Introduction and Summary

1. In its EB-2016-0186 application, Union Gas Ltd. ("Union") is seeking a Leave to Construct for an NPS 36 pipeline to replace an existing NPS16 pipeline to serve an increase in firm demand on the Panhandle Pipeline system. As part of that application, Union seeks accelerated recovery of the costs of the pipeline in recognition of risks of associated with long term utilization of natural gas given Climate Change initiatives. This approach significantly increases the distribution costs of all Union Gas south customers. In our view, 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 maybe eased as a result of Climate Change initiatives.

2. We recognize that the regulatory construct of a public utility rewards investment in long term assets. Apart from comprehensive programs like DSM, that construct does not incent market-based solutions that aid in the effective utilization of existing infrastructure and contribute to deferring or avoiding facilities. However, with uncertainty generated from Climate Change initiatives, there should be a heightened responsibility on an energy system operator to meet increased energy requests using the most cost-effective and flexible means in the public interest.

3. In our respectful submission, this application ought to be rejected as the applicant has demonstrated that they have not sufficiently pursued market-based solutions which would provide a more economic approach to increases in firm demand on the Panhandle Pipeline system. In our view, not only has Union not sufficiently examined market based solutions, they have inhibited others who desired to consider the possibilities. We would urge the Board to consider the conduct of Union in this proceeding in determining the merits of the application and the voracity of their testimony, especially in their ability to speak on behalf of market participants.

4. To support our position, we will provide submissions on:

   A. Union's Role as System Operator

B. Procedural Frustration
C. Limitations of Union's Simulation
D. The Winter Cap of 140TJ/day on Firm Deliveries at Ojibway is Not Valid
E. An Alternative Market-based Approach to Meet Demand
F. Union's Reluctance to Accept Firm Deliveries at Ojibway

A. Union Gas as System Operator

5. At a base level, in designing and operating the natural gas system in the Union South franchise area Union Gas is the system operator. At the same time, Union and its shareholder are not independent in nor indifferent to the benefits of meeting customer need in the geographic area of their monopoly franchise. Thus, the utility must demonstrate that its preferred alternatives are in the public interest to the satisfaction of the Board.
6. This is important to consider in the light of testimony provided by Union. From information that became available after the Board ruling on the Motion[1], it was clear that Energy Transfer had been attempting to increase deliveries through Ojibway and Union was analyzing alternatives to allow year-round delivery capability. In trying to understand Union's assessments of alternatives to increase firm supply through Ojibway, we tried to understand the feasibility of incremental firm deliveries to Ojibway in Union's analysis in the following exchange[2]:

> MR. QUINN: I am asking you to base it on scenario 2 and an incremental cost to deliver 8 tJs more. Would that cost another $160 million?
>
> MR. WALLACE: So in scenario 2, I am not trying to serve a market. I am trying to move -- and again, in this case, incremental 98 tJs a day from Ojibway to Dawn.
>
> MR. QUINN: That is what my question is. That way you could take year round capacity, correct?
>
> [Witness panel confers]
>
> MR. WALLACE: So, again, I am looking -- to serve 106 tJs of demand of incremental market, I need 195 tJs a day of supply.

[1] Response to requests for information from FRPO Motion, Attachment 2, pages 7-31 of 53.
[2] Transcript, Volume 2, page 55 line 8 to page 56 line 6.

MR. QUINN: Okay. That's not the scenario that I am asking about. I am asking about the scenario that you studied and at 98 tJs, your cost of $74 million. I am going to ask one more time, and then I will move on.

Would you believe that it would cost another $160 million for 8 additional tJs?

MR. REDFORD: I think we are comparing apples to oranges. I don't think scenario 2 really relates to the 106 tJs in the market that we're looking to serve now.

This was something that we did very early in the process, in talking with Panhandle Eastern, or Energy Transfer Partners, and it was really about can we move more gas into the system?

I think they're not the same scenarios that we're talking about.

7. We were trying to ascertain how Union could increase firm deliveries to Ojibway by 98 TJ's at a cost of $74 million in Scenario 2 in examining the opportunity for Energy Transfer yet in its application, to meet 106 TJ's of demand, Union provided a facilities and supply option costed at $235 million as its next best option in taking incremental supply at Ojibway to meet market demand[3]. However, Union's "clarified" answer demonstrates its unwillingness to see that market-driven transportation to its franchise could be used to meet market driven demand for gas service in its franchise.

MR. REDFORD: Just to go back to my comment earlier, I would like to point out that it is a different scenario.

And as I look at the lead-in on page 7 and the background, this was entirely our early discussions with Panhandle Eastern and Energy Transfer Partner, and it was more about what could they bring across the river.

It did not take into account the growth in the market that this application is addressing. So they

[3] Exhibit A, Tab 6, Page 12, lines 5-6.

> are two totally different scenarios. This is not -- this was never done to address the market growth.
>
> I can tell you that because at the time, we had treated -- we were talking to Panhandle and we were looking at the markets, and they were two separate pieces. They were never looked at together. We had a request from Panhandle and then Jackie Ms. Caille's group was addressing the market issue.
>
> So this isn't a scenario that we could serve the Leamington/Kingsville markets from. And I can tell you -- sorry, Mr. Quinn -- it was never intended to be so either.

8. In our view, this is a clear example of Union's pre-disposition to serve market demand with utility assets. As the system operator, their unwillingness to examine the opportunity to use market driven changes in flow patterns to optimize the utilization of assets is disconcerting and not consistent with how an independent system operator would be expected to manage. In fact, in the summer of 2015. Energy Transfer asked about how much more Ojibway to Dawn C1 capacity could they get above the 35 TJ as a winter only service.[4] This request should have prompted a consideration of how winter only deliveries could be used to meet market demand. But FRPO submits that Union was not seeking alternatives to the Panhandle Reinforcement to meet market demand. Since Union appears unable to see and benefit their customers by these opportunities, in our view, the Board must be the protector of the consumer in the public interest.

B. Procedural Frustration

9. From the outset of this proceeding, ratepayer groups have been trying to understand Union's system and the range of alternatives examined by Union to consider other alternatives that may serve the public interest more effectively. However, the discovery process in the Technical Conference was frustrated by the applicant's belief that questions should only be asked about its evidence and the alternatives it examined, therefore inhibiting the acquisition of information. When we tried to understand the dynamics of the historic flow into Ojibway and who controlled the flow to consider the

[4] Union Response to Request for Info FRPO 20161028, Attachment 2, page 24 of 53.

potential benefit of incentives to ensure obligated delivery, we were refused precipitating the motion[5]. Furthermore, when we tried get information on the record to establish the nature of the Parkway delivery obligation and the benefits of avoided facility costs as a parallel to what could be done at Ojibway, we were frustrated.[6]

10. This approach continued into the hearing as we advanced a request for the simulation to be run and a summary schematic presented at the hearing that would maximize the flows at Ojibway. This request to was refused until the Board requested that it be presented. [7] The practical effect of the delay in preparation was errors in the results that were provided in the undertaking J2.1 which inhibited our ability, yet again, to understand if there were lower cost system improvements that could be undertaken to enhance the systems ability to utilize increased Ojibway deliveries. In the short time we had for review, we were able to examine their schematic and determine that the results presented were clearly wrong.[8] However, we were left with no specificity on why adding 35 TJ/day to a market that had a 30 TJ/day shortfall[9] resulted in a continued shortfall of 15 TJ/day. All we have as information was from questions earlier in the hearing that the problem is “not enough facilities…too much pressure drop between Dawn and the market”[10]. However, the corrected simulation results in J2.4 reveals pressures at the key station take-offs in the Leamington-Kingsville area in excess of required minimum pressures as shown in Table 1.

[5] Technical Conference Transcript, Oct. 4, pages 45-46.
[6] Technical Conference Transcript, Oct. 4, pages 93-95.
[7] Transcript Volume 2, page 46-48.
[8] Transcript Volume 2, page 99, lines 3-26
[9] JT1.8 Attachment 2
[10] Transcript, Volume 2, page 45, lines

TABLE 1

STATION	COMBER	CTY. RD. 18	LEAMINGTON NORTH GATE	MERSEA	ESSEX
Minimum Pressure (kPa)[11]	3,000	2110	2,275	2,172	3,000
2021/2022 Pressures (kPa)[12]	3,741	N/A	N/A	3,713	3,661

11. As is articulated in JT1.18, "These stations, other than Mersea Gate station, are adequately sized to meet the 5 year forecast demands of the Panhandle Reinforcement Project." Since Mersea Gate station needs to be upgraded in either of the facilities scenarios[13], we accept that the $4.1M expenditure would need to be undertaken to meet increased demand. However, the only other stations that we did not receive information for are County Road 18 and Leamington North Gate. Since these stations are fed from the most recent Leamington Line Upgrades Phase 1 and 2, surely they would have enough inlet pressure as the Comber pressure of 3,741 kPa in this 2021/22 simulation is greater than the forecasted peak day pressure of 3,513 kPa for this coming winter.[14] In our view, if somehow the constraint was on these pipelines, that is a distribution problem not a transmission issue and we believe Union would have identified that specifically. Therefore, there should not be a deficiency in facilities to meet the 5 year demand forecast with firm winter deliveries of 175 TJ/day. Unfortunately, even if Union were to identify the specific problem in meeting the 5 year forecast with a firm supply of 175TJ/day at this juncture, we would not be able to test it because, as we describe in the next section, there are issues with Union's simulations ability to emulate existing and expected pipeline conditions.

[11] JT1.18
[12] J2.4
[13] Exhibit A, Tab 6
[14] FRPO.14 Attachment 1, page 1 of 2

C. Limitations of Union's Simulation

12. Facilities planning personnel rely on sophisticated pipeline models for the purposes of planning to meet demand, scenario evaluation and even emergency preparedness. Computer simulations have been used for decades and one of the key components of being able to rely on their results is system verification. In other words, does the model accurately predict the prevailing pressures under measured flow conditions actually experienced in the field.

13. In all of the schematics presented for the various scenarios requested, the presented pressure at Ojibway was always under 1900 kPa. Comparing those pressures with the actual pressures provided as a result of the FRPO motion, it can be seen that the actual pressure has never approached 1900 kPa and, in fact, is much higher for most of the winter[15]. Even on the day where the Panhandle system saw its maximum load, February 19, 2015, on a Union Gas peak design day of 43.1 Heating Degree Days, the pressure of 2188 kPa[16] was still approximately 300 kPa higher than the pressures determined by the simulation. Clearly, the simulation is not emulating reality.

14. When asked about this difference, Union offered that they set pressures as low as possible to keep pressures in the 3450 kPa section of the Windsor market low to be able to use more NPS 20 capacity to feed Leamington and Kingsville.[17] But this is an artificially low setting which is not consistent with how the system operates in reality which was acknowledged.[18] In our view, this approach demonstrates that the scenarios simulated are not an effective representation of how the system would operate on a peak day because more pressure would be available at Ojibway which would tend to feed more of the 3450 kPa market in Windsor leaving more gas to feed Leamington and Kingsville eliminating any "simulated" pressure problem.

[15] Union Response to Request for Info FRPO 20161028, Attachment 1
[16] Union Response to Request for Info FRPO 20161028, Attachment 1, page 6
[17]Transcript Volume 2, page 100, line 24 to page 101, line 4
[18] Transcript Volume 2, page 100, lines 17-22 and page 44

15. This is a physical fact unless some of the higher pressure, higher flow gas was diverted elsewhere. **In the case of the simulations presented in schematic form by Union after the Technical Conference, a fundamental shift in flow is created that simulates a flow of gas past Grand Marais to the east Windsor points on the 4140 kPa system (Walker and TransAlta/East Windsor**). To establish a base case, we requested Union's peak day simulation for the winter of 2016/17.[19] This base case showed no flow from Grand Marais westerly toward Ojibway. This was confirmed by Union[20] in the technical conference and in another schematic provided.[21] Further, when asked by IGUA counsel about the ability to move additional volumes easterly past Grand Marais to increase the cap on winter deliveries, Union asserted that there were issues with that approach:[22]

> MS. VAN SOELEN: I see. Okay. And then there is a second alternative that I wanted to ask you about, and ask you if it was at all feasible.
>
> If we were to increase Union's maximum capacity to accept imports from Ojibway by moving the gas past the Grand Marais transmission station on the NPS 16 instead of the 20, is that a feasible alternative?
>
> MR. WALLACE: It's the same issue. We're moving from a lower-pressure regime to a higher-pressure regime. Grant Marais being a regulating station, that is intended to regulate gas from the 4140 kPa MOP system into the 3450 kPa MOP system.
>
> MS. VAN SOELEN: So it is not a viable option, I guess, in the absence of significant compression force;, is that --
>
> MR. WALLACE: We'd have to -- we'd have to you -- yeah, you have to add compression or something in that end as well.

[19] Exhibit B.FRPO.14 Attachment 1, page 1
[20] Transcript Volume 2, page 16, lines 5-14
[21] Exhibit B.FRPO.18
[22] Technical Conference Transcript page 141, line 20 to page 142, line 9

16. However, when asked to provide the results of a simulation of the 2017/18 winter peak day with no facilities added[23], the schematic presents flow of over 60,000 GJ/day of gas flowing past Grand Marais easterly feeding Walker and a portion of TransAlta/East Windsor. This level of easterly flow past Grand Marais is evident in each of the subsequent simulation schematics[24]. In essence, these simulations are modelling that gas is flowing past Grand Marais easterly, therefore additional gas must be supplemented into the Windsor area, beyond Ojibway deliveries by the NPS 20 line thus constraining that line's ability to feed Leamington-Kingsville.

17. The problem is: do we believe the model that is simulating this result or modeller who is saying that facilities such as a compressor would need to be added to use loads east of Grand Marais to increase the cap on the maximum winter Ojibway deliveries. Frankly, unless more analysis is provided in a subsequent proceeding, we do not have definitive evidence of which is correct and will not have opportunity to test any clarifications attempted by Union in its reply argument.

18. The issues with the simulation does not provide the Board with a rigorous comparison of market supply based and facility options. In our view, the evidence to support any facility build is not available on the record in this proceeding if any increase in firm winter deliveries can be achieved. Fortunately, we do not have to rely on simulation results to prove that the winter cap can be increased as we discuss in the next section.

D. The Winter Cap of 140 TJ/day on Firm Deliveries at Ojibway is Not Valid

19. Union's evidence states that it has limited firm winter deliveries into Ojibway to 140TJ/day based on the minimum expected winter demand in the Windsor area creating an effective cap on the maximum firm daily amount Union could accept at Ojibway over

[23] JT1.8, Attachment 1
[24] JT1.8, Attachment 2, J2.1, J2.4

the winter period.[25] Union's response to our inquiry on the mechanics of this derivation contained these main aspects:[26]

> "The maximum summer and winter capacity to be accepted at Ojibway on a firm basis is determined based on available market and facility/system capability…. The minimum demand profile of the market in the Windsor area, which determines the amount of firm receipts Union can accept at Ojibway, has declined for both summer and winter in 2016 and beyond, but has not lowered Design Day demands".

20. This notion is premised on the ability of the Windsor market to absorb these deliveries. In examining this premise, we considered what would really happen if deliveries exceeded consumption. To test our hypothesis, we took the total daily deliveries into Ojibway over the last three winters[27] and compared them to the total Windsor market.[28] To demonstrate the results of this comparison, we graphed the deliveries, the market and the daily difference which was included in our compendium for the hearing (included as Attachment 1 to this document for ease of reference).[29] Union confirmed that the analysis represented in the graphs evidenced that Ojibway deliveries that were greater than the Windsor market moved past the Windsor market toward Dawn but were likely consumed in Leamington.[30]

21. Union has created a summer criteria that maximizes what the Windsor market can consume in minimum conditions plus the ability for the Sandwich compressor station to send back to Dawn. But in extrapolating this approach to the winter, Union has ignored the physical realities that gas not consumed in Windsor will flow toward Dawn and likely get consumed in Leamington-Kingsville. Further, if the modelling that simulated tens of thousands of GJ's flowing easterly past Grand Marais is correct, then there is more market to consume deliveries in the winter. The fact that Ojibway deliveries exceed Windsor market regularly throughout the winter is indisputable from the analysis.

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[25] Exhibit B.LPMA.11, page 2 of 2
[26] JT1.5
[27] JT 1.10
[28] JT1.9
[29] K2.2 FRPO COMPENDIUM, pages 42-44
[30] Transcript Volume 2, page 82, line 14 to page 83, line 2

Therefore, the artificial capping of firm Ojibway deliveries to minimum winter market in Windsor is inappropriate.

22. This understanding is important to ensure that the potential for market-based solutions are not discarded due to a fabricated cap that limits their long-term efficacy including the 5 year demand if it materializes. We have some significant concerns about "robustness" of Union's demand forecast and adopt the well-articulated views of APPrO on Market Need.

E. An Alternative Market-based Approach to Meet Demand

23. Union says the proposed facilities are needed to meet its Design Day demand on the Panhandle System. The Design Day demand is what Union forecasts as its maximum firm demand during the coldest day in the winter or Winter Peak Day demand.
24. In determining what facilities are needed on the Panhandle System to meet the Winter Peak Day demand, Union applies a set of assumptions[31]. Two of these assumptions are (1) Union's gas supplies totalling 60 TJ/d arrive at Ojibway; and (2) none of the C1 transportation contract is flowing. Understandably Union's couldn't rely on C1 transportation contracts flowing in the design because whether it flows or not is totally dependent on the customer, not Union.

25. In response to Staff.3, Union states that they evaluated other commercial alternatives including a "must nominate" C1 service and a firm Ojibway to Dawn exchange service[32]. The rationale for disregarding these alternatives according to this interrogatory response is "*As a result of the RFP described above, Union secured 21 TJ/d of Ojibway deliveries from the sole remaining holder of firm C1 Ojibway to Dawn transportation capacity at November 1, 2017.*" When you read this response, the logical conclusion is that the RFP contemplated these commercial alternatives and that there was no interest other than the 21 TJ/d of C1 contract holder.

[31] Exhibit A, Tab 5, page 2 of 21, lines 8 to 19.
[32] Exhibit B.Staff.3, page 4 of 5, item 4.

26. Let's look at the RFP Union referenced and included in Attachment 3 in this response[33]. The subject line says "*Union Gas Request for Proposal for Firm Ojibway Transportation Capacity*", not must nominate C1 service or firm Ojibway to Dawn exchange service. The first 2 paragraphs in this RFP describe what Union is looking for and what they will consider. Specifically, they are looking for "*proposals to provide Union with Long Term Firm Transportation capacity to the Panhandle Pipeline interconnection with Union Gas (Union Ojibway point) starting as early as November 1, 2016. Later start dates and combined Supply and Transportation purchases will also be considered. ... Union will entertain capacity offers facilitated via capacity on the Panhandle Pipeline system as well as capacity from customers holding capacity on Union's Ojibway to Dawn transmission system. Bids involving both a Panhandle Pipeline and Union Gas concurrent release will also be entertained.*" Again, no mention of a must nominate C1 service or firm Ojibway to Dawn exchange service.

27. So, while Union states they evaluated other commercial alternatives, when you delve deeper into it, the fact says otherwise. It is interesting to note that in this same response, Union says it participated in the Panhandle Eastern Pipeline's open season and was unable to secure a replacement of one its contracts. And, as a result, its contracts to Ojibway were reduced from 60 TJ/d to 37 TJ/d and that "*At this point Union does not expect to be able to reach an agreement with PEPL on any additional firm transportation capacity to Ojibway.*"[34] Through further discovery arising from the Technical Conference, specifically Union's response to FRPO Motion to provide correspondences regarding Ojibway to Dawn deliveries, dated October 28, 2016, evidence contrary to Union's assertion came out. On November 22, Union updated the October 28 with a letter from Energy Transfer Partners, LP ("ETP")[35]:

- expressing concerns regarding Union's mischaracterization of their discussions during the Technical Conference thereby misleading the Board; and

[33] Exhibit B.Staff.3, Attachment 3.
[34] Exhibit B.Staff.3, page 3 of 5, 2nd paragraph on page.
[35] K2.1 Package of Correspondence from Union Gas

- wanting to obtain up to 75,000 Dth/d from Ojibway to Dawn beginning November 1, 2017 for a period of up to 15 years, including further discussion on a delivery commitment.

28. This update also confirmed that Panhandle Eastern is able to give Union a total of 60 TJ/d at Ojibway and that the limitation of 115 TJ/d is on Union's ability to accept import on an annual basis. Panhandle Eastern's capacity at Ojibway is 187 TJ/d.[36]

29. So now we know it isn't true that Union cannot get additional contracts on Panhandle Eastern and it isn't true that there is no interest in a must nominate C1 service. We have a letter from ETP stating the contrary. What is Union's response? Now Union says, "*the only way for Union to truly have an obligation is to control the supply*"[37] In Staff.3, Union's response to evaluating the must nominate C1 service didn't say anything about controlling the supply. In fact, it only referenced a C1 transportation service, not the underpinning gas supply.

30. What if there is a must nominate C1 service, what does it mean to system design? The answer lies in Exhibit JT1.8, Attachment 1. This flow schematic shows that if there is a receipt of 140 TJ/d at Ojibway, Union doesn't need any of the proposed facilities to meet the forecast Winter Peak Day demand. In fact there is a surplus of 17 TJ/d for the 2017/18 winter. We also know for a fact that Union has received 140 TJ/d or more at Ojibway on numerous occasions over the past 3 winters[38]. So Union has the physical assets in place to receive more than 140 TJ/d at Ojibway over the winter period, not just on a peak day when the demand at Windsor is high as outlined above.

31. Notwithstanding the limitations in the simulations described above, we know for a fact that with a firm receipt of 140 TJ/d at Ojibway is more than adequate to meet the 2017/18 demand[39]. Of the 140 TJ/d, Union already has gas supply contracts totaling 60 TJ/d. This means Union needs another 70 TJ/d of firm receipt at Ojibway to meet the 2017/18

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[36] Transcript Volume 2, page 62, lines 3-5.
[37] Transcript Volume 1, page 13, lines 7-8.
[38] JT1.10
[39] JT1.8 Attachment 1

Peak Day demand without any additional facilities. As Mr. Redford said about the capability of Rover "*They're moving a Bcf to Dawn, to Bcf to the Gulf. So I am not sure Rover would consider obligating 75 MMCFD a day at Ojibway as significant.*"[40] Rover is expected to be in service November 2017 and is expecting FERC approval imminently[41]. FRPO submits requiring Union to work with ETP to devise a market based solution that will obviate the need of the proposed facilities for 2017/18 and beyond will put its customers in a more competitive position because Union's rate base and the resultant cost of service will be reduced.

32. FRPO respectfully submits that firm deliveries are one very viable solution. We have previewed the submissions of APPrO and support their views in their Facility Alternatives section, particularly the contracting for capacity between Defiance and Ojibway to be used on an as needed basis. From the calculations presented in support of this approach, the cost seems far more economic than the Panhandle Reinforcement. To the extent that such a service would create a premium above prevailing gas supply costs in Union's portfolio, we respectfully submit that these costs could be allocated across all Union South delivery customers as an avoided facilities cost akin to how the Parkway delivery obligation costs are treated.

33. Incented firm winter deliveries at Ojibway would meet the initial demands on the system in 2017/18 and likely beyond as this approach is scalable to need and can be adjusted based upon increasing or potentially decreasing demand. It is a fact that Rover shippers are striving to get to Dawn to sell their gas in a liquid market. To ensure that Rover would be willing to ship to Dawn via Ojibway on a firm basis throughout the winter, an incentive would likely assist. Given the cost of C1 service is about 5 cents (3.5 cents[42] plus fuel), Union could offer instead a free firm exchange service[43] coupled with an incentive that would likely be in the "dimes per GJ" to make Ojibway path economically favourable to Rover. Looked at differently, how much incentive would be available to

[40] Transcript Volume 2, page 70, lines 9-11
[41] Transcript Volume 2, page 217, lines 15-16.
[42] Transcript Volume 2, page 152, lines 19-21
[43] Transcript Volume 2, page 92, lines 12-21

incent incremental firm deliveries of 80 TJ/day (above the existing 60TJ/day firm) to be comparable to the cost of the $27 million pipeline? Simple math would suggest equating the first year annual cost of $27 million to 80 TJ/day for 151 days of the traditional gas market winter of November to March results in an incentive of $2.24/GJ. If Union had to offer an incentive of up to 50 cents, this approach would be much more economic. It is important to remember Rover is providing a service to shippers to Dawn so the incentive need only ensure that the Ojibway path is filled first ahead of Vector with a small portion of what Rover is trying to transport to Dawn on behalf of its shipper[44]. A small incentive should secure this opportunity. Why would this not be done?

F. Union's Reluctance to Accept Firm Deliveries at Ojibway

34. From the outset of our discovery, FRPO was striving to understand why bringing in more firm, obligated deliveries at Ojibway was not being pursued. Union's position in the Technical Conference was there had been conversations with ETP (the owner of both Rover and Panhandle Eastern).[45]

> MR. QUINN: Yes, okay, thank you. That is just what I was trying to understand, thank you.
>
> So we asked for this morning, and we will be talking about more going forward, is Union's having dialogue with Rover.
>
> As part of that dialogue, will Union determine what incentive Rover would require to obligate volumes at Ojibway for the winter period?
>
> MR. SHORTS: Again, those conversations have been with Energy Transfer, the Panhandle folks. They haven't necessarily been, quote-unquote, with Rover.
>
> I would say we will have discussions with them on what they would like to contract on our system continuing on, and we will have those types of conversations as the future unfolds.
>
> But again, I don't know. I can't put myself in their shoes and what they would want to do or not want to do. I mean, they are going to take the most economic alternative they can.

[44] Technical Conference Transcript, page 71, lines 1-17
[45] Technical Conference Transcript, page 117, lines 12-28

35. We were appreciative of the Board's determination in directing Union to provide the correspondence. In our view, a review of the extensive correspondence and analysis demonstrated communication well beyond conversations and provided significant insight into the desire of ETP to obtain firm access to Dawn via Ojibway. In August of 2015, ETP requested a review of the cost to increase Ojibway to Dawn deliveries by 115 mmcfd (187 TJ/day) over and above the existing firm deliveries of 60 mmcfd controlled by Union.[46] In that same communication about ETP's interest, they also asked about a "winter only service". However, after over a year of negotiations, and with questions being asked by ratepayers about a firm obligated service contributing to a market demand for service, no contract had been signed.

36. Then at the outset of the oral hearing, Union announced that they had agreed to terms with ETP for service on each others pipelines. [47] This deal was promoted positively by the witnesses but a review of the correspondence[48] leaves many questions and concerns.

37. Paramount amongst these concerns is why after a year of negotiations does a deal get done over the weekend and close to midnight on the night of hearing when Union testifies that the November 17th letter from ETP "cleared the air and gave us a platform to rekindle the negotiations"[49]. In our respectful submission, given the speed of the completion of talks, the rekindling was more like pouring gasoline on the negotiations as an accelerant. Union testifies further that they were able to satisfy ETP concerns through conversations held with them on November 17th and 18th, pointing to email correspondence with ETP[50]. A closer examination of these letters suggests something different than Union's testimony. For convenience of review, we include a snapshot of the content of the email below:

[46] Union Response to Request for Info FRPO 20161028, Attachment 2, page 24 of 53
[47] Transcript Volume 1, page 11 line 22 to page 12 line 20
[48] Exhibit K2.1
[49] Transcript Volume 2, page 14, line 9-10
[50] Exhibit K2.1, Attachment 1, page 35 of 37

From: Hickey, Beth A. <Beth.Hickey@energytransfer.com>
Sent: November-22-16 9:19 AM
To: Shorts, Chris
Cc: Redford, Jim; Reid, John; Hickey, Beth A.
Subject: Re: Discussions

Chris,
I agree with your statement in the attached email below.
Nothing in this email shall deem to waive ETP's rights in this matter or future matters.

Thanks,
Beth.

From: Shorts, Chris <CShorts@uniongas.com>
Sent: Monday, November 21, 2016 9:36:01 PM
To: Hickey, Beth A.
Cc: Redford, Jim; Reid, John
Subject: RE: Discussions

Beth, based on our discussions, can you please confirm that the following conveys your thoughts about your letter and reply accordingly.

That based on conversations with Union on Nov 17 and Nov 18, in which Rover understands the basis of statements made at the technical conference, Energy Transfer no longer has any concerns related to the comments included in the letter from Rover to Union dated Nov 17, 2016 and retracts those concerns included in said letter.

Thanks
Chris

38. We highlight that ETP is agreeing to the statement presented below which specifies the retraction is based upon clarifications provided in conversation (not in writing) on November 17th and 18th. If that is the case, then the following email sent on November 21, 2016 bears some scrutiny.[51]

From: Hickey, Beth A. <Beth.Hickey@energytransfer.com>
Sent: November-21-16 3:51 PM
To: Shorts, Chris; Redford, Jim
Cc: Reid, John; Hickey, Beth A.
Subject: Discussion this afternoon

Hi guys,
I spoke to Luke in Dallas. We would have an agreement in principal and would agree to rescind our letter if you can get to a 10 yr term on your pepl portfolio.
Let me know your thoughts or if you want to get on another call.
Thanks,
Beth.

[51] Exhibit K2.1, Attachment 1, page 13

39. In our respectful submission, these emails viewed plainly suggest that the "agreement" with Union's prepared statement about the understandings gained from the conversations of November 17th and 18th were not sufficient to get a retraction of the letter. The telling part is Union did not take offence with ETP's request for the 10 year contract if they had already received satisfactory verbal assurance in conversation that ETP was no longer concerned. Clearly, there was still business to be completed to secure the retraction.

40. A strong secondary concern with these exchanges is Union's squandering an opportunity to establish firm deliveries when ETP opened the door to that in the November 17th letter[52]. ETP states in the letter:

> "Further, if a delivery commitment is required for the supply on the 75,000 Dth/d, Rover would be happy to pursue such, including by providing the avenue for Union to work with the Rover shippers to accommodate that. We stand ready, as we have for the last 18 months, to discuss this with you."

41. The resulting lack of pursuit of delivery commitment opportunity by Union on an amount sufficient to meet the next few years of growth is glaring especially when viewed in conjunction with the question from the Union president when faced with approving the deal "Did you have the discussion with them on obligation to deliver? Give me shout on cell and we can discuss."[53] Then in a separate email, Union's president provides his approval.[54]

42. It is clear that Union was aware of the opportunity for incented, firm, obligated deliveries at Ojibway being advanced by ratepayers and ETP was advancing an interest in the commitment and facilitating the implementation. Instead Union chose to cut a deal that were aligned with its own interests in supporting the project.[55]

[52] Exhibit K2.1, Attachment 1, page 4 of 37
[53] Exhibit K2.1, Attachment 1, page 16 of 37
[54] Exhibit K2.1, Attachment 1, page 22 of 37
[55] Transcript Volume 2,

43. In our view, the above examples highlight the two pervasive issues in this proceeding: Union's approach demonstrates a clear bias to supporting the Panhandle project and the ability of an independent party to rely on Union's interpretation of the market and what other market participants want has been demonstrated to be flawed. As a result, we would respectfully submit that the views of why a firm service cannot work must weighed with these factors in mind and should not be treated as facts.

44. There are many of these statements on the record that should be reviewed critically. For example, Union may point to its concerns about why firm, obligated deliveries at Ojibway would not work:

- The only way to obligate is to control the supply[56]: Union has relied on obligated third party supply deliveries at Parkway for decades as a way of avoiding facilities.[57] Union has argued that a delivery Obligation from a supplier is different from that of an in-franchise customer and we can accept that. However, Union has many different types of contracts and is experienced in creating the appropriate economic incentives to ensure that the other party fulfills its obligations under the contract. We would expect that Union could structure a contract for deliveries that would mitigate risk while providing customers with the benefit of avoided facilities.
- Rover did not offer Ojibway as a delivery point to its shippers as stated categorically by Union in the following testimony:[58]

> Mr. Redford (cont'd): They're not -- when you look at -- and we have confirmed this with Rover. Ojibway is not a delivery point on the Rover system. It's not included in their tariff which was filed, and it is confidentially filed with FERC. But they have told us that it is not -- it is not a primary delivery point and it's not -- they did not include it in their secondary delivery points.

[56] Transcript Volume 2, page 27, lines 26-27
[57] Transcript Volume 2, page 35, lines 20-26
[58] Transcript Volume 2, page 30, lines 19-25

The above statement is not consistent with the information that Rover filed with FERC.[59] In Attachment 2, we provide excerpts from FERC NGA GAS TARIFF, ORIGINAL VOLUME NO. 1 of ROVER PIPELINE LLC which we would highlight:

- Page 2: A map of Market Zone North from Defiance to U.S./Canada international Boundary – **note the location of the interconnection with Union Gas at Wayne County, Michigan which is the Ojibway import point.**

- Page 3: The tariff showing the rates in which we have highlighted Market Zone North.

- Pages 4-5: Section 2.2 Delivery points: "Shipper may designate in the Service Agreement multiple primary physical Points of Delivery or a Pool Point, each of which will have a Maximum Daily Delivery Obligation (MDDO). Shipper's MDQ shall equal the sum of the MDDOs at Shipper's primary Points of Delivery unless otherwise agreed to by Shipper and Rover. Points of Delivery on Rover's Master Delivery Point List (MDPL) are also available as secondary Points of Delivery if the points are within or between the Zones used to calculate the Reservation Charge in accordance with Section 3.1 herein. Secondary Points of Delivery on off-system capacity are not available unless otherwise agreed to by Shipper and Rover." **From the Market Zone North map, both St. Clair and Wayne County are within the same zone so shippers who have contracts to St. Clair could include Wayne County as a secondary delivery point or vice versa. Dawn would be an off-system point. So switching between St. Clair to Wayne County should be more straightforward than to Dawn because the first is solely within Rover's control.**

- **Page 6:** Definitions which include: – ""Market Zone North" shall mean the area that originates at the Defiance, Ohio point and continues northward to the

[59] http://roverpipelinefacts.com/resources/ferc-filings.html

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."

The summary of the above filed tariff with the FERC is that Rover has designated a delivery point to the International Boundary between the U.S. and Canada in Wayne County, Michigan which if it is not readily apparent from the map is the opposite side of the River from the Ojibway receipt point.

- Union asserts that the only way to arrange for obligated deliveries is by buying the gas at Dawn[60]: However, a careful examination of the testimony reveals more:[61]

  MR. SHORTS: We acknowledge that we have spoken to Rover about the possibility of having an obligation to deliver, and they have agreed that they would facilitate looking into that option.

  But they have also instructed us that the only possible way to do that would be to have an arrangement with the Rover shippers. So if we had a supply arrangement to buy the supply from the Rover shippers and that would guarantee the supply that Rover could count on, then Rover could operationally decide which path, whether they took the Vector path or whether, for example, the first 35 could go through Ojibway.

  The testimony says that if Union had "an arrangement" with them but then goes on to talk about the hypothetical of a supply purchase. We recognize that Union was likely cautious in its attributions to ETP due to the preservation of rights in ETP's retraction.[62] A plain read of this testimony expresses an arrangement which could, in fact, be a supply arrangement but in our view, could be an exchange service that is incented to ensure firm deliveries at Ojibway. In addition, Union could hardly know the views of all the shippers as they have

[60] Transcript Volume 2
[61] Transcript Volume 2, page 68, line 27 to page 69, line 10
[62] Exhibit K2.1, Attachment 1, page 35 of 37

stated that they do not know who they are so how could they know it has to be a purchase arrangement?

- Union testified about a premium market in the Gulf[63]: When challenged on this statement, Union's response was "I think there is".[64] Yet, Union advanced no evidence to support this statement. On the contrary, the only price reference that compared Dawn prices to the Gulf is found in an interrogatory response to VECC.[65] In this response, Union draws on the ICF analysis done in May of 2016. The analysis included a 10 year market price forecast starting November 2017. Attachment 1 shows a basis differential between Dawn and Henry Hub, which is the Gulf, being negative 1 cent. Clearly, I don't believe that one cent difference over a forecasted 10 years could be called "premium". Yet, these are the espoused views of witnesses that Union is asking the Board to rely upon for their testimony.

45. It is our respectful submission Union not pursue the opportunity for market based solutions to incent firm deliveries at Ojibway to meet the needs of the Panhandle system. Furthermore its bias against such deliveries resulted in missed opportunities in negotiations and the presentation of information that casts such opportunities negatively.

DEPRECIATION AND COST ALLOCATION

46. With our focus on pursuing discovery and understanding of the gas supply and facilities aspects of this case, we were assisted and informed by other ratepayer groups. As such, we adopt the submissions of the School Energy Coalition ("SEC") as we are aligned in our concerns.

[63] Transcript Volume 2, pages 32 and 33.
[64] Transcript Volume 2, page 137, lines 12-22
[65] Exhibit B.VECC.7

47. The only additional factor that we would like to highlight is that one of the primary reasons offered by Union to adjust the cost allocation was the significant increase in rates for C1 services if the Board-approved allocation methodology was maintained.[66] While the percentage increase looks high in Table 8-5, the resulting rate is 14.7 cents/GJ. It may assist the Board to know that the HUB rates charged by Union Gas for shorter term services on that same path, during the last three winters, has varied between 10.8 and 20 cents/GJ and currently sits at 28 cents/GJ[67]. As can be seen in the flows provided in the Motion response, gas was nominated on HUB services with the historic rates in place. We respectfully submit that ratepayers could accept the risk on C1 recovery to ensure that Board approved methodologies are maintained through an IRM period.

CONCLUSION

48. This proceeding has been a learning experience for all who participated as our knowledge of the issues and opportunities increased throughout. Now, more than ever, we firmly believe that a market based solution such as firm, obligated deliveries is the right solution for such a time as this. So, we reinforce our opening summary statement by respectfully submitting that the Board ought to reject this application as the record demonstrates that a a more broad and diligent review of alternatives should be undertaken by the system operator prior to seeking approval for a long term investment that would jack up the rates of its captive customers. Since the system operator has not, in our view, performed such a diligent review, we believe it is the Board's role and responsibility to ensure that such a review is performed, reported on and tested prior to granting approval for an expensive long-term asset in these uncertain times.

49. In the alternative, we respectfully submit that the Board could hold its decision in abeyance until the utility undertakes supervised negotiations with ETP to determine if solutions could be generated more quickly in the public interest. Once again, we believe

[66] Exhibit A, Tab 8, page 14
[67] Extracted from https://www.uniongas.com/-/media/storage-transportation/infopostings/hubpricing/Current_HUB_pricing.pdf?la=en

the outcome of that process would be brought back to the Board for review, testing and determination.

50. We trust that the Board will be informed by our submissions and has benefitted from our participation.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

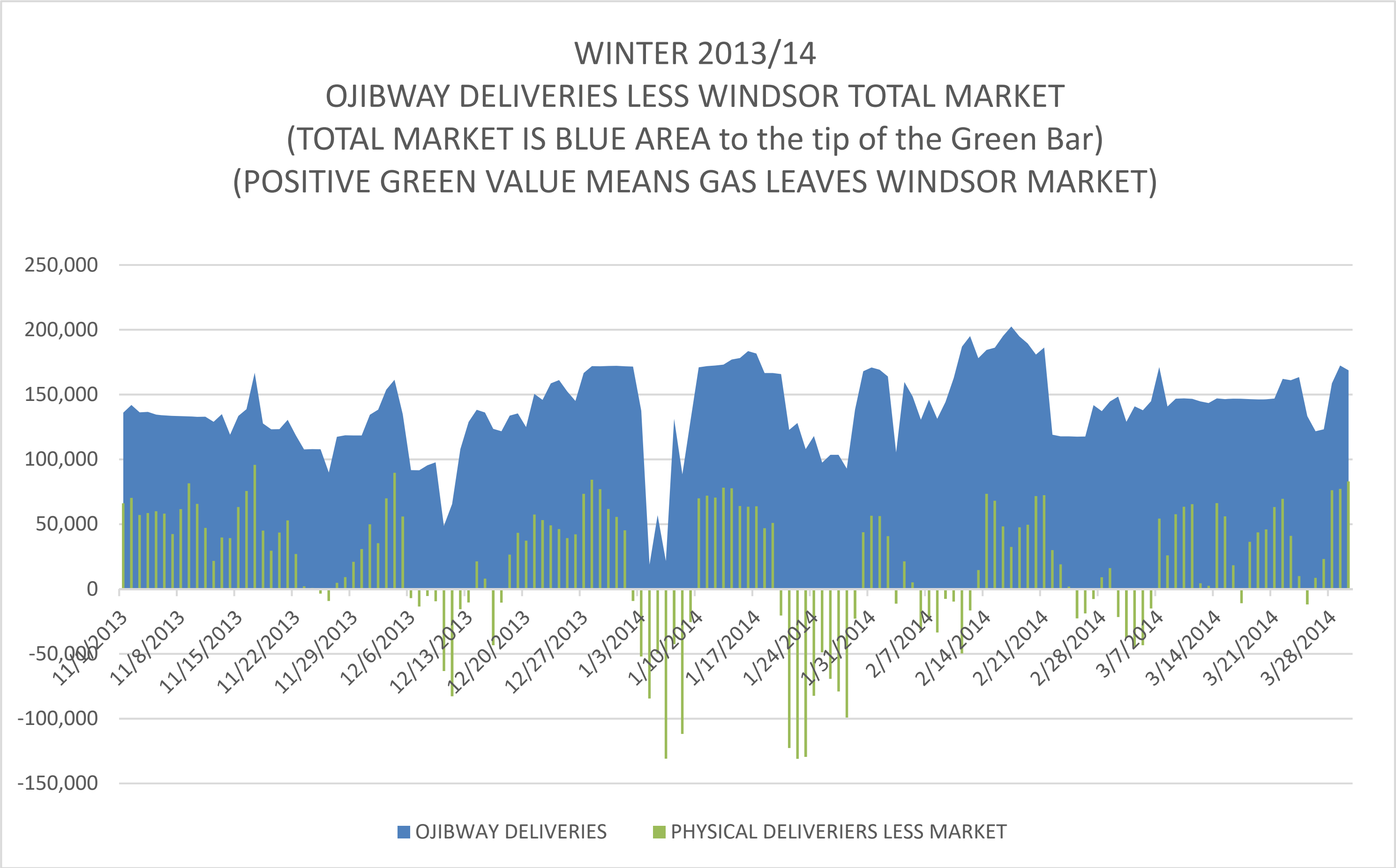
Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD

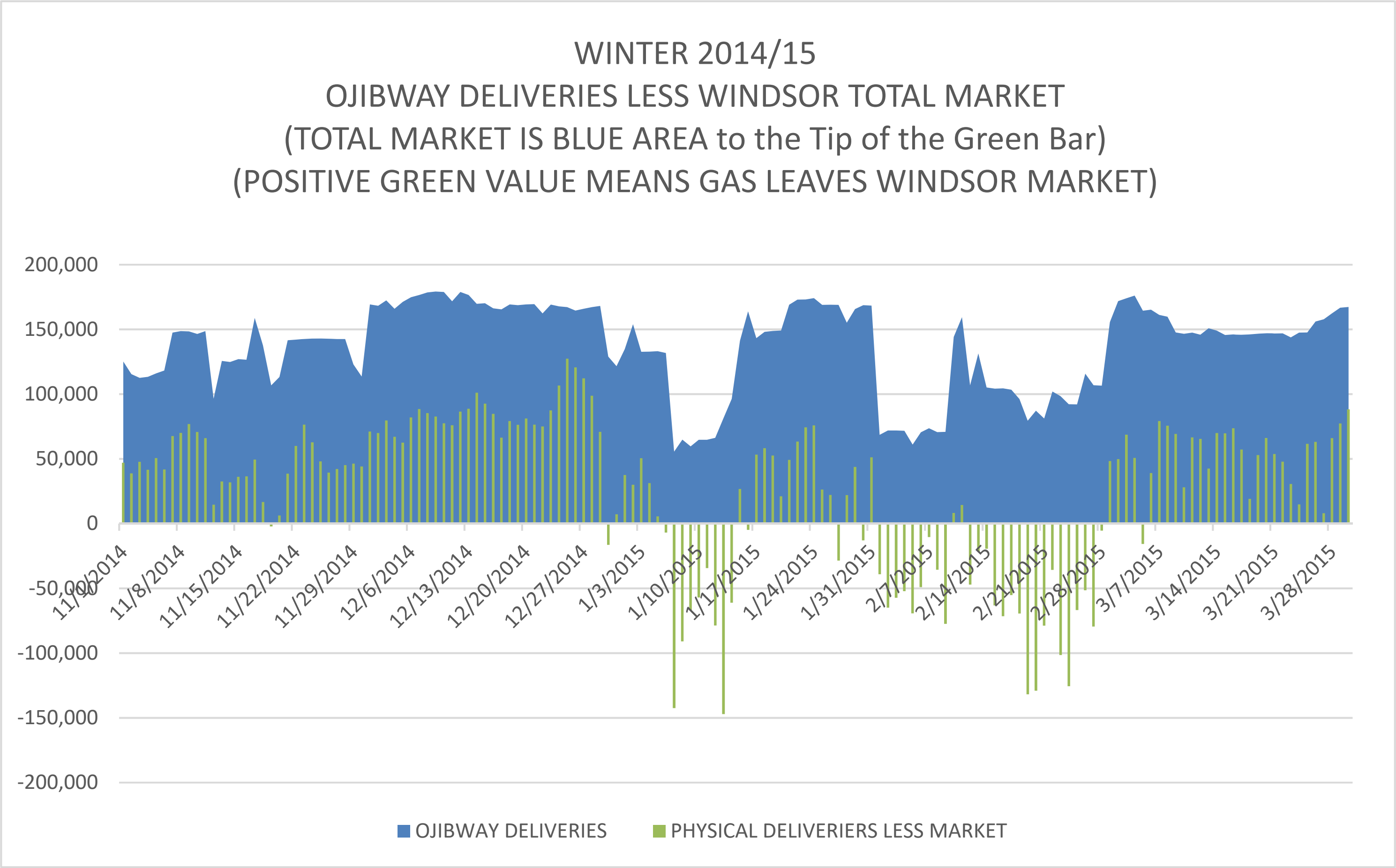
<u>ATTACHMENT 1</u>

TO

FRPO ARGUMENT

EB-2016-0186 UNION GAS PANHANDLE REINFORCEMENT


WINTER 2013/14
OJIBWAY DELIVERIES LESS WINDSOR TOTAL MARKET
(TOTAL MARKET IS BLUE AREA to the tip of the Green Bar)
(POSITIVE GREEN VALUE MEANS GAS LEAVES WINDSOR MARKET)
250,000
200,000
150,000
100,000
50,000
0
-50,000
-100,000
-150,000
11/1/2013
11/8/2013
11/15/2013
11/22/2013
11/29/2013
12/6/2013
12/13/2013
12/20/2013
12/27/2013
1/3/2014
1/10/2014
1/17/2014
1/24/2014
1/31/2014
2/7/2014
2/14/2014
2/21/2014
2/28/2014
3/7/2014
3/14/2014
3/21/2014
3/28/2014
OJIBWAY DELIVERIES
PHYSICAL DELIVERIERS LESS MARKET



WINTER 2014/15
OJIBWAY DELIVERIES LESS WINDSOR TOTAL MARKET
(TOTAL MARKET IS BLUE AREA to the Tip of the Green Bar)
(POSITIVE GREEN VALUE MEANS GAS LEAVES WINDSOR MARKET)
200,000
150,000
100,000
50,000
0
-50,000
-100,000
-150,000
-200,000
11/1/2014
11/8/2014
11/15/2014
11/22/2014
11/29/2014
12/6/2014
12/13/2014
12/20/2014
12/27/2014
1/3/2015
1/10/2015
1/17/2015
1/24/2015
1/31/2015
2/7/2015
2/14/2015
2/21/2015
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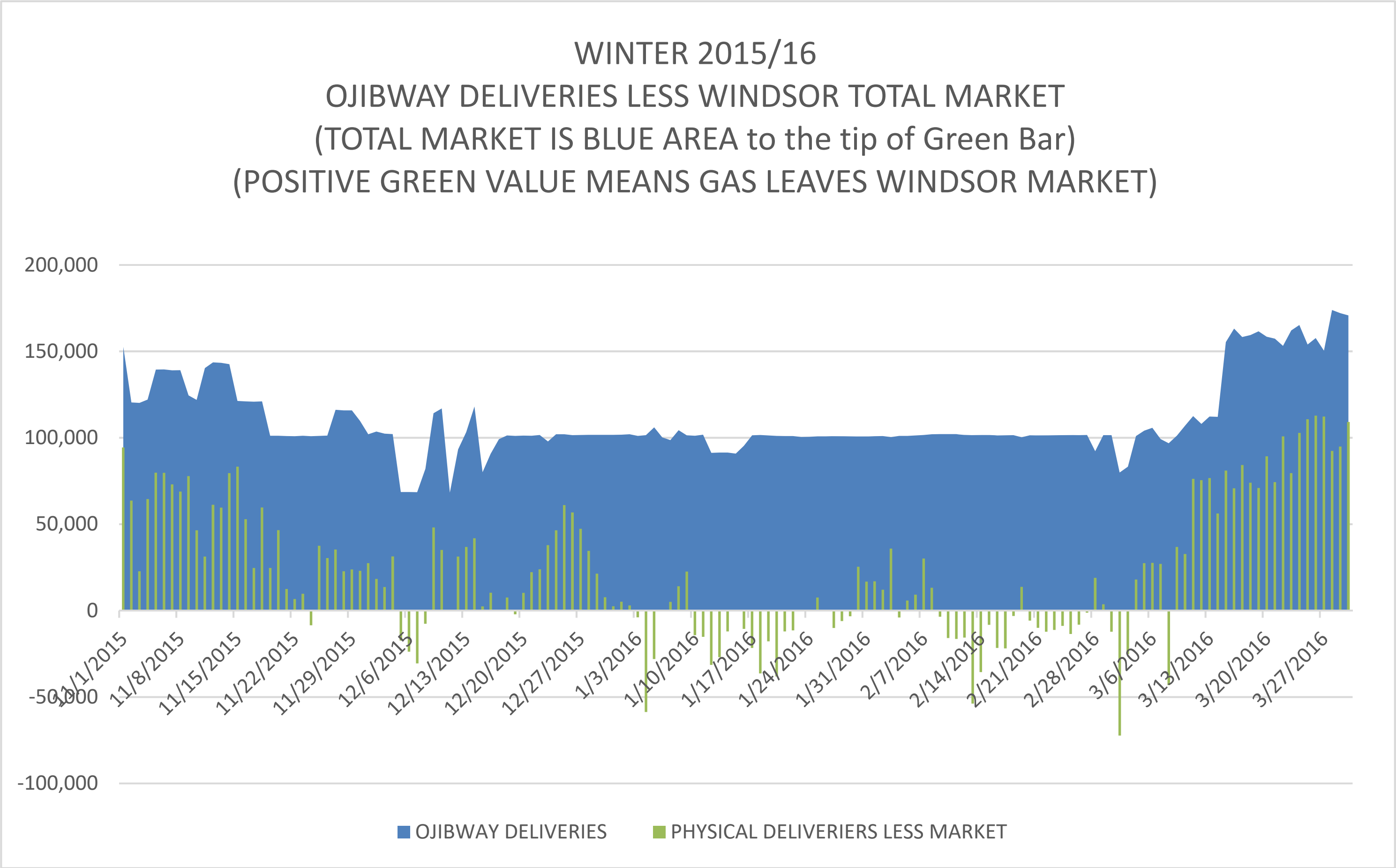
3/7/2015
3/14/2015
3/21/2015
3/28/2015
OJIBWAY DELIVERIES
PHYSICAL DELIVERIERS LESS MARKET



WINTER 2015/16
OJIBWAY DELIVERIES LESS WINDSOR TOTAL MARKET
(TOTAL MARKET IS BLUE AREA to the tip of Green Bar)
(POSITIVE GREEN VALUE MEANS GAS LEAVES WINDSOR MARKET)
200,000
150,000
100,000
50,000
0
-50,000
-100,000
11/1/2015
11/8/2015
11/15/2015
11/22/2015
11/29/2015
12/6/2015
12/13/2015
12/20/2015
12/27/2015
1/3/2016
1/10/2016
1/17/2016
1/24/2016
1/31/2016
2/7/2016
2/14/2016
2/21/2016
2/28/2016
3/6/2016
3/13/2016
3/20/2016
3/27/2016
OJIBWAY DELIVERIES
PHYSICAL DELIVERIERS LESS MARKET

ATTACHMENT 2

TO

FRPO ARGUMENT

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

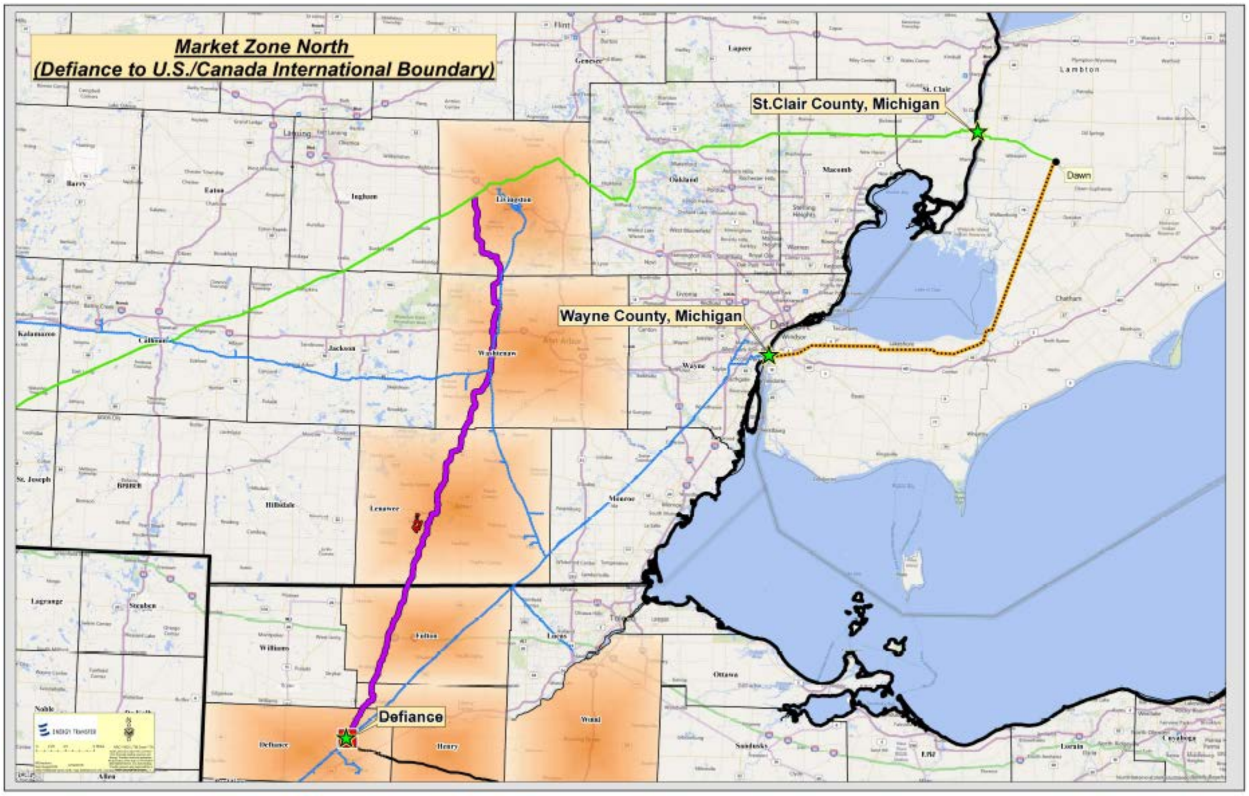
Communications Concerning this Tariff
Should be Addressed To:

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

Market Zone North Map



CURRENTLY EFFECTIVE RATES
RATE SCHEDULE FTS
FIRM TRANSPORTATION SERVICE

Each rate set forth in this Tariff is the currently effective rate pertaining to the particular rate schedule to which it is referenced, but each such rate is separate and independent and the change in any such rate shall not thereby effect a change in any other rate or rate schedule.

	Maximum Rate Per Dt (1)	Minimum Rate Per Dt (2)	Fuel Reimbursement (3)
Supply Zone only			
Reservation Rate	$ 7.1589	-	-
Usage Rate (1)	0.0008	$ 0.0008	0.42% (3)
Overrun Rate (2)	0.2354	-	-
Supply Zone to Mainline Zone			
Reservation Rate	$19.7340	-	-
Usage Rate (1)	0.0022	$ 0.0022	0.91% (3)
Overrun Rate (2)	0.6488	-	-
Supply Zone to Market Zone North			
Reservation Rate	$30.6555	-	-
Usage Rate (1)	0.0041	$ 0.0041	1.17% (3)
Overrun Rate (2)	1.0079	-	-
Supply Zone to Market Zone South			
Reservation Rate	$28.8799	-	-
Usage Rate (1)	0.0206	$ 0.0206	0.91% (3)
Overrun Rate (2)	0.9495	-	-

(1) Excludes the ACA unit charge applicable to Shippers pursuant to GT&C Section 20
(2) Maximum firm volumetric rate applicable for capacity release with a term of more than one year
(3) Excludes fuel charges by Transporting Pipelines, if any, that are applicable to Shipper in accordance with Section 3.5 of Rate Schedule FTS. Fuel reimbursement for backhauls is 0.20%.

RATE SCHEDULE FTS
FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule FTS is available to any party (hereinafter called Shipper) which has requested firm Transportation service pursuant to Section 2 of the General Terms and Conditions of this Tariff and, after review and acceptance of such request by Rover, has executed a Service Agreement with Rover for service under this Rate Schedule FTS. Such Service Agreement shall be in the form contained in Rover's Tariff, Original Volume No. 1, of which this Rate Schedule FTS is a part.

2. APPLICABILITY AND CHARACTER OF SERVICE

The firm service provided hereunder is the Transportation of Natural Gas on a uniform hourly basis up to the Maximum Daily Quantity (MDQ) set forth in the Service Agreement, subject to the availability of capacity, the General Terms and Conditions and the further provisions of the Service Agreement. Shipper's MDQ shall be a uniform Quantity throughout the term of the Service Agreement, except that Rover may, but shall not be obligated to, agree on a not unduly discriminatory basis to certain differing levels in Shipper's MDQ for specified periods during the term of the Service Agreement. The effective period of each MDQ level shall be specified in the executed Service Agreement. Rover is not obligated to provide any Transportation service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities. Transporter may, on a not unduly discriminatory basis, agree to a minimum delivery pressure.

2.1 Points of Receipt

Shipper may designate in the Service Agreement multiple primary Points of Receipt, each of which will have a Maximum Daily Receipt Obligation (MDRO). Shipper's MDQ shall equal the sum of the MDROs at Shipper's primary Points of Receipt unless otherwise agreed to by Shipper and Rover. Points of Receipt on Rover's Master Receipt Point List (MRPL) are available as secondary Points of Receipt if the points are within or between the Zones used to calculate the Reservation Charge in accordance with Section 3.1 herein.

2.2 Points of Delivery

Shipper may designate in the Service Agreement multiple primary physical Points of Delivery or a Pool Point, each of which will have a Maximum Daily Delivery Obligation (MDDO). Shipper's MDQ shall equal the sum of the MDDOs at Shipper's primary Points of Delivery unless otherwise agreed to by Shipper and Rover. Points of Delivery on Rover's Master Delivery Point List (MDPL) are also available as secondary Points of

Delivery if the points are within or between the Zones used to calculate the Reservation Charge in accordance with Section 3.1 herein.

Secondary Points of Delivery on off-system capacity are not available unless otherwise agreed to by Shipper and Rover.

2.3 Service provided at the primary and secondary Points of Receipt and primary and secondary Points of Delivery shall be provided on a firm basis subject to the scheduling, curtailment and interruption provisions of Sections 3 and 4 of the General Terms and Conditions.

2.4 Tolerance Level

The Tolerance Level under this Rate Schedule FTS shall be ten percent (10%) at Points of Delivery and the greater of ten percent (10%) or 1,000 Dt at Points of Receipt. Daily scheduling variances in excess of the Tolerance Level shall be subject to a daily scheduling penalty calculated in accordance with Section 5 of the General Terms and Conditions.

3. RATE

The rates and charges for firm service under this Rate Schedule FTS shall be as follows:

3.1 Reservation Charge

The monthly Reservation Charge shall be the product of the MDQ and the applicable reservation rate as set forth on the Currently Effective Rates for Rate Schedule FTS for service related to the primary Points of Receipt and the primary Points of Delivery set forth in Shipper's currently effective applicable FTS Service Agreement.

The Reservation Charge shall be prorated for the first and last contract Months to adjust for the number of days during those Months for which service was contracted. In the event commencement of services contracted for is contingent upon the repair, upgrade, construction of facilities, financial considerations or third party contingencies, Rover may waive any or all Reservation Charges until a mutually agreed upon date following the resolution of the applicable contingency.

3.2 Usage Charge

(A) The monthly Usage Charge shall be the product of the actual Quantity of Gas delivered during the Month and the applicable usage rate per Dt as set forth on the Currently Effective Rates for Rate Schedule FTS for service related to the primary Points of Receipt and the primary Points of Delivery set forth in Shipper's currently effective applicable FTS Service Agreement.

"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.