate it as LSCU (sic) or growth, it's just one more compressor, the same size as B.

Are you saying to me that you always have to leave that new compressor empty, not have it work at all? Because it has to be -- if you're saying that, you're directly -- you're telling me something opposite to what you did a few minutes ago.

<u>MR. RIETDYK: No, I think what we're saying is there's two compressors that we're proposing. One is LCU to cover off for the largest compressor on the site, which is Parkway B, and a growth compressor, which is also coincidentally the same size, 44,500 horsepower, for the growth volumes</u>.[3] (emphasis added)

[3] Transcript, Volume 3, September 17, 2013, pp. 130-32

12. The essential fact is that there must be an equivalent amount of horsepower held in reserve to cover off the failure of the largest unit at the station. Parkway C (LCU) is therefore sized at the same 44,500 HP as the existing Parkway B unit in order to provide LCU coverage. Said differently, Compressors A, B and D are needed to meet contracted volumes. On a peak flow condition, all three compressors are required to meet contractual commitments. The LCU compressor (Parkway C) is required in the event that either A, B, or D fail. To suggest one new compressor could do dual duty as C and D misunderstands the very nature of LCU protection.

13. The need for Parkway D and the size of that compressor is also further discussed in Union's Argument-in-Chief and Reply Argument in EB-2013-0074. In brief, the evidence confirms the need for a growth compressor and the size of the compressor chosen.

> MR. SMITH: Members of the panel, on Tuesday you were asked a question by Mr. Brett in relation to BOMA 54(d). You might recall a question around arithmetic. And Mr. Brett took you to the various horsepower required to meet various contracted demands. Do you recall that?
>
> MS. GEORGE: Yes, I do.
>
> MR. SMITH: It adds up to approximately 24,000 horsepower, by my math. My understanding is you're proposing a horsepower -- compressor of about 44,000 horsepower. Can you just tell me why the difference between those two?
>
> MS. GEORGE: Yes. So that list includes only the additional information that was asked in the undertaking. The – we also need to consider the 400,000-gJ-a-day shift from Enbridge for suction to discharge in developing the horsepower requirement. And it is reduced a little by the existing surplus. So the requirement – the horsepower requirement for all of the growth volumes that have been explained in the evidence is 29,690 horsepower. And when we're designing our system we look at what is the most efficient build for the requirements that we have that we're aware of now, as well as what we're expecting in the future. So in this case, we looked at a unit that was 30,000 horsepower that would cover the existing requirements, as well as the 44,500 horsepower. The costs of those two options are essentially the same, and you get 50 percent more horsepower with the 44,500 horsepower. And given that we are anticipating growth through Parkway, whether it is expanding the Dawn-to-Parkway path or repurposing the Dawn-to-Kirkwall turnback to Dawn to Parkway, we are expecting we'll

> need more horsepower at Parkway in the future, and that is why we are designing the 44,500 horsepower unit.[4]

14. BOMA further argues at pages 29 and 30 of its argument that Enbridge has not requested LCU protection, implies that LCU coverage is not required and that Enbridge is not concerned about the risk of failure. These statements similarly misapprehend the evidence. Indeed, Enbridge and the other ex-franchise customers who will pay for the cost of the Project support the Project. Enbridge, Gaz Métro and TransCanada have all indicated that they support the Project:

- Enbridge stated in its evidence:

  > Enbridge is of the view that physical assets such as standby compression at Parkway are necessary to ensure acceptable levels of reliability, relative to the other options discussed in Union Gas' 2013 Rates proceeding, EB-2011-0210, for transportation services that are designated firm.[5]

- Similarly, Gaz Métro stated in its evidence:

  > Gaz Métro is supportive of the Parkway West Project since it will increase security of supply for its customers and support its efforts to shift its structure of supply from long-haul to short-haul transportation services using the Dawn to Parkway system.[6]
  >
  > It is Gaz Métro's belief that the construction of a LCU protection compressor will mitigate the critical operational risk of a major failure at Parkway as this critical infrastructure is essential to move gas in Ontario and to ex-franchise markets.[7]

  And in its argument:

  > These very projects are crucial to ensuring that Gaz Métro has secure and stable access to Dawn.[8] […]

---

[4] Transcript, Volume 4, September 19, 2013, p. 26

[5] Enbridge Evidence, Exhibit A, Tab 3, Schedule 1, p. 10

[6] Gaz Métro Evidence, Exhibit L.EGB.SCGM.1, p. 11

[7] Gaz Métro Evidence, Exhibit L.EGB.SCGM.1, p. 11

[8] Gaz Métro Argument, p. 3, para. 7

> It is Gaz Métro’s belief that LCU protection is an important tool in ensuring reliable service and the delivery of natural gas to the Quebec market. Parkway is essential infrastructure with regard to the movement of gas volumes in Ontario and Quebec, and therefore its protection is crucial.[9] […]
>
> As noted previously, Gaz Métro is under an obligation to ensure security of supply. A compressor outage would significantly impacts on Gaz Métro’s ability to meet the demands of its customers.[10]

- Finally, in a letter from TransCanada to Union Dated February 8, 2013, TransCanada indicated that it is not opposed to the addition of LCU protection at the Parkway West site.[11] It provided this letter before TransCanada and the Eastern local distribution companies entered into the Term Sheet on September 10, 2013. TransCanada’s support is further demonstrated in both the Term Sheet and the Settlement Agreement.

Issue A2: Do the Proposed Facilities Meet the Board’s Economic Tests / Issue B5: Should the Pre-Approval to Recover the Cost Consequences of the Proposed Facilities be Granted?

15. Union is seeking an order from the Board, pursuant to Section 36 of the Act, for pre-approval of recovery of the cost consequences of all facilities associated with the development of the Project from ratepayers

16. Union’s Argument-in-Chief at pages 8 through 13 discusses the reasons why Union is seeking pre-approval of the recovery of the costs consequences of the Project. In Union’s submission, pre-approval of the costs consequences associated with the Project should not be a controversial issue. The process followed by Union in seeking pre-approval as part of its leave to construct application is exactly the same as the process contemplated by the settlement agreement approved by the Board in EB-2013-0202 and agreed to by the parties, fixing the terms of Union’s next multi-year Incentive Regulation Mechanism (the “IRM Agreement”). As Mr. Birmingham explained:

---

[9] Gaz Métro Argument, p. 5, para. 16

[10] Gaz Métro Argument, p. 5, para. 17

[11] Exhibit I.A4.UGL.CCC.23 Attachment 1

> The incentive regulation framework actually contemplates this very process; that is, to the extent that it meets the criteria, Union would be required to apply for leave-to-construct and rate recovery all at the same time so that the Board could deal with all the aspects of the project and all of the impacts from the projects at a single time.
>
> So this would be the full regulatory review, which would include the typical leave-to-construct criteria and whether the project's in the public interest, as well as the section 36 rate-recovery application.[12]

17. Specifically, the IRM Agreement provides the following:

> 6.6 2. vi) The project will be subject to a full regulatory review equivalent to a leave to construct proceeding, in which the applicant must demonstrate need, safety or reliability purposes, and economic viability prior to inclusion in rates. For any project that requires leave-to-construct approval of the Board, <u>the full regulatory review will be conducted in that proceeding.</u> For any project that does not require leave-to construct approval of the Board, Union commits to filing its annual rate adjustment application with the Board by July 1 of the year prior to rate impacts of the project going into effect, to allow sufficient time for a full regulatory review of the project in its rates application.[13] (emphasis added)

18. LPMA and SEC do not oppose pre-approval. As both recognize, pre-approval is consistent with the IRM Agreement. As SEC states:

> The IRM agreement specifically envisions that for major capital projects that meet specific criteria, the leave to construct application would act as a type of cost of service for that project. Union's Parkway West Project meets the Y-factor requirements under the approved IRM framework, and is specifically contemplated within the agreement.[14]

19. Board Staff and CME oppose pre-approval. For its part, Board Staff suggests pre-approval is unnecessary because Union could always apply for rate recovery at a later date. Quite

---

[12] Transcript, Volume 2, September 17, 2013, pp. 138-139

[13] IRM Agreement, Exhibit A, Tab 2, p. 21, s. 6.6.2 vi)

[14] SEC Argument, p. 6, para 2.5.1

apart from the fact that this statement overlooks Union's argument as to the need for rate assurance, it disregards the express terms of the IRM Agreement and, if accepted, would result in a significant waste of regulatory time and resources redoing at a later date work that has been done already as part of this proceeding.

20. Board Staff also makes the argument that Union has not applied for a rate order. First, a rate order at this stage is, in fact, premature because the Project is not in service. Second, the objection is technical in nature only: Board Staff has confirmed that it has no concerns with the costs of the Project, the allocation of those costs or the resulting rate impacts. The rate order that will result in these costs being included in rates will be part of the filed 2014 Rates application.

21. In its argument, CME objects to pre-approval of the cost consequences associated with the Project on the basis that parties should have an opportunity to conduct an "after the fact" prudence review. If, by that statement, CME intends that the Board should, at a later date, employ hindsight in assessing the prudence of the Project, that would be impermissible at law.[15] If, on the other hand, CME means that the Board should simply review the costs at a later date, CME ignores the IRM Agreement (to which it agreed), which provides for full Board review at this time. Granting pre-approval of the costs consequences of the proposed facilities therefore would not deprive ratepayers of any opportunity to assess the prudence of the investment – the time to do so is now. Further, Union has applied for a deferral account to capture variances between the estimated and actual costs of the Project. Parties and the Board will have a full opportunity to examine any variance and the prudence of that variance.

Issue A3: Are the Costs of the Facilities and the Rate Impacts to Customers Appropriate?

22. **Costs as between the Projects**. The total estimated cost of the Project is $219.4 million.[16] Union has attributed the land and site development costs appropriately as between the Project and the Brantford-Kirkwall/Parkway D Project. The two are separate projects which give rise to separate economic and operational considerations.

23. Union has allocated the land and site development costs to the Project as it was first in terms of requirement and the fact that Parkway West is independent of any other facilities being

---

[15] *Ontario Power Generation Inc. et al. v. Ontario Energy Board*, 2013 ONCA 359

[16] Union Evidence, Schedule 11-1 (updated August 23, 2013)

considered by the Board and the NEB. Attributing Parkway West land and site development costs to the Brantford-Kirkwall/Parkway D Project for purposes of economic decision making defeats the basis of the Discounted Cash Flow (DCF) analysis which is an incremental cost approach. Put another way, if the timing of the Brantford-Kirkwall/Parkway D Project were separated by two years, parties would not suggest that Parkway West costs be attributed to Brantford-Kirkwall/Parkway D. In present circumstances the timing of the two projects is concurrent, but that does not detract from the principle that the investment in Parkway D is an incremental decision independent of Parkway West.[17] In its EBO 134 Decision, the Board stated that: "incremental costs should be used in evaluating the feasibility of system expansion."[18]

24. Energy Probe suggests re-allocating site development costs from Parkway West to Parkway D. This is not appropriate for the reasons set out above, and based on the evidence below. The same land and facilities are required for the Parkway West Project, whether or not Parkway D is required. As Ms. George, Union's Director, Major Projects, testified:

> MS. GEORGE: So the site infrastructure costs would be of the same magnitude, and we would have bought the same size land because we do anticipate the future growth at Parkway, and land is very difficult to find in that area for this type of an application. So the land would have been the same size.
>
> The other infrastructure costs are things like connecting to our Dawn-to-Parkway system, which is required whether you build one or two compressors, building the pipeline header system and building some of the other auxiliary systems that are required in a new site.
>
> MS. CHAPLIN: So if you were not to do Parkway D at all, you're saying you would still have chosen as large -- purchased as large a site in anticipation of future growth, and all of the other site infrastructure projects would still be the same if you were just doing the loss of critical unit compressor?

[17] Exhibit I.A2.UGL.APPRO.8, part b)

[18] EBO 134 Decision, para. 6.70.

> MS. GEORGE: Yes. Everything that was listed under a $103 million is still required regardless.[19]

25. In addition, the combined bill impacts are the same regardless of the scenarios proposed to allocate some the Parkway West Project costs to the Brantford-Kirkwall/Parkway D Project. In response to a question about what the directional impact would be and which customers would bear the costs, Mr. Tetreault responded that there would be virtually no impact:

> MR. TETREAULT: Dr. Higgin, I would not expect there to be much, if any, rate impact associated with that. Reallocating the costs from one project to the other will have an impact on the individual impacts of the individual projects. However, ultimately we'll be combining both projects and allocating the costs of both projects based on Board-approved cost-allocation methodologies, so when you combine them, I would expect the impact to be virtually nothing.20

26. In its argument, Energy Probe submitted that an allocation of 50% of the site development and land costs to the Brantford-Kirkwall/Parkway D Project was appropriate and would result in a material shift in rates between M12 and C1 Dawn-Parkway rate classes. In undertaking J4.7, Union was asked to update Parkway West Schedules 12-1 to 12-5 to Energy Probe's proposed allocation of these costs. These schedules do not include the offsetting impact of the re-allocated costs in the Brantford-Kirkwall/Parkway D Project, which would result in an offsetting shift between M12 and C1 rate classes to the shift demonstrated in the Parkway West Schedules in Undertaking J4.7. As a result, Union submits there would be no material rate impacts associated with re-allocating the land and site development costs to the Brantford-Kirkwall/Parkway D Project and for the reasons described above this would not be appropriate.

27. SEC suggests that the entire plot of land does not need to be developed if Parkway D is not approved.[21] SEC states that at the very least, part of the cost should not be recoverable from ratepayers because part of the site would not be used or useful. There is no evidentiary support for these arguments. As set out above, the same land and facilities are required for the Parkway

---

[19] Transcript, Volume 4, September 19, 2013, pp. 75-76

[20] Transcript, Volume 4, September 19, 2013, pp. 66-67

[21] SEC Argument, p. 5, para. 2.3.4

West Project, whether or not the Parkway D compressor is required. The site will be used or useful and the costs should be recoverable from ratepayers.

28. **The cost allocation methodology is appropriate**. Union is not proposing any changes to the allocation methodology of Dawn-Parkway transmission system costs, including the allocation of Parkway costs, as a result of the Project.[22]

29. Union's Dawn-Parkway cost allocation methodology was reviewed and approved by the Board in EBRO 493/494. In EB-2011-0210, Union's 2013 Rates Application, the Board re-affirmed this cost allocation methodology for Parkway Station costs.

30. In Union's 2013 Board-approved cost allocation study, the costs associated with the Project are allocated between in-franchise and ex-franchise rate classes using distance weighted Dawn-Parkway design day demands. This cost allocation recognizes that the Dawn-Parkway transmission system is designed to meet easterly design day requirements and that a rate class' use of the Dawn-Parkway System depends on that rate class' design day demands and the distance those design day demands are required to be transported on the Dawn-Parkway System.[23]

31. While the design day demands on Dawn-Parkway are not changing as a result of the Project, the costs associated with the Dawn-Parkway System are increasing as a result of it. Accordingly, all rate classes are contributing to the recovery of Project costs based on how they use the Dawn-Parkway System on a peak day (i.e. distance weighted design day demands).[24]

32. Union's allocation methodology of Dawn-Parkway transmission costs is aligned with the principle of cost causality. Further, in Union's view, the current Board-approved cost allocation method is appropriate because it recognizes that both in-franchise and ex-franchise customers benefit from the current Parkway Station and the development of the Project. Based on the current Board-approved allocation of Dawn-Parkway costs, in-franchise rate classes are allocated

[22] Union Evidence, Section 12, p. 103

[23] Union Evidence, Section 12, p. 103

[24] Exhibit I.A3.UGL.CCK.1

approximately 16% of the costs directly attributable to the Project. The remaining 84% of costs directly attributable to the Project are allocated to ex-franchise rate classes.[25]

33. As outlined in Section 6 of Union's pre-filed evidence, both in-franchise and ex-franchise customers benefit from the Project. Union North and South in-franchise customers will benefit from increased security of supply and reliability for their gas deliveries consistent with the protection afforded along the remainder of Union's Dawn-Parkway System. For ex-franchise customers, the Project provides benefits and these were addressed in evidence at section 12, page 104.

34. Further, development of Parkway West maintains Dawn-Parkway System demands. Maintaining Enbridge and Gaz Métro as Dawn-Parkway shippers and growing their commitment to that transportation path will help ensure that (i) the Dawn-Parkway path remains as fully contracted as possible, and (ii) Union can manage Dawn-Parkway capacity through periods of turn back risk. A full, robust Dawn-Parkway System means that transportation rates remain economic for in-franchise and ex-franchise system users. Any de-contracting of the Dawn-Parkway System that results in unutilized transmission capacity will increase rates for all remaining customers including in-franchise and ex-franchise customers.[26]

35. CCK argues that LCU costs should be distinguished from other costs associated with Parkway in Union's cost allocation study.[27] Union disagrees. As discussed above, its methodology is appropriate and reflects cost causality. CCK's argument overlooks benefits it (and others) receive as a result of the Project including:

- A Dawn-Parkway transmission system that remains as fully contracted as possible, which means that transportation rates remain economic for in-franchise and ex-franchise customers. Any de-contracting on the Dawn-Parkway System

[25] Union Evidence, Section 12, p. 103, para. 8

[26] Union Evidence, Section 12, p. 105, para. 12

[27] CCK Argument, p. 4, para. 11

that results in unutilized transmission capacity will increase rates for the remaining in-franchise and ex-franchise customers.[28]

- Maintaining and increasing the health and liquidity of the Dawn Hub, benefiting all parties (in-franchise and ex-franchise) that buy or sell gas at Dawn, and avoiding restrictions in the marketplace due to reliability concerns of Union's Dawn-Parkway System, which will impact the market's view of the Dawn Hub as a liquid trading point and could result in higher gas prices for all.[29]

- The Dawn-Parkway System is an integrated system, and different additions benefit customers differently.[30]

36. In its argument, APPrO raises a concern regarding "Enbridge's policy for large volume customers to be curtailed first," minimizing the benefits that they receive from Parkway West.[31] Enbridge has not proposed a change to its policy on curtailment of customers in the event of a force majeure. LCU coverage will reduce the risk of a major failure at Parkway and thus reduce the risk of all types of customers losing gas services, including all gas-fired power generators. If there were a major failure at Parkway today, Union would not be able to meet its firm contractual commitments under design conditions. It is precisely to address this significant operational risk that Union is proposing to construct the Project.[32]

Issue A4: What are the Alternatives to the Proposed Facilities?

37. No party has suggested that there is alternative to the Project with the exception of BOMA's suggestion that one compressor could be installed to meet both LCU and growth needs. This unfounded suggestion has been dealt with above.

---

[28] Union Evidence, Section 12, p. 105, para. 12

[29] Exhibit I.A3.UGL.CCK.1.

[30] Union Evidence, Section 12

[31] APPrO Argument, p. 4, para 8

[32] Union Evidence, Schedule B, p. 3, para 11

Issue B6: If the Board Approves the Proposed Facilities, what Conditions, if any, Are Appropriate?

38. Union accepts the standard conditions of approval for s. 90 and s. 91 applications as proposed by Board Staff in Exhibit I.B6.UGL.Staff.25/26, with the exception of a date correction to December 31, 2015 as noted in response to Exhibit I.B6.UGL.Staff.25. The conditions proposed by Board Staff are consistent with those granted by the Board over the past five years. No other conditions are required.

39. In particular, the Project is not contingent on Union's Brantford-Kirkwall/Parkway D Project or on Enbridge's GTA Project in this proceeding, or on TransCanada projects.

Conclusion

40. In conclusion, Union submits that the Project is in the public interest and respectfully requests the approvals set out in the application for an in-service date of November 1, 2015.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

[original signed by]

Crawford Smith and Myriam M. Seers
Lawyers for Union Gas Limited