DR QUINN & ASSOCIATES LTD.

VIA E-MAIL

October 20, 2016

Ontario Energy Board
Attn: Kirsten Walli, Board Secretary
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

RE: EB-2016-0186 UNION GAS – Panhandle Replacement Project – FRPO MOTION

Please find attached a request for the Board to hear a Motion to Compel full and complete answers from Union Gas. We respectfully request that the motion be heard in advance of the hearing to allow for an analysis of information provided that the Board may order.

Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

c. K. Hockin – Union Gas
M. Miller, Z. Crnojacki – Board Staff
S. Andison, K. Lauesen – FRPO
A.S. Cheung
Interested Parties EB-2016-0186

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Introduction

This application ought to be tested rigorously against all potential solutions including bridging solutions that could defer the need for this long-term investment while firm demand may be eased as a result of Climate Change initiatives.

The Board could benefit from a thorough examination of the alternatives considered and those that were not considered to facilitate the deferral or avoidance of the significant capital investment with an uncertain useful life.

Grounds for Motion

Supplies from Ojibway have fed the west end of the pipeline system for decades. However, decreasing quantities of gas have been flowing into the west end of the Panhandle system over the last several years. The evidence does not reveal any additional physical constraints to winter flow. We would like to understand the reasons behind the operational reduction and seek what alternatives could be implemented to establish firm deliveries from Ojibway to meet firm system demand.

We believe the Board would benefit from understanding what gas is flowing into the system and under what arrangements to determine if the parties that control that gas could be incented to deliver firm to Ojibway in the winter at a lower cost than that of the proposed project.

In preparation for the technical conference, we provided data extracted from the Gas Day Summary Reports available under Informational Postings on the Union Gas website[1], and put that data to Union for confirmation. In response, Union stated that these scheduled and nominated receipts varied from actual flows due to factors such as pressure changes on various pipelines and variations in actual customer usage. These variations between nominations and actual flows are addressed through an Operational Balancing Agreement (OBA) with PEPL[2].

Despite several attempts to get information[3] on actual flows, as Union suggested would be most relevant, Union refused to provide the information on the basis of relevancy[4].

Information about capacity of the upstream market to deliver and whether it is Union or third parties who control gas being delivered is a precondition to inform consideration of the alternative of incenting firm winter deliveries. To be able to understand the dynamics of flow and historical capability of parties to deliver gas at Ojibway, we request that the Board direct Union to respond to our requests for actual Ojibway gas flow information, as follows:

[1] Exhibit KT1.2, Appendix 2
[2] Transcript, Technical Conference, Oct. 4, 2016, page 42
[3] Transcript, Technical Conference, Oct. 4, 2016, pages 39-51
[4] Transcript, Technical Conference, Oct. 4, 2016, pages 61-62

- For the last 3 winters, (i.e., 2013/14, 2014/15, 2015/16), we request the following information be provided:
    - Daily amount measured by Union Gas Ojibway meters for each day
    - Average pressure recorded at those meters for each day
    - Daily amount nominated by Union Gas for annual contracts
    - Daily amount nominated by Union Gas under monthly or spot gas purchases
    - Daily amount nominated by C1 contract holders
    - Daily amount nominated by other market participants on monthly contracts
    - Daily amount nominated by other market participants on transportation arrangements less than one month
    - The Operational Balancing Agreement with PEPL balance for each day

Union has stated that it cannot obtain additional firm capacity into Ojibway on PEPL as PEPL has indicated that its capacity is being reserved for Rover. Union was asked to provide any communication that Rover has had with Union about deliveries through Ojibway into Dawn[5], or that Union has had with Energy Transfer/Rover on the capacity to bring gas through Ojibway into Dawn. Union's response was "it is our understanding that they [Energy Transfer] are not offering Ojibway as a delivery point under their Rover contract to any of their shippers"[6].

This response is contrary to the information found on Rover Pipeline's website[7]. In fact, certain descriptions in the Rover application point to Ojibway being a delivery point on its system. Excerpts from Rover's application (please see Attachment 1) provide the following:

- Rover is a pipeline driven by Marcellus and Utica shale producers wishing to sell their stranded gas supply to markets in the U.S. and Canada.
- Rover has the capacity to transport 1,300,000 Dth/d from Defiance to its interconnect with Vector.
- Rover has executed PA with Vector and Vector Canada to transport up to 950,000 Dth/d.
- Rover has contracted with Panhandle Eastern to deliver an undisclosed amount to Union Gas at Ojibway for redelivery to Dawn via the Union Gas system.

Excerpts from Rover's proposed Tariff (please see Attachment 2) provide the following:

- Rover's Market Zone North includes the area from Defiance, Ohio to the U.S./Canada border at St. Clair, Michigan and the U.S./Canada border at Wayne County, Michigan.
- For those shippers who elect deliveries into Dawn, Rover will provide the transportation service using its transportation service on Vector Canada.

[5] Transcript, Technical Conference, Oct. 4, 2016, pages 88-90
[6] Transcript, Technical Conference, Oct. 4, 2016, page 92
[7] http://roverpipelinefacts.com/resources/ferc-filings.html

An excerpt from Rover's proposed transportation by others (please see Attachment 3) provides the following:

- Rover has 950,000 Dth/d on Vector
- Rover has 75,000 Dth/d on Panhandle Eastern.

It is reasonable to infer that at least 75,000 Dth/d transported on Panhandle Eastern can go through Ojibway to get to Dawn. Further, since the design capacity of Defiance to Ojibway is listed at 175,000 Dth[8], Rover and/or other parties could be incented to deliver firm to Ojibway enroute to Dawn in the winter. During the Technical Conference, Mr. Shorts stated that it is up to Rover to decide whether it will use the Ojibway path or the Vector path to get the gas to Dawn[9]. If an appropriate incentive is put in place, Rover and/or its shippers can be persuaded to use Ojibway as the entry point into Canada.

For the above reasons, FRPO requests that the Board direct Union to provide its internal and external, formal and informal communications regarding Ojibway to Dawn deliveries with any of the following parties:

- Rover/Energy Transfer
- Panhandle Eastern/Energy Transfer
- Subscribing or prospective shippers on Rover
- Other market participants seeking Ojibway to Dawn capacity

RELIEF REQUESTED

We respectfully request the Board order a written process to hear submissions from the parties on the merits of compelling Union to provide full answers to the above information requests with an appropriate emphasis on getting ALL of the documentation of communication between parties and within Union Gas on the interest of parties in the Ojibway to Dawn path. We are requesting a written process in advance of the oral hearing to allow for the time to review and analyze any information that becomes available at the Board's direction.

All of which is respectfully requested on behalf of FRPO.

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD

[8] http://peplmessenger.energytransfer.com/ipost/PEPL/capacity/operationally-available-by-location?max=10

[9] Transcript, Technical Conference, Oct. 4, 2016, page 71

<u>ATTACHMENT 1</u>

TO

FRPO MOTION

EB-2016-0186 UNION GAS PANHANDLE REINFORCEMENT

UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

In the Matter of	§	
	§	Docket No. CP15- _____ -000
Rover Pipeline LLC	§	

APPLICATION OF ROVER PIPELINE LLC
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

VOLUME I

remaining Supply Laterals and the Market Segment facilities commencing at the Midwest Hub and running to the pipeline terminus at an interconnect with Vector.

In support of this Application and pursuant to the Commission's regulations, Rover respectfully submits the following:

I.
EXECUTIVE SUMMARY

The Rover Pipeline originated as a result of discussions with producers in the Marcellus and Utica Shale supply areas of West Virginia, Pennsylvania and Ohio that were seeking a means to move their stranded natural gas production to markets in the Midwest and Canada as expeditiously as possible. As reflected in this Application, Rover proposes to meet the long-haul transportation needs of these producer-shippers through a combination of new greenfield pipeline construction and the acquisition of existing off-system capacity.

More specifically, Rover proposes to construct, own, and operate a new interstate natural gas pipeline system to include approximately 711 miles of Supply Laterals and Mainlines, and related compression and metering facilities, from the Marcellus and Utica shale supply areas in West Virginia, Pennsylvania, and Ohio to a point of interconnection with the Vector pipeline system in Livingston County, Michigan.

The Rover Pipeline is designed with dual 42-inch pipelines with the capacity to transport up to 3.25 Bcf/day of natural gas from the beginning of Mainlines A and B near the City of Leesville, in Carroll County, Ohio, to the Midwest Hub. Rover will install delivery meters at the Midwest Hub to deliver gas into Panhandle Eastern Pipe Line Company, L.P. ("Panhandle") and ANR Pipeline Company ("ANR"). To facilitate a seamless transportation path for its shippers in its Market Zone South in a cost-effective manner that minimizes duplication of facilities and environmental impacts, Rover has executed precedent agreements with Panhandle and Trunkline

Gas Company, LLC ("Trunkline Gas") for firm transportation capacity.[8] By using existing capacity on the Panhandle and Trunkline Gas pipelines, Rover will deliver approximately 750,000 dekatherms per day ("Dth/day") to Panhandle, which will redeliver volumes via backhaul to Trunkline Gas' Zone 1A.[9] Rover will also be capable of delivering up to approximately 1.7 Bcf/day to ANR.

From the Midwest Hub, the Rover Pipeline is designed with a single 42-inch pipeline—the Market Segment—with the capacity to transport up to 1.3 Bcf/day of natural gas to a proposed interconnection with the Vector system in Livingston County, Michigan. Rover has executed a joint precedent agreement with Vector and its interconnected affiliated pipeline, Vector Pipeline Limited Partnership ("Vector Canada"), for up to 950,000 Dth/day of firm transportation capacity in order that Rover may provide transportation service to those producer-shippers in its Market Zone North requesting deliveries in Michigan under Rover's Rate Schedules FTS and ITS, as well as deliveries to the Union Gas Dawn Hub in Ontario, Canada ("Dawn Hub"). Additionally, Rover has contracted with Panhandle to deliver additional volumes to the U.S./Canada International Boundary at the Union Ojibway interconnect for further redelivery to the Dawn Hub via the Union Gas Limited system.

Rover is also installing an interconnect in the Supply Zone that will be capable of making deliveries into the CGT system in Doddridge County West Virginia to allow for service to markets in the Gulf Coast, Southeast and East Coast.

[8] All associated off-system transportation costs for transportation service rendered in the U.S. will be recovered by Rover through its recourse rates. Fuel costs will be a direct charge to the shipper. The precedent agreements executed by Rover for off-system transportation are being submitted as Privileged Information in Exhibit Z-2 hereto.

[9] Panhandle and Trunkline are filing applications concurrently for authorization to construct and operate compression modifications to allow for backhaul transportation. See Section XV. Also, see attached Trunkline Gas Tariff Map included in Exhibit Z-1 hereto.

ATTACHMENT 2

TO

FRPO MOTION

EB-2016-0186 UNION GAS PANHANDLE REINFORCEMENT

FERC NGA GAS TARIFF

ORIGINAL VOLUME NO. 1

of

ROVER PIPELINE LLC

Filed With The

FEDERAL ENERGY REGULATORY COMMISSION

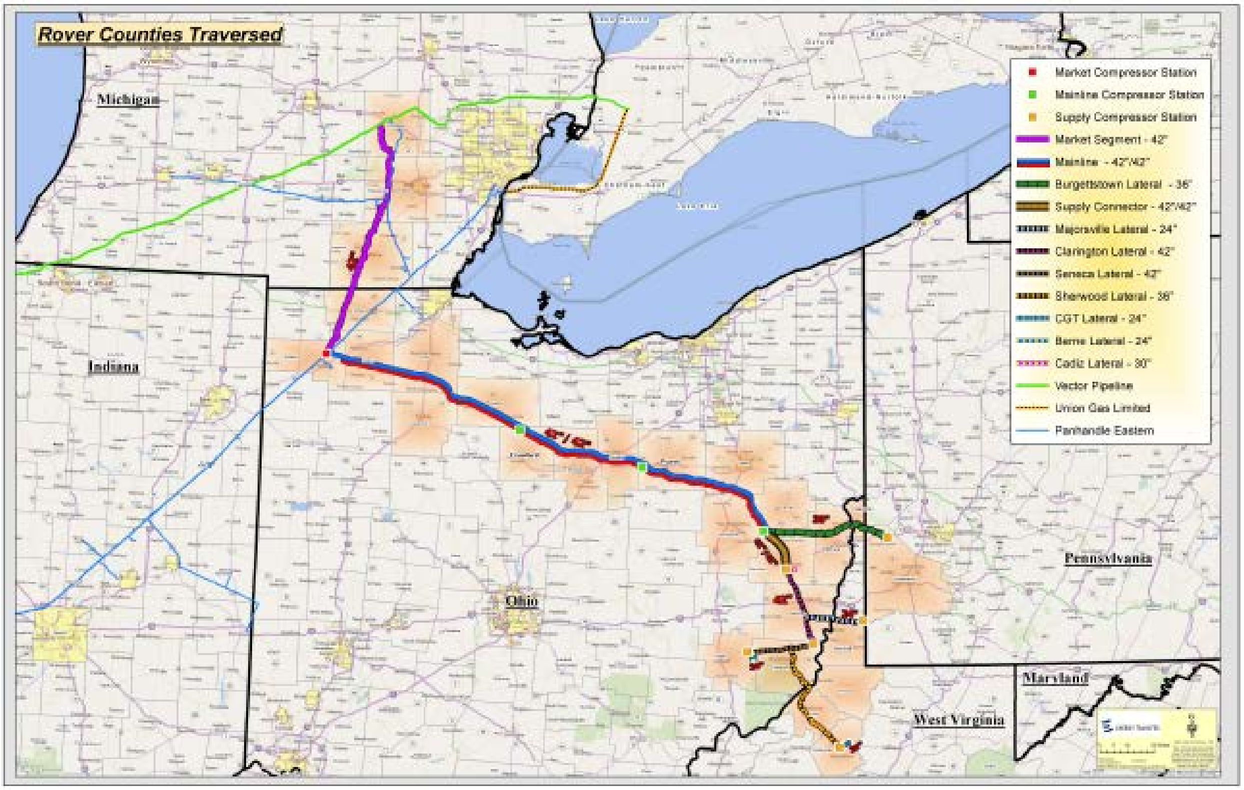
Communications Concerning this Tariff
Should be Addressed To:

Michael T. Langston
Vice President
Chief Regulatory Officer
Telephone: (713) 989-7610
Facsimile: (713) 989-1205
michael.langston@energytransfer.com

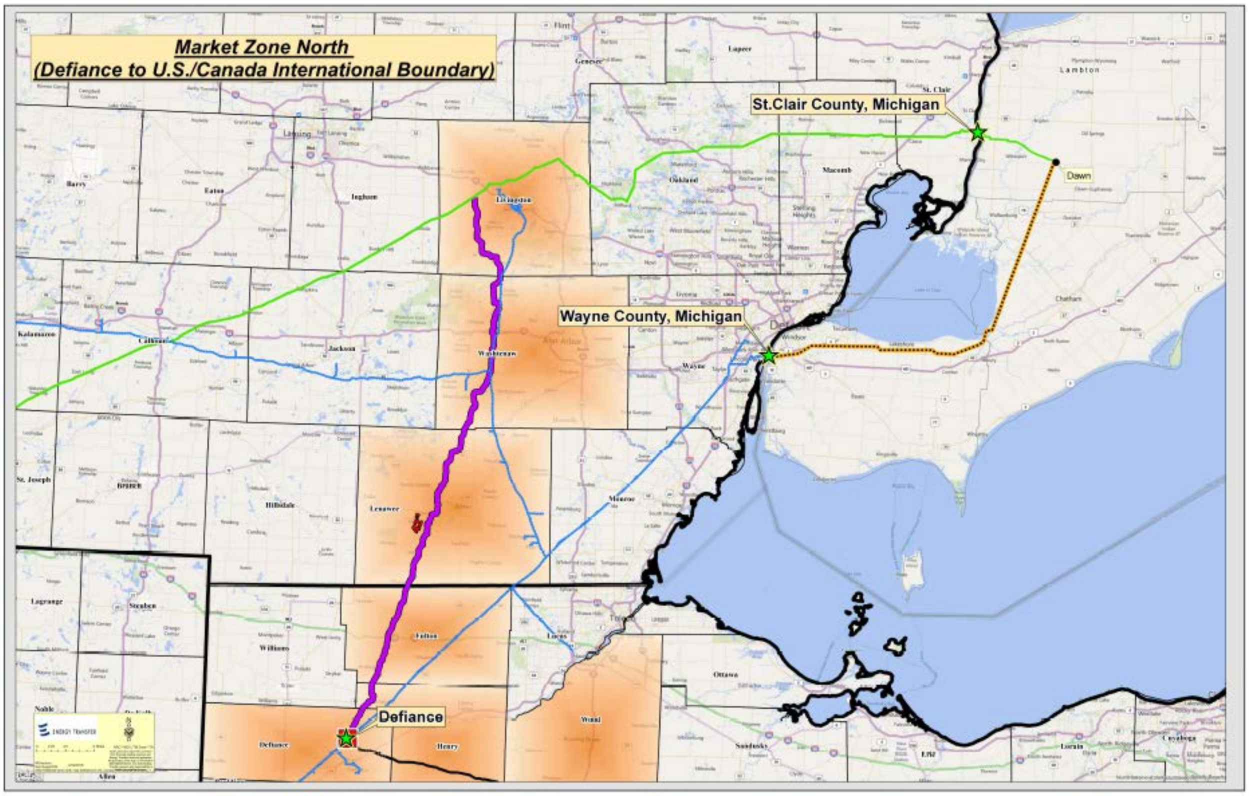
ROVER PIPELINE LLC
P. O. Box 4967
Houston, Texas 77210-4967

1300 Main Street
Houston, Texas 77002

System Map


Rover Counties Traversed
Michigan
Indiana
Ohio
Pennsylvania
West Virginia
Maryland
Market Compressor Station
Mainline Compressor Station
Supply Compressor Station
Market Segment - 42"
Mainline - 42"/42"
Burgettstown Lateral - 36"
Supply Connector - 42"/42"
Majorsville Lateral - 24"
Clarington Lateral - 42"
Seneca Lateral - 42"
Sherwood Lateral - 36"
CGT Lateral - 24"
Berne Lateral - 24"
Cadiz Lateral - 30"
Vector Pipeline
Union Gas Limited
Panhandle Eastern

Market Zone North Map



3. Extension Rights

Certain shippers have the unilateral right to extend the term of their FTS agreement beyond its primary term. This right allows for up to four consecutive five-year renewal periods and for a portion or all of its MDQ. The shipper must provide a request to Rover for such extension at least six months prior to the expiration of the primary term or any extended term.

4. Reduction Rights

Certain shippers have the unilateral right to reduce their MDQ if Rover is unable to provide transportation service to the Dawn Hub by a specified date.

VII.
RATES, COST AND FINANCING

A. Recourse Rates

The proposed initial maximum and minimum recourse reservation and usage rates are set forth for Rate Schedules FTS, ITS and GPS, including fuel reimbursement percentages, which include LUAF, in Part IV of the proposed Rover Tariff. The Initial Shippers have elected to pay negotiated rates for transportation on the Rover Pipeline. Under the Commission's Alternative Rate Policy Statement, if a pipeline enters into negotiated rate agreements, the pipeline must provide recourse rates as an alternative.[33] Details of the negotiated rate authority under which the shippers made these elections are contained in Rate Schedule FTS, Section 3.8, and the General Terms and Conditions ("GT&C") Section 16 sets out the discounting provisions applicable to Rover's maximum recourse rates.

Rates for Transportation Service are included under Rate Schedules FTS and ITS. Supply Zone rates include service on all facilities upstream of the Mainline Zone; Supply Zone

[33] *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076 (1996), *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996).

to Midwest Hub (Mainline Zone) includes service from the Supply Zone to Midwest Hub Delivery Points, including Panhandle-Defiance and ANR-Defiance; Supply Zone to Market Zone South includes service from the Supply Zone to the Midwest Hub Delivery Points, and transportation to Trunkline Gas delivery points located from Dyer County, Tennessee to Panola County, Mississippi; Supply Zone to Market Zone North includes service from the Supply Zone, to the Midwest Hub Delivery Points, to the Michigan interconnects and to the U.S./Canada International Boundary.[34]

B. Factors Used in Developing Rates

Rover has developed the proposed recourse rates in a manner consistent with the Commission's policy related to the straight-fixed-variable rate design.[35] Rover proposes two-part recourse rates for firm transportation service under Rate Schedule FTS based on the applicable cost of service. The major factors underlying the proposed firm and interruptible transportation rates include the following:

- Capital Structure 50% Debt / 50% Equity
- Cost of Debt 6.50%
- Return on Equity 13.00%
- Depreciation Rate 2.50%

[34] For those shippers who elect deliveries to the Dawn Hub, Rover will provide the Canadian leg of such service via its transportation capacity on Vector Canada. Costs associated with transportation service on Vector Canada (or any other Canadian pipeline system) will not be included in the rates for transportation service under Rover's Tariff.

[35] *See* 18 C.F.R. § 284.10; *N. Nat. Gas Co.*, 105 FERC ¶ 61,299, at P 14 (2003) (indicating Commission's preference for the straight fixed-variable rate design).

"Gas" or "Natural Gas" shall mean either Natural Gas unmixed, or a mixture of natural and artificial Gas.

"Gas Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time. The reference date for any Gas Day shall be the date of the beginning of such Gas Day.

"Long-Term Agreement" shall mean a Service Agreement with a primary term of one year or more.

"Mainline Zone" shall mean the area that originates at the Leesville Plant and continues westward to the Defiance, Ohio delivery point.

"Market Zone North" shall mean the area that originates at the Defiance, Ohio point and continues northward to the International Boundary between the U.S. and Canada in St. Clair County, Michigan and the International Boundary between the U.S. and Canada in Wayne County, Michigan.

"Market Zone South" shall mean the area that originates at the Defiance, Ohio point and continues southward to Panola County, Mississippi.

"Master Delivery Point List (MDPL)" shall mean the current list of meter stations and points available to Shippers as Points of Delivery as posted on the Website at any time.

"Master Parking Point List (MPPL)" shall mean the current list of points available to Shippers as Parking Points as posted on the Website at any time.

"Master Receipt Point List (MRPL)" shall mean the current list of meter stations and points available to Shippers as Points of Receipt as posted on the Website at any time.

"Maximum Daily Delivery Obligation (MDDO)" shall mean the maximum Quantity of Gas assigned to a specific primary Point of Delivery, as stated in the Service Agreement, that Rover is obligated to deliver to Shipper at that point on any Gas Day.

"Maximum Daily Quantity (MDQ)" shall mean the maximum Quantity of Natural Gas, as stated in the Service Agreement, that Rover is obligated to deliver on any Gas Day to Shipper.

"Maximum Daily Receipt Obligation (MDRO)" shall mean the maximum Quantity of Gas assigned to a specific primary Point of Receipt, as stated in the Service Agreement, that Rover is obligated to receive from Shipper at that point on any Gas Day.

"Maximum Rate" shall mean the applicable maximum rate as set forth on the Currently Effective Rates for the applicable Rate Schedule, plus all surcharges specified in the General Terms and Conditions, as may be applicable from time to time.

ATTACHMENT 3

TO

FRPO MOTION

EB-2016-0186 UNION GAS PANHANDLE REINFORCEMENT

ROVER PIPELINE COMPANY LLC

Cost of Service
Operation and Maintenance Expenses
Account No. 858 - Transportation and Compression By Others
Market - North

Line No.	Description	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Market North										
	Panhandle Eastern Pipe Line Company, LP										
1	Capacity - MDCQ	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
	Reservation										
2	PEPL Rate	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315	$ 0.1315
3	Annualization Factor	365	365	365	365	365	365	365	365	365	365
4	Sub-Total	$3,599,813	$3,599,813	$3,599,813	$3,599,813	$3,599,813	$3,599,813	$3,599,813	$3,599,813	$3,599,813	$3,599,813
	Usage										
5	PEPL Rate	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053	$ 0.0053
6	Annualization Factor	365	365	365	365	365	365	365	365	365	365
7	Sub-Total	$145,088	$145,088	$145,088	$145,088	$145,088	$145,088	$145,088	$145,088	$145,088	$145,088
8	Total Panhandle Eastern Pipe LineT&C Expense	$3,744,900	$3,744,900	$3,744,900	$3,744,900	$3,744,900	$3,744,900	$3,744,900	$3,744,900	$3,744,900	$3,744,900
	Vector Pipeline										
9	Capacity - MDCQ	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000
	Reservation										
10	Vector Rate (100% LF)	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
11	Annualization Factor	365	365	365	365	365	365	365	365	365	365
12	Sub-Total	$44,099,665	$44,099,665	$44,099,665	$44,099,665	$44,099,665	$44,099,665	$44,099,665	$44,099,665	$44,099,665	$44,099,665
13	Total Market North T&C Expense	$47,844,565	$47,844,565	$47,844,565	$47,844,565	$47,844,565	$47,844,565	$47,844,565	$47,844,565	$47,844,565	$47,844,565