uniongas
A Spectra Energy Company

December 30, 2016

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

RE: EB-2016-0186 – Union Gas Limited ("Union") – Panhandle Reinforcement Project – Reply Submissions

Dear Ms. Walli,

Pursuant to Procedural Order No.4, please find attached Union's reply submissions.

The attached will be filed in RESS and copies will be sent to the Board.

Yours truly,

[original signed by]

Karen Hockin
Manager, Regulatory Initiatives

Encl.

cc: Zora Crnojacki, Board staff
Mark Kitchen, Union Gas
Charles Keizer, Torys
All Intervenors (EB-2016-0186)

EB-2016-0186

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Union Gas Limited pursuant to s. 90(1) of the Act for an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Township of Dawn-Euphemia, Township of St. Clair and the Municipality of Chatham-Kent;

AND IN THE MATTER OF an Application by Union Gas Limited pursuant to s. 36 of the Act for an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the natural gas pipeline and ancillary facilities referred to as the Panhandle Reinforcement Pipeline Project.

REPLY ARGUMENT OF UNION GAS LIMITED

1. This is Union Gas Limited's ("Union") reply argument in the above referenced matter. This argument, complete with the attached Compendium (Appendix A), should be read in conjunction with Union's Argument-in-Chief. For the reasons set out in the argument below, Union remains of the view that the approvals requested in respect of the proposed Panhandle Reinforcement Project should be granted by the Ontario Energy Board ("the Board").

EXECUTIVE SUMMARY

2. Union is proposing to reinforce the Panhandle System by replacing approximately 40 kilometres of NPS 16 pipeline with NPS 36 pipeline from Union's Dawn Compressor Station ("Dawn") in the Township of Dawn-Euphemia to the Dover Transmission Station

in the Municipality of Chatham-Kent ("Proposed Pipeline" or "the Project") and completing related station modifications.[1]

3. The Panhandle System represents the transmission pipeline asset to transport natural gas primarily from Dawn to the Ojibway Valve Site ("Ojibway") in Windsor and to feed high pressure distribution pipelines serving residential, commercial and industrial in-franchise markets along its path. This transmission system has served customers well for over 50 years and is largely depreciated.

4. Despite the complexity of various scenarios considered during the course of the hearing and made in submissions by intervenors, the case for the Project is quite simple. Union is no longer able to meet all firm service requests effective November 1, 2017[2]. Analysis demonstrates that without changes to its existing facilities the operational requirements of the Panhandle System will not be met for the Winter 2017/2018 with an expected Design Day demand of 623 TJ/day and total growth over the 2017-2021 period of 106 TJ/d. In order to continue to provide service to new general service and contract customers, additional capacity is required on the Panhandle System by November 1, 2017. A deferral or delay of the Project as suggested by some intervenors, such as APPrO and FRPO, is unworkable.

5. As a regulated public utility, Union must and has prudently planned, designed and operated its facilities so that gas to heat homes and businesses will be available when needed on the coldest day of the year. Union must ensure that customers firm service demands are met with sound system design principles. As such it plans and designs its facilities to meet the demand on a Design Day. Significant growth in demand over the past few years has utilized the remaining capacity on a Design Day basis on the Panhandle System. This has resulted in reduced pressure along the NPS 20 Pipeline such that without reinforcement provided through the Project, growth in Design Day demand

---

[1] Union negotiated a comprehensive settlement with the Canadian Association of Energy and Pipeline Landowner Association and its subcommittee, the Panhandle Landowner Committee ("CAEPLA-PLC") on landowner matters. The Board issued a letter December 2, 2016 approving CAEPLA-PLC's request to withdraw as an intervenor.

[2] Transcript Vol. 1, p.40, lines 3-12

in the Leamington/Kingsville area cannot be met. The Project further ensures the Design Day demands in the Windsor, Chatham Kent and other municipalities in Essex County can be met

6. The fundamental question for the Board to consider in this proceeding is "what alternative will provide sufficient pressure and flow on the NPS 20 to serve the incremental Design Day demand." The operational reality is that: (i) if pressure on the NPS 20 pipeline is not increased then the Design Day demands will not be satisfied. (ii) there are no commercial services that can be contracted with a pipeline company or supplier that can deliver natural gas via the Panhandle System that will satisfy the forecast Design Day demand without building facilities.

7. Intervenors who oppose Union's application have either ignored these operational realities by confusing Design Day principles with other operational parameters to create a red herring, such as their arguments related to Union's maximum import limits discussed below. Or, they try to avoid the consequence of these parameters by offering partial or only one to two year solutions and vague references to the future all the while championing various levels of imports that do not provide the required supplies on a Design Day.

8. Some intervenors have introduced speculative views and suggestions that have no evidentiary foundation. These views are not founded in sound system design principles, are selective of specific data points and are discriminatory to system gas customer with a bias towards higher gas supply costs and lack of gas supply diversity. The alternatives, which they propose are not viable and should be rejected by the Board.

9. With respect to Union's proposal to change its cost allocation, within the IRM framework Union has the right and in this case, feels the obligation to bring forward a cost allocation change that adheres to cost causation principles such that sound fundamental ratemaking principles are maintained. Union's proposed cost allocation change is critical to ensure that it can recover its prudently incurred costs and continue to provide the benefit of ex-franchise revenue to in-franchise customers.

10. Union's interim proposal to calculate the revenue requirement and resulting rate impacts based on a 20-year useful life of the Project is based on a higher long-term risk resulting from the government's Cap and Trade and Climate Change Action Plan initiatives and as such, this change is appropriate.

11. The balance of the argument has been organized as follows:

A. Need

(i) Validity of demand forecast

(ii) Risks resulting from DSM and government climate initiatives

(iii) Interruptible customers converting to firm

B. Alternatives

(i) Intervenors ignore the operational reality

(ii) Union's modelling is correct

(iii) Union's import levels are not artificial

(iv) Union does not have a rate base bias

(v) Union appropriately considered commercial alternatives

(vi) FRPO's proposals are not viable

vii) Union's negotiations with Energy Transfer were appropriate

C. Cost Allocation

(i) Merit of proposed interim allocation changes

(ii) 2014-2018 IRM settlement agreement explicitly contemplates changes

(iii) Postage stamp ratemaking

D. Depreciation

(i) Merit of proposed 20-year depreciation rate

E. Conclusion

A. NEED

Validity of Demand Forecast

12. There is an immediate need for the reinforcement of the Panhandle System. This is demonstrated through the market forecast and written evidence in Exhibit A, Tab 4 and Exhibit A, Tab 5 as well as the many letters of support from municipalities and customers filed at Exhibit A, Tab 5, Schedule 2.

13. Over the past five years, there has been an increasing demand for firm service from both existing and new customers served by the Panhandle System. Requests have been received from general service customers, consisting of residential, commercial and small industrial customers, and contract rate customers, with the majority of these requests coming from greenhouse customers in the Leamington-Kingsville area. Market demand for firm service will exceed the Panhandle System Design Day capacity by the Winter 2017/2018.[3] Reinforcing the Panhandle System is a necessary investment in order to attach any firm customers, even general service (residential) customers. Without the Project, Union will be forced to deny firm service requests which will mean new industry, expanding industry or even single family homes requiring natural gas cannot be built in the market area served by the Panhandle System (including Chatham, Leamington and Windsor).

14. The firm Design Day demand along the Panhandle System is forecasted to grow 19% by 2021 and 37% in total by 2034 with the majority of the growth in the mid-section of the Panhandle System in the Leamington-Kingsville area (approximately 58% by 2021 and 65% by 2034 in that area).

---

[3] Union has already been refusing Contract Rate size customers incremental firm service such as the 2016 Leamington Expansion Pipeline Project (EB-2016-0013) Expression of Interest. By Winter 2017/2018 market demand for general service is forecast to exceed system capabilities.

15. A direct consequence of the Project not proceeding is that Union will not be able to provide firm service to general service customers starting in November 2017.[4] There has been confusion in this regard created by a number of intervenors since they assert that based upon increased Ojibway imports there is sufficient supply available to defer the Project. However, the intervenors are confusing two very different aspects of gas service. Increased imports through C1 service may provide more gas in the system, but on a Design Day Union cannot rely on that service to serve in-franchise firm customer demands since contractually the gas is not obligated to be available (Transcript Vol. 2, p.17, lines 12-19). Union must plan its system on a Design Day basis to serve all firm demand on the coldest day. As noted below, on this basis, based on forecast incremental Design Day demand, the capacity is not available to satisfy demand starting November 2017. As set out below, a deferral of the Project as suggested by some intervenors, such as APPrO and FRPO, is unworkable. This is because they do not take into account the operational reality of the Panhandle System which make imports a non-viable solution to address the pressure and flow shortfall needed to meet the incremental demand. As well, they do not take into account the commercial realities and risk of being able to negotiate obligated deliveries with shippers for which there is no current contractual arrangements and the uncertainty as to whether such arrangements could be established or whether shippers, like those using the Rover Pipeline will even be able to provide service on November 1, 2017.

16. Furthermore, for any new commercial customers, there is no viable alternative without natural gas. Without natural gas, they will choose to relocate to an area with natural gas. Existing customers will be forced to use more expensive alternative energy source (if available) and, in the case of contract customers such as greenhouses, this will threaten their competitiveness and increase the attractiveness of moving to other jurisdictions.[5]

17. Some intervenors questioned the validity of Union's firm demand forecast. However, the customers' desire for firm demand is evident from Union's request for Expressions of

---

4 Transcript Vol.1, page 40, lines 3-12

5 Every acre of greenhouse development creates jobs for five employees, results in significant capital investment of approximately $700,000 to $800,000 per acre with spin off consequences for employment elsewhere (Exhibit A, Tab 5, p.19)

Interest as part of the 2016 Leamington Expansion Pipeline Project[6] to assess the market demands for that project. The Leamington-Kingsville area is one of the areas of growth fed by the Panhandle System. The response to the request far exceeded the capacity that Union could make available through that project. In the Expressions of Interest for the 2016 expansion (which is now in service), a total of 80 TJ/day of firm demand was requested, of which only 32 TJ/day is being served by the 2016 Leamington Expansion Pipeline Project. Union was unable to serve approximately 48 TJ/day of identified firm demand in the Leamington-Kingsville area. This 48 TJ/d of unserved capacity requested is part of the forecast capacity to be served by the Project. (Transcript Vol.1, p. 28, lines 19-21)

18. Union has also identified incremental demand for firm service across the entire market, including the new Windsor Mega Hospital, the new Gordie Howe International Bridge, CNG facilities for transport fleets and load increases from other Industrial customers in the Windsor area. Demonstrating further support, Union has received a number of letters of support from area Mayors and customers including a number represented by OGVG[7] who recognize the need to have firm natural gas service available to retain and grow industry and support their local economies.

19. The forecast used to underpin the proposed build is based on specific customer requests, the anticipated conversion of interruptible to firm service based on the unfulfilled firm capacity requests from the 2016 Leamington Expansion Pipeline Project Expression of Interest, discussions with customers, and growth in the general service market. Responses at Exhibit B.Staff.4 (Updated) and Exhibit B.Staff.7 provide further detail and support for the forecast. The Project's forecast demands are expected to result in the capacity from the Project being fully subscribed after just five years.

20. As is typically done for facility reinforcements serving in-franchise customers, to forecast future Design Day demand and to identify reinforcement facilities required to support forecast growth on the Panhandle System, Union used historical attachments for general

---

[6] EB-2016-0013

[7] Exhibit A, Tab 5, Schedule 2

service customers in addition to a load growth forecast for contract rate customers. This included the foregoing unfulfilled demand requests from the 2016 Leamington Expansion Pipeline Project. The information was compiled into a 20-year Panhandle Growth Forecast 2015-2034. Growth is expected to occur across the entire Panhandle System and to be predominantly heat sensitive.

21. A number of parties were satisfied based on the evidence that the forecast used to underpin the proposed facilities is both robust and solid. On page 2 of its submission, LPMA stated:

> "… there is no evidence on the record in this proceeding to refute the growth forecasts of Union over this five year period. As a result, LPMA submits that the Board should accept the need for this project."

22. Certain parties still question the validity of the forecast. For example, notwithstanding the known interest, APPrO in its submission referred to the forecast as "unrealistically optimistic" (APPrO, p.2). APPrO presented an adjusted/alternate forecast based on their assumptions/interpretation in argument (APPrO, p.10). The Board should not accept these adjusted forecast numbers – there is no evidence to support it. Union's forecast is the only forecast rooted in an accepted methodology, customer interaction and in-depth market knowledge. APPrO's evidence is pure speculation based on information brought forward in the argument phase with no evidentiary basis.

23. SEC in its submission states that the *"evidence"* suggests facilities are not required until at least Winter 2019/2020 (SEC, p.3-4). Again, this is not factual and ignores the record in this proceeding.

24. As detailed at Exhibit B.Staff.4 (Updated), to further demonstrate market commitment, Union introduced a process of entering into binding 5-year agreements for incremental firm contract rate service served from the Project beginning November, 2017. Union has responded to the speed of growth seen in this area through this process.

25. Union began to seek contractual commitments from customers toward the end of September, 2016 (see Transcript Vol.1, pp. 61-62). As expected, at the time of the

hearing although Union had verbal commitments from customers it had no signed contracts. Through continued negotiations, as of December 21, 2016, Union has already received 37 executed agreements from customers for a 5-year contract term representing 27 TJ/d capacity or approximately 50% of the total 2017/2018 forecast capacity. Further, there are 6 additional agreements in final review with customers and a number of others still under negotiations. All customers are seeking firm service as of November 1, 2017.

26. It is important to note that term commitments of this nature are not typical for in-franchise customers. As a result, customers require time to understand and adapt to the process. (Transcript Vol. 1, pp. 65-66) Union has also received a number of unsolicited requests for 2017/2018 that far exceed the forecast for 2017/2018 (see Transcript Vol.1, p.26, lines 2-7). These unsolicited requests will not be processed until the unserved customers from the 2016 Leamington Expansion Pipeline Project are first offered firm capacity. It is expected that if there are a few customers from the 2016 Leamington Expansion that no longer require capacity, these new requests will more than fill the available capacity for November, 2017.

27. APPrO in its submission makes a number of claims concerning the requested 5-year commitments. Firstly, at page 2 it states, *"The vast majority of the proposed capacity addition is targeted at contract customers, yet no contract customers have made any binding commitments for capacity."* As noted above, this is no longer the case. As Union's witness stated at the hearing, Union had confidence that customers who had made verbal commitments would begin executing contracts. As stated above, since the hearing a total of 37, 5-year term contracts for firm capacity have been executed. APPrO suggests that the lack of signed binding agreements at the time of the hearing suggests the Project is not yet mature enough for the Board to approve it and it recommends the Board issue a condition of approval for Union to demonstrate long term binding contract commitments for at least 50 TJ/d for the first two years.

28. Union submits that the Board should reject such a condition. Imposing such a condition ignores the well demonstrated need for the Project. Union has used a sound and proven methodology to forecast the demands for the Project. As discussed above, the contracting

process is proceeding and most of the expected contracts are already signed and have been received by Union. Union fully expects to have met or exceeded the forecasted load growth to be attached for the project effective November 1, 2017. Furthermore, it is not uncommon for Union to go to in-franchise contract customers within a year of a project being built and within a year of each subsequent year of the forecast period in order to allow customers to make such a commitment based on their most current knowledge of future demand. The suggested condition imposes an obligation to go to in-franchise customers more than a year before the applicable time period.[8] The establishment of such a condition imposes an obligation that Union cannot fulfil through enforcement and is not entirely in its control.

Risks resulting from DSM and government climate initiatives

29. A number of parties raised concerns about the "uncertainty" and "risks" of Union's Demand Side Management ("DSM") programs and the government's Climate Change Action Plan ("CCAP") created for the forecast. Union in its response to Exhibit B.Staff.4 (Updated) addressed in detail such risks from a short, medium and long-term perspective. Based on this, within the period applicable to the need and the Project, CCAP is not a factor. Also there is no evidence that DSM has a lessening effect on Design Day demand. In fact, for greenhouse operations, the very reason they want and need natural gas service is so they have the assurance of firm energy delivery to provide heat to their greenhouses on the coldest days to avoid the loss of their crops. For many years, Union has dedicated significant resources to work with the greenhouse growers to make energy efficiency improvements to greenhouse operations. With this history and knowledge, the lower energy use per acre of new greenhouses is already built into Union's forecast for new greenhouses for the project. (see Exhibit A, Tab 5, pp.13-14, Exhibit B.Staff.4c (Updated) and Exhibit B.APPrO.1)

30. The uncertainty raised by parties resulting from DSM and CCAP prompted questions specific to Union's 20-year depreciation rate proposal. APPrO states that Union had

---

8 The APPrO condition would require Union to sign all of the 2017 forecast and some of the 2018 forecast in 2017,

not <u>adequately</u> considered the impacts of DSM and government climate initiatives. Based on Union's response to Exhibit B.Staff.4 (Updated), this simply is not true. There is no evidence, just speculation, to base any demand reduction resulting from DSM and CCAP. It is Union's understanding that greenhouse operators are doing everything they can already from an efficiency perspective in order to remain competitive and Union's DSM programs are aligned with this goal. To suggest there is a material initiative that Union and customers have not considered is simply false.

31. In response to cross-examination of APPrO, Union's witnesses did not accept APPrO's suggestion of Design Day demand reductions resulting from DSM.

> "I don't believe it is plausible. I mean, I think we can agree that DSM initiatives decrease the annual consumption, the annual demand. I think it is plausible to say it decreases the average daily demand. Really, facilities are impacted by the peak-hour factor and even in our daily models, we apply a profile to these demands. So I think the jury is still out. I think we're doing some work trying to stay with Enbridge, but I think the jury is still out as to whether we would have a decrease in the facility requirements because of DSM." (Transcript Vol. 2, p.173, lines 16-26)

32. As stated in the responses at Exhibit B.Staff.4 (Updated) and Exhibit B.APPrO.1, Union's experience is that there is little change in Design Day demand. Rather, it is the annual volumes that are most affected by DSM programs.

Interruptible customers converting to firm

33. In argument, APPrO has introduced the rather illogical and unsupported proposal that Union deny its existing interruptible customers access to firm service, pool those customers together to seek upstream interruptible capacity and gas on the Panhandle Eastern system and then stream these costs to interruptible customers as a means to avoid an interruption. Not only did APPrO not indicate how this could even be done, but it also failed to recognize that if interruptible customers are interrupted on Union's system then it is likely that comparable weather and operating conditions would precipitate interruptible services on connecting pipelines to also be interrupted.

34. Another suggestion introduced by APPrO in argument is that Union should put in place some kind of demand response program like those used in the electricity sector. However, APPrO fails to recognize that these two sectors are fundamentally different. The use of electricity is more diverse, particularly related to lighting or in production processes. Gas is primarily used for space heating. On a Design Day, lights may be able to be dimmed or production schedules altered, but space heating on the coldest day is a requirement. To suggest that customers use neither electricity nor natural gas during a peak is to suggest that they completely shut down their plant or operation. This is clearly not a viable suggestion or alternative for a greenhouse operation or a homeowner for that matter.

35. IGUA raises the "cost/benefit balance" of the Project between customers facing short interruptions under potential Design Day conditions for which they have (or should have) back up plans, and existing customers. IGUA believes this balance does not reflect an "appropriate proportion."

36. IGUA believes interruptible conversion to firm is not critical. Despite the fact that some existing customers have firm service now, which may include some of IGUA's customers, (using the low cost existing capacity of the Panhandle system), IGUA believes others should be denied this same access to firm service. IGUA is suggesting that Union act in a discriminatory manner and treat interruptible customers seeking the benefit of firm service differently than new and existing firm customers. As a public utility, Union's objective is to act in a non-discriminatory manner recognizing its obligation to serve.

37. As set out above, Union has shown the need for the Project given its robust and consistent approach to forecasting of incremental Design Day demand. As such, given the operational realities set out below, the Project should be granted leave to construct.

B. ALTERNATIVES

38. All intervenors, with the exception of LPMA and OGVG, have essentially relied on the submissions of APPrO and FRPO (collectively the "Opposing Intervenors") relating to alternatives to the Project. FRPO and APPrO assert that Union has not sufficiently

considered commercial alternatives and as such should not be granted leave to construct or at most the Project should be deferred. As a result, for the purposes of this reply, Union will focus on the submissions of APPrO and FRPO.

Intervenors Ignore the Operational Reality

39. Union submits that the Board should reject the submissions of the Opposing Intervenors with respect to commercial alternatives. Principally, both APPrO and FRPO make proposals that fail to consider the operational reality within which any alternative and the Project must work.

40. Unlike the Opposing Intervenors, Union cannot ignore the Panhandle System's operational realities. This is because Union as a gas distributor has significant obligations to operate its system safely and effectively to ensure that natural gas is available for its firm customers on the coldest day. As a result, Union must plan its facilities to serve its Design Day conditions. Union cannot speculate on a solution that may work or could possibly work. Design Day demand is defined as the amount of firm demand that Union is committed to supply through its system on a Design Day. The majority of Union's customers served by the Panhandle System are heat sensitive with maximum demand on the coldest day, where the coldest day is an actual day Union has historically experienced in the region. Therefore, the total Design Day demand is the sum of Union's in-franchise general service and contract customers with interruptible in-franchise demand curtailed.

41. The above approach is standard utility practice and has been affirmed by the Board (EB-2013-0109)[9]. Union must, in fulfilling this responsibility, be aware of and manage both the physical and commercial aspects of its gas distribution service. As such, Union's gas supply planning principles ensure that customers receive secure and diverse gas supply at prudently incurred costs. These principles, among other things, include the principles to meet planned Design Day and seasonal gas delivery requirements and to deliver gas to various receipt points on Union's system to maintain system integrity. Union also has an obligation to provide service to those customers within its franchise area and cannot

---

[9] EB-2013-0109 – Union's 2012 Deferral Disposition and Earnings Sharing (p.8 of Board decision dated March 27, 2014).

selectively choose who it serves and does not serve based on customer requests for service.

42. These principles are particularly relevant to the current proceeding because of the physical limitations of the Panhandle System on Design Day since they form the operational reality that is driving the need for the facilities based solution of the Project.

43. It is an inescapable fact that because of the significant growth in demand over the past few years, the remaining capacity on the Panhandle System has been fully utilized. This has resulted in reduced pressure along the NPS 20 pipeline which is the subject of this proceeding. Because of this reduced pressure, additional looping or laterals from the NPS 20 pipeline into the Leamington/Kingsville market will not yield the necessary capacity to serve new firm demand growth in that area. As a result, the key question in this proceeding is what alternative will provide sufficient pressure on the NPS 20 to serve this area. Should the required increase in pressure come from Dawn through the Project's NPS 36 pipeline reinforcement or an imports only solution from Ojibway as proposed by the Opposing Intervenors? It is the former since no matter what commercial alternative the Opposing Intervenors might claim to be viable or feasible, they cannot ignore or escape the operational reality that if pressure on the NPS 20 pipeline is not increased on Design Day the incremental firm demand will not be satisfied. To be specific, additional gas supply delivered at Ojibway will not provide the increased pressure requirements needed on the Panhandle System.

44. The Opposing Intervenors have proposed various scenarios to increase the level of natural gas imports at Ojibway instead of reinforcing the system to provide pressure to the NPS 20 pipeline as contemplated by the Project.

45. The variety of scenarios have led to confusion and misunderstanding over the course of the proceeding. A number of the Opposing Intervenors have raised concerns about Union confusing the record with its apparent unwillingness to provide information.

46. FRPO, for example, at page 1 of its submission states:

> "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."

47. FRPO spent considerable attention in part B "Procedural Frustration" of its submission criticizing Union's apparent belief that questions should only be asked about its evidence and the alternatives it examined.

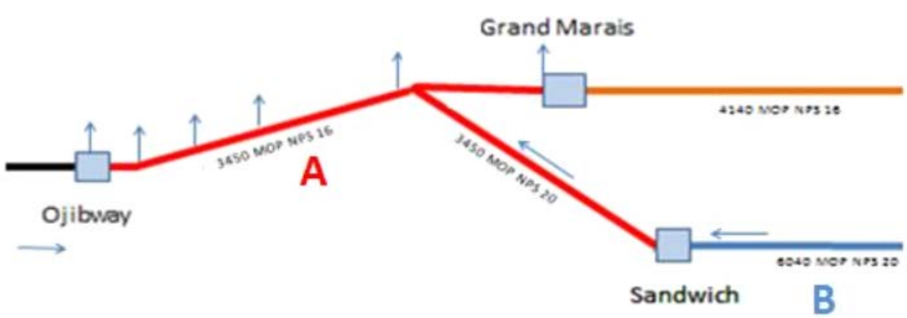
48. It is Union's view that this simply is not the case. Rather, Union submits the discovery process throughout this proceeding has exceeded the norm. To be specific, when looking at FRPO in isolation, Union responded to a total 21 interrogatories after filing its application and evidence; FRPO had extensive cross-examination during the Technical Conference; Union responded to 17 Undertakings requested by FRPO during the Technical Conference some of which included detailed scenarios and schematics; Union voluntarily agreed to file internal communications in advance of the FRPO Motion being heard and filed responses to detailed information requests included in FRPO's Motion; FRPO had extensive cross-examination of Union during the oral hearing; and, Union responded to an additional three Undertakings for FRPO.

49. Not only has Union demonstrated a commitment to transparency throughout this proceeding, Union is confident the record is more than clear and complete for the Board to make a determination on the proposed Project.

50. The Opposing Intervenors have made it inherently clear they do not accept Union's evidence. Again, this is evidence that has been fully and completely tested. Despite the willingness to criticize, none of the Opposing Intervenors have filed any evidence supporting any of their claims, scenarios and/or alternatives. Rather, without evidence and an opportunity for others to question and test, these claims that have been put forward largely in final argument are nothing more than speculation. LPMA, by contrast, has appropriately based their argument on the evidence on the record.

51. The evidence in this proceeding is that additional firm imports of natural gas at Ojibway are not available. Furthermore, and just as significant, the existence of additional gas supplies at Ojibway would not address the physical operational realities of the Panhandle System and the need for additional pressure and flow on the Panhandle system in order to satisfy the incremental demand of 106 TJ/d by 2021/2022. Only the Project can do so with certainty. Because of these operational realities there are no stand-alone commercial services that can be contracted with a pipeline company or secondary market that would deliver natural gas via the Panhandle System into the distribution networks that would eliminate the need for additional pipeline and station facilities. (Exhibit A, Tab 6, p.7, lines 17-19). The Design Day limitations of the Panhandle System and the interaction between increased imports from Ojibway and the Leamington/Kingsville area are described in detail at Exhibit B.FRPO.15 and Exhibit B.FRPO.18[10]. These interrogatory responses demonstrate that the import volumes cannot directly feed incremental demands in the Leamington/Kingsville market because the necessary compression at the Sandwich Transmission Station cannot be used on a Design Day.

Diagram No. 1 – Simplified Flow



[10] Please see JT1.8 and J2.4 for additional detail.

52. Diagram No. 1 above is a simplified version of the diagram set out in Exhibit B.FRPO.18. As stated, it is critical for the Board to understand the operational limitations of the Panhandle System on a Design Day. More specifically, how imports from Ojibway relate to serving firm demand in the Leamington/Kingsville market served off the NPS 20 pipeline that is the subject of this proceeding.

53. Based on Exhibit B.FRPO.18, in simple terms:

- On a Design Day a large portion of the demand in the Windsor market is fed from the 3450 kPag system (Line "A" above) between Ojibway, Grand Marais and Sandwich.

- The system designated as Line A is predominately supplied from the NPS 20 6040 MOP system from Dawn through the Sandwich Transmission Station (Line "B" above).

- Ojibway supply enters and feeds a distribution system located at Ojibway and easterly into the power generating stations located adjacent to Ojibway. Additional supply from Ojibway will feed a larger portion of the Windsor load.

- Line B continues to be available to feed Line A via the regulation at Sandwich (note the gas is flowing east to west towards Windsor as required for the Winter Design Day when gas is needed most).

- Sandwich regulation is controlled to feed only enough gas into Line A to maintain the minimum inlet pressure at Windsor's Brighton Beach Power Station. This reduction in flow into Windsor reserves the maximum amount of capacity available on Line B to feed the Leamington/Kingsville market. These factors allow the Windsor market to be fed with Ojibway import supply on an efficient a 1 to 1 ratio – meaning every GJ of gas received at Ojibway can be efficiently used within Windsor.

- As presented in the example in Exhibit B.FRPO.18, p.3, the demand growth is in the Leamington/Kingsville area (not Windsor). Import volumes at Ojibway cannot directly feed the incremental demands in the Leamington/Kingsville area (east of Sandwich), because gas from Line B east of Sandwich is required to flow from east to west through the station to meet Line A Design Day demands in Windsor. Simply put, the Ojibway volumes cannot reach their intended target east of Sandwich because of the opposite flow.

- Without incremental facilities upstream of the Leamington/Kingsville market the only way to satisfy demand in the Leamington/Kingsville market is to reduce the rate of flow on Line B (thereby increasing the pressure) and this is accomplished by adjusting the regulation at Sandwich to flow less gas into Line A towards Windsor at Sandwich Transmission Station. This is very inefficient.

- As expressed in Exhibit B.FRPO.18, using the example of an incremental 29 TJ/d of Ojibway import supply, the flow through Line B is reduced by 29 TJ/d in an effort to satisfy demand in the Leamington/Kingsville area. However, only 12 TJ/d of additional growth can be accommodated in Leamington/Kingsville.
- This additional 29 TJ/d of gas flows into Ojibway at a constant rate and is reduced on Line B at the same constant rate. However, the customers in the Leamington/Kingsville area consume gas with a demand profile which has a peak hour factor of 1.3[11]. The existing Line B cannot manage these additional intra-day peaks.
- The distribution systems that supply the Leamington/Kingsville market are fed through long (10 km to 18 km) small diameter laterals which introduce additional intra-day pressure losses that the existing NPS 20 pipeline cannot manage.

54. Based on the foregoing, in this scenario in the absence of incremental upstream facilities from Dawn, approximately 2.5 GJ/d needs to be supplied at Ojibway for every additional 1 GJ/d that is delivered to the Leamington/Kingsville market. Specifically 29 TJ/d of Ojibway supply creates 12 TJ/d of Leamington/Kingsville benefit (i.e. 2.5:1 ratio). This creates a significant mismatch in the supply required to meet demand. This 2.5 to 1 ratio solution is extremely inefficient compared to the 1 to 1 ratio solution of the Project. The end result of this is that the imported gas does not directly feed the growth in the Leamington/Kingsville area fed from the NPS 20 pipeline. Taking into account operating pressures, increased imports actually <u>offset</u> the amount of gas that must flow on the NPS 20 pipeline from Dawn. However, that offset is not sufficient to raise pressures on the NPS 20 enough to serve the required demand. Therefore, incremental facilities would still need to be built from Dawn to increase the pressure on the NPS 20 pipeline in order to satisfy all of the incremental demand of 29 TJ/d in the above example.

55. This was further illustrated through the cross-examination by Mr. Quinn during the hearing in relation to Undertaking JT1.8, which described the scenario of a 30 TJ/d

---

[11] Gas demands vary over the day. A peak hour factor of 1.3 means that the gas demand in the highest hour exceeds the average hourly demand (daily demand divided by 24 hours) by 30%.

shortfall in Winter 2021/2022 notwithstanding 140 TJ/d Ojibway imports (with no new facilities):

> MR. QUINN: So in this case, what you are showing is a shortfall of 30,000 for 2122 (sic 2021/2022). But can I ask what the limiting factor was to not have additional flow come from Dawn on that day?
>
> MR. WALLACE: The main factor was the fact we didn't have the additional facilities required in order to get that gas to the market.
>
> MR. QUINN: What limitation can you see on this design day delivery that says that incremental flow cannot reach the Panhandle system?
>
> MR. WALLACE: <u>It is simply a matter that there is not enough facilities. There is too much pressure loss between Dawn and the market</u>, in absence of any reinforcements, to allow the demands to be served. (emphasis added) (Transcript Vol. 2, p. 45, line 13-26)

56. Mr. Quinn revisits the issue again in the context of Undertaking J2.1, which shows that adding further 35 TJ/d imports (for a total of 175 TJ/d) does not alleviate all the 30 TJ/d shortfall:

> MR. QUINN: So when we asked for another simulation to add essentially 35,000 gJs, which is taking the Ojibway supplies to 175,000, and the total system requirement stayed the same. The shortfall only dropped 16,000 -- not the 35,000 that was added, but 16,000.
>
> I am trying to understand that and I don't want to jump to conclusions. But does it have something to do with a problem at Mersea?
>
> MR. WALLACE: Really, the issue -- and this is sort of what I would call a tentative or proposed solution – is ultimately we need to raise the pressure on the NPS 20 in order to utilize the existing assets that are in place to take the gas from the 20 into the market.
>
> What we've done with Ojibway imports here is we have increased the imports by 35 tJs a day, that is 35 less tJs a day that has to be served -- of Windsor market that needs to be served from the 20 through Sandwich.
>
> Now, there is an inefficiency in getting that. That doesn't raise the pressure on the NPS 20 enough to get those molecules down into

the market where they need to be consumed. So we have gone over this a little bit at I think JT1 -- sorry, it might be FRPO – [12] (Transcript Vol. 2, p. 98, lines 6-27)

57. Mr. Quinn inquires further at Transcript Vol. 2, p.100, lines 3-10 whether the shortfall is due to Union assuming a low pressure at Ojibway:

> “The overall, the overarching question we are asking is why there is a shortfall. And I think, interpreting what I heard from you this morning, you’re making an assumption that Ojibway pressure just floats to whatever level will allow you the imports. **But if physically that pressure is higher like it has been over the past three winters, you would not have that same constraint, correct**? (emphasis added)

58. Mr. Wallace explains:

> MR. WALLACE: I can’t use that pressure to feed upstream, so to speak, into the NPS 20 which is at a higher pressure regime, it is a higher MOP. (Transcript 2 p. 100-101 and specifically at page 101 lines 15-17)

59. Mr. Wallace also notes that compression cannot flow gas from west of Sandwich to feed loads east of the station since gas is required to flow in the opposite direction on design day (east to west) to feed into the Windsor market.

> MR. WALLACE: I can’t compress -- I can’t compress from this Windsor market into the 20-inch at the same time I am still feeding the Windsor market with the 20-inch. (Transcript Vol. 2, p.101, lines 22-24)

---

[12] FRPO points to higher pressures observed in J2.4 as proof there is excess capacity (see FRPO submission, p.7, paragraphs 13-14). As Union identified in its response to J2.4, the pressures are taken at the take-off on the NPS 20 Panhandle line. The pressure at the inlet to the Leamington Gate Station would be at the minimum constraint as evidenced by the shortfall in the modelled results.

The pressures shown in Table 1 provided by FRPO do not compare pressures at the same location. Line 1 is from minimum station inlet parameters, line 2 lists pressures from J2.4 which represent the pressures at the takeoff on the NPS 20 Panhandle Line. As per J2.5, the station inlet for Leamington North Gate Station would be at a lower pressure than the pressure at the NPS 20, as the station is 20 km south of the NPS 20.

60. The foregoing is further reflected in Undertaking J2.5, which dealt with meeting the incremental demand of 106 TJ/d using 140 TJ/d from Ojibway (an increment of 80 TJ/d relative to Union's contracted import capacity). Referencing undertaking JT1.8 that shows that the increment in imports is insufficient to meet demand and there is a 30.5 TJ/d shortfall and facilities with an estimated cost of $188 million are required. After factoring in import pipeline demand charges and expected incremental gas costs, the NPV of this scenario is $(248) million which is $36 million worse than the NPV of the Project $(212) million.

61. Union also considered the alternative of contracting for an incremental 34 TJ/day of supply at Ojibway (see Exhibit A, Tab 6, p.7). It should be noted that this is virtually identical to the scenario of Union contracting for 35 TJ/d that Rover holds as C1 capacity on Union. As noted above, the incremental supply at Ojibway is inefficient and would not serve all of the incremental demand. As such, the remaining demand would need to be served from Dawn. Furthermore, the limitation in serving the Leamington/Kingsville area, because of low pressures on the NPS 20 pipeline, continues, meaning that the installation of incremental pipeline and station facilities along the Panhandle System would still be required.

62. The pipeline and station facilities required in addition to 34 TJ/day of firm deliveries at Ojibway are:

- Replace (lift) 27 kilometres (compared to 40 kilometres for the Project) of the existing NPS 16 pipeline from Dawn to the Dover Centre Station and replace (lay) the NPS 16 pipeline with a new NPS 36 pipeline plus upgrade Dawn, Dover Centre and Mersea Stations along the Panhandle System;

- Install approximately 16 kilometres of NPS 12 pipeline from the existing NPS 20 pipeline into the Town of Kingsville and build a new station to serve the distribution network; and,

- Install approximately 12 kilometres of NPS 6 pipeline looping upstream of the McCormick Station in the Municipality of Essex.

63. As a result of significant transmission and high pressure distribution reinforcement required, this alternative has an estimated 5 year capital cost of $235 million and 6 year capital cost of $334 million as compared to the Project at $265 million (5 year) and $305 million (6 year).[13] Notwithstanding that the cost of the facilities are similar to the Project, relying on incremental supply from Ojibway subjects Union's customers to term, price and availability risk with having increased deliveries at Ojibway from the Panhandle System. As noted in evidence at Exhibit A, Tab 6, p. 9-10, Union has conservatively estimated that, on a forecasted basis, the landed cost of Panhandle Field Zone supply delivered to Union at Ojibway over a 10-year term (2016 to 2026) is approximately $0.30/GJ higher than the cost of Dawn sourced supply over the same period. Assuming the additional 34 TJ/d of supply as assessed in this alternative scenario, this would amount to an annual premium of approximately $3.7 million as compared to the Dawn supplied option, equating to a NPV premium of $22 million over the 10 year period.[14] The NPV of this alternative based on the capital costs spent over 6 years is over $30 million worse than the NPV of the Project.[15]

64. The facts and evidence are that there is no viable Ojibway supply option that can satisfy the entire incremental firm demand (106 TJ/d) without facilities. Union's evidence clearly shows that the best and least cost manner to satisfy the incremental firm demands is through the Project as proposed. While APPrO and FRPO would no doubt prefer a supply option to be a viable alternative (such that the associated costs would be borne by system customers and not their direct purchase members through higher gas supply charges), there is no such option available when compared to new facilities and capacity as required by the operational realities of the Panhandle System.

65. As a result of the foregoing, to serve the incremental firm Design Day demand, additional facilities are required to increase pressure on the NPS 20 pipeline from Dawn in order to serve that incremental load. Despite detailed explanations in pre-filed evidence,

---

13 See Exhibit JT1.24 Attachment 1.

14 The NPV calculation is conservative as it considers only 10 years of gas costs. The NPV premium would be greater with 20 years of gas costs included. See Transcript Vol. 2, p.91, lines 14-28 and p.92, lines 1-14.

15 See comparison table 7-2 provided in Exhibit B.LPMA.14 for both 20 year and 40 year analysis.

interrogatory responses, technical conference undertakings, hearing undertakings and testimony under oath, the Opposing Intervenors, for reasons known only to them, since there is no evidence to the contrary, refuse to acknowledge the clear physical limitations of the Panhandle System with respect to serving the forecast incremental firm demand in the Leamington/Kingsville area. Union, however, as a knowledgeable and prudent system operator cannot ignore these operational realities and has evaluated all alternatives to serve the incremental demand and has taken all of these realities into account. In doing so, Union has proposed the Project that most effectively and economically serves the incremental firm Design Day demand.

Union's Modelling is Correct

66. To challenge Union's analysis above, FRPO, at paragraph 13 of its argument tried to call into question Union's modelling. This is misguided and inappropriate. Mr. Quinn claims that the simulations of the Panhandle System do not emulate reality because actual pressures at Ojibway are higher. However, February 19, 2015 was not a Design Day. Rather, February 15, 2015 was a 43.1 HDD, which occurred over a holiday weekend and as such Design Day conditions did not occur. Actual demand was much lower than design conditions (including power generator demand) due to the fact that businesses and industry consume much less natural gas on holidays and weekends. Since demands were much lower than design conditions, it follows that system pressures would be higher than those modelled for design conditions.[16]

67. In addition, contrary to FRPO's assertion, modelled pressures were not artificially low (FRPO, p. 7). The system Design Day model reflects only Union's firm 60 TJ/d arriving at Ojibway, and system design conditions. This includes the pressure at Sandwich Transmission Regulating Station feeding into Windsor. The pressure at this station was set as low as possible to just meet the minimum delivery pressure constraint to Brighton Beach Generating Station. In doing so, this reduced the flow on the NPS 20 pipeline into the Windsor market. As noted above, this maximizes the pressure on the NPS 20

[16] FRPO is also comparing observed pressures which occurred during Winter 2014/2015 (when there was available capacity on the Panhandle System) with a Design Day schematic for Winter 2016/2017 which is at capacity. System demands and pressures would vary.

pipeline and hence the ability to feed the Leamington-Kingsville market. Operationally, if Design Day conditions do not occur, there is no need to reduce the set pressure at Sandwich to its minimum, such that the observed pressure in the Windsor market will be higher than indicated for design conditions, and deliveries from Panhandle Eastern at Ojibway will need to arrive at a higher than design condition pressures in order to enter Union's system. Unlike FRPO, Union has a detailed understanding of its system as is necessary to serve its customers.

Also, FRPO suggests the modelling and the modeller are at odds (FRPO, para 15-17).

Union's information is not at odds. Union must be able to serve peak customer demands when the overall market is at its highest demand, and must balance this with the ability to also operate in low overall market conditions and still meet contractual commitments such as accepting and flowing C1 firm transportation contracts from Ojibway towards Dawn. FRPO has combined information from various scenarios, including low market minimum demand scenario and Design Day scenarios which has led to the confusion.

68. Another key misunderstanding in various arguments including that submitted by FRPO is the belief that increasing the ability to contract for more firm imports into Union's system (i.e. such as by adding a compressor to increase the maximum constraint) is the same as ensuring Design Day demand growth can be met. This is not the case.

69. Facilities to allow increased C1 transport (flow is easterly from Ojibway towards Dawn**) are not the same as** facilities required to serve Design Day demand growth (flow is mostly westerly from Dawn towards Ojibway). Various Union witnesses stated this in the hearing (Transcript Vol. 2, p.53) where Mr. Quinn was again comparing "apples and oranges", regarding scenarios provided by Union to Energy Transfer Partners regarding requests for increased C1 transportation capacity. Panhandle Eastern was looking for a path to Dawn for some of their gas. The analysis required did not provide an evaluation of incremental facilities to meet incremental Panhandle System Design Day demands of 106 TJ/d.

> 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. (Transcript Vol. 2, p. 55, lines 11-13)
>
> 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. (Transcript Vol. 2, p.55, lines 26-28, p.56, lines 1-6)

70. The point is that C1 transportation service provides no benefit on Design Day because it cannot be contractually relied upon as firm supply so it does not form part of the Design Day analysis.[17]

Union's Import Limits are not Artificial

71. Intervenors have asserted that Union's import limits at Ojibway are artificial and that imports greater than these levels would resolve the incremental demand – at least in the first year or two of the five year forecast period. Based on Union's submissions above, this is an incorrect and unrealistic assertion by Opposing Intervenors and creates a "red herring" that the Board should reject and not factor into the assessment of the Project.

72. Imports of natural gas at Ojibway are limited by two particular aspects. First, the amount of natural gas Union can accept from Panhandle Eastern and transport from Ojibway toward Dawn on a firm year-round basis is limited by i) the operational requirement relating to the minimum daily Windsor market demand and ii) the capacity of the Sandwich Compressor Station and the ability to transport gas towards Dawn. Currently, Union has a maximum capability to accept firm imports of 115 TJ/d at Ojibway on an annual basis. This is an operational constraint that occurs in the summer and is a limit because at an amount greater than 115 TJ/d there is not sufficient demand in the Windsor area to consume the imported gas and insufficient compression to move the surplus gas past Sandwich toward Dawn. In the winter the maximum amount of firm Ojibway imports Union can accept over the winter period (November 1 to March 31) is 140 TJ/d.

[17] Transcript Vol.2, p 17, lines 12-19, Vol. 2, p 18, lines 12-16.

Notwithstanding the greater amount in the winter because of higher Windsor market demand, the 115 TJ/d summer constraint becomes the annual maximum since firm annual import volumes greater than that would provide natural gas to the Windsor area that Union is not operationally able to accept in the summer[18]. Union is able to sell supplemental winter only capacity based on the slightly higher winter minimum constraint – however, only if the market exists.

73. The maximum firm summer and winter capacity (115 TJ/d and 140 TJ/d respectively) to be accepted at Ojibway is not artificial as stated by APPrO, FRPO and other opposing intervenors. The limit is based on sound methodology that uses historical data over a significant period of time. The maximum firm import capacities are determined based on available Windsor market and facility/system capability. The available market at Ojibway is calculated based on an average of the lowest demands for 20 days of each month.[19] This average value is compared each month across a rolling 5-year timeframe to determine a reasonably available market and to create a minimum demand profile. 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. This is driven primarily by an electric generator moving from a self-dispatch operation to a market dispatch operation during 2016. Prior to this, this electric generator ran 5 to 6 days per week, and since that time has operated only 12 days in the last 4 months. The expected load profile going forward is the primary reason for the limitation of firm Ojibway receipts at 115 TJ/d in the summer and 140 TJ/d in the winter. (see Undertaking JT 1.5)

74. In its submissions FRPO asserted that the 140 TJ/d maximum firm winter import limitation was not valid and was too low. FRPO based this assertion on charts it filed at the hearing that compared the total Ojibway deliveries to the total Windsor market. Because there were periods where import deliveries exceeded Windsor market consumption on particular days, FRPO has concluded that the 140 TJ/d firm capacity

---

[18] Union can't count on having more than the minimum market to consume the gas. The 115 TJ/d becomes the annual limiting amount.

[19] This methodology is not conservative. Conservative would be taking <u>the</u> lowest consumption which Union does not do.

maximum (and thereby the 115 TJ/d annual limit) was not valid and could be ignored. This fails to recognize that the majority of the "excess" gas is being compressed east through Sandwich Compressor station towards Dawn and this volume is an integral component of the 140 maximum import capability in the winter.[20]

75. Furthermore, with respect to FRPO's analysis, it is important to note that the import level data presented is historical. As such it does not in any way relate to the service of the forecast incremental firm demand on a Design Day basis which is at issue in this proceeding. It does not represent that the import level represented by deliveries exceeding consumption is available to serve both existing and the new incremental firm demand. Second, as much as the charts presented show excess deliveries over consumption, they also reflect circumstances where deliveries fell short and Windsor had to be fed from Dawn through Sandwich Transmission Station. This is more akin to the Design Day scenario discussed above where the limits on the compression at Sandwich do not permit easterly flows. As a result, it would be unwise to plan service based on import levels that are transitory.

76. This leads to a key third reason for not following FRPO's suggestion to ignore the 140 TJ/d winter import limit. The limit put in place by Union reflects a normalized level of market for imports that is based on monthly averages compared over a 5-year rolling time period. As a result, it therefore incorporates the swings reflected in FRPO's graphs and a clear analytical basis to establish operating and planning conditions as well as contractual commitments for import pipeline capacity. Taking a slice of import activity at particular times of the year while ignoring overall trends is not an appropriate basis to conduct an analysis. Rather, Union submits it lacks rigour, ignores the operational reality and is opportunistic on the part of FRPO as a basis to advance its position.

77. Union has not underestimated the market available for imports. The maximum firm import level is restricted by Union's ability to accept imports when demands on the

---

[20] Union's Panhandle System has firm capacity to transport a larger volume of gas from Ojibway to Dawn than its own firm gas supply contracts for imports from Panhandle Eastern, which is why Union can offer firm C1 transportation services from Ojibway to Dawn. Union has attempted to sell long-term C1 transportation services and short-term S&T services to maximize the utilization of that capacity. (See Exhibit B.FRPO.6)

system are low. This includes the Windsor area market, plus gas moved back toward Dawn through Sandwich compressor station (at times of low market demand) and floated toward Dawn at Grand Marais. There is no artificial capping.

78. It should also be noted that FRPO seems to root its position on the fact that during the times when deliveries exceeded Windsor consumption, the gas flowed east through Sandwich Compressor Station to be consumed in the Leamington/Kingsville area. On this basis, FRPO concludes that the import capability would be available to serve load – apparently consistently and for all winter days including Design Days. However, FRPO has failed to recognize that prudent utility operators do not plan their system and the delivery of gas that is crucial to their customers on the coldest day of the year based on a few isolated points on a chart. Instead, utility operators must plan for and take into account those coldest days and plan on a Design Day basis. As noted above, to serve Windsor on a Design Day, Sandwich would not be compressing to permit flows west to east to the Leamington/Kingsville area, but instead would be flowing toward Windsor. As a result, increased import maximums would not directly feed the incremental growth on a Design Day and would not provide for 1-to-1 gas deliveries necessary because of limitations on the NPS 20 pipeline as described above.

79. As a result, Union submits that the increase of import limits is a red herring that the Board should reject since it does not factor into the assessment of the Project.

80. APPrO considers Union's import limits inappropriate because the limits permit Union to purchase gas on an annual basis. These two concepts are disconnected. In any event, this assertion is incorrect. The limits are set based on a methodology that employs historical demands as set out above and are not linked at all to how much gas Union supplies at Ojibway. Without any evidence to support and based solely on its own conjecture, APPrO proposes that purchasing on a seasonal or peaking basis is a viable gas supply plan approach. With respect, APPrO's proposal lacks credibility and is not in the best interest of customers. APPrO firstly points to the fact that there are other utilities that do not have storage, but purchase transportation on an annual basis, which APPrO readily acknowledges would be underutilized in the summer months. Apparently, according to

APPrO, not optimizing transportation capacity is somehow beneficial. It would seem that in APPrO's desire to remove Union's import limits, it is proposing that Union ignore the benefit of its storage diversity and leave pipeline capacity unused. Furthermore, using gas supply as a facilities replacement will shift the costs to system supplied customers. Direct purchase customers (customers represented by APPrO), will receive the system benefit and will avoid such costs. This is inappropriate and inconsistent with Union's role of providing customers with operationally reliable service at the lowest practical cost.

81. As stated in the proceeding:

> MR. SHORTS: All of the southern, I call it Union southern portfolio is assumed or based on 100 percent load factor.
>
> We have a certain amount of storage that provides the benefit of not having to rely on winter deliveries. So we want to maximize the use of storage and that's why, from a gas supply perspective, we try to flow all of our pipes as close as possible to 100 percent. And that's basically the way, from a gas supply plan, we do the gas supply plan. (Transcript Vol. 2, p.132, lines 10-18)

Also,

> MR. REDFORD: Right. So the other piece we haven't talked about is that when we buy gas and store it, we also buy that gas in the summer. We buy it through the summer when it is cheaper and store it, and bring it into storage at that point. (Transcript Vol. 2, p.148, lines 2-6)

82. APPrO appears to be suggesting that Union embark on a much more risky and expensive gas supply approach of purchasing disproportionate amount of winter deliveries or peaking services. As stated by APPrO, instead of planning on the basis of historical consumption and system optimization, Union would purchase capacity such that "in months like January and February Union would fully use this capacity, but in months like March or November it may be able to adjust its [gas] purchases accordingly." (APPrO, pp.16-17) These proposals ignore the long standing principle by which Union has

planned for and operated its system gas portfolio and which have been examined and tested before the Board at length.[21]

83. Purchasing gas on a seasonal or peaking basis exposes system gas customers to price and availability risk that is not warranted. Peaking services are subject to market uncertainty that is levelized in longer term purchases. Furthermore, APPrO's proposal forces more volumes to be delivered during the winter months only when gas prices are typically higher. As well, a seasonal or peaking service requires more flexibility, which usually comes at a cost.[22] Forcing the gas supply plan and therefore Union's sales service customers to forego the benefit of annual deliveries and placing a greater reliance on winter deliveries ignores the benefits that Dawn storage provides to Ontario consumers. As indicated above, the result is a shifting of costs from sales service customers to the benefit of direct purchase customers.

84. Neither APPrO nor FRPO provide an appropriate operational or planning basis to ignore Union's import limits for summer or winter. Working within this operating and planning criteria, given Union's imports for its in-franchise customers on a Design Day of 60 TJ/d, C1 capacity of 20 TJ/d and 35 TJ/d contracted by Rover Pipeline, there is no further firm capacity available for imports from Ojibway to Dawn. In any event, adequate firm transportation on the US side (Panhandle Eastern) does not exist on an annual basis and it certainly does not exist on a winter seasonal base.

Union Does Not Have a Rate Base Bias

85. Within the operational reality related to the Panhandle System, Union appropriately considered all alternatives (both commercial and physical) during the course of this proceeding. The end result of which is that the Project remains the best alternative. Intervenors, with the exclusion of LPMA and OGVG, have asserted that Union has not fully considered commercial alternatives. Within their submissions, there is a suggestion that Union has not considered these options because of a bias toward the construction of

---

21 EB-2013-0109 – Union's 2012 Deferral Disposition and Earnings Sharing (p.8 of Board's decision dated March 27, 2014)

22 See Exhibit J2.5.

physical facilities in order to grow rate base. In fact, APPrO and FRPO directly allege that Union took steps in the context of an RFP and in its negotiations with Energy Transfers Partners to thwart and to avoid commercial opportunities. As the facts in this proceeding demonstrate and as set out in submissions below, these allegations are both offensive and untrue and the Board should reject the submissions of the intervenors in this regard.

86. As noted, to ensure reliable firm service on the coldest day, Union plans its gas supply and facilities to meet the Design Day conditions. As established above, because of pressure loss on the NPS 20 and Design Day conditions, which are not disputed, in order to meet the forecast incremental Design Day demand, facilities must be constructed to ensure sufficient pressure and flow on the NPS 20 pipeline. The Project is the best alternative in this regard.

87. There are no viable import only solutions which satisfy the need. Furthermore, there are no alternatives that increase reliance on firm imports above the current 60 TJ/d of Union's gas supply and also add facilities which are as feasible as or better than the Project. Furthermore, Union is confident in its forecast of incremental firm demand that forms the need of the Project and has an obligation to serve these demands in the most efficient manner possible. Given these facts, the only alternative Union has to pursue is a facilities based solution. The implication of which is that facilities get added to rate base. It is not, as APPrO, FRPO and SEC in particular, would suggest, a conspiracy to build rate base. It is simply that without facilities the need will not be satisfied. In fact, it is APPrO and FRPO that have a predisposition to non-facilities options as they would much rather find alternatives, even if more costly and risky, as long as these costs are allocated to and borne by system gas customers. Union's role is to balance all factors and customers and to propose the best option to meet customer demands in the most efficient and cost effective manner possible.

88. Furthermore, it is important to note that the pipelines in question have been in service since the 1950's. Union has prudently taken steps to avoid major capital transmission investments to the system for over 50 years by continually focusing on distribution

upgrades and the reliance on a reasonable amount of gas supply at Ojibway in order to avoid and minimize facilities. For APPrO and FRPO to suggest Union has some predisposition to look for solutions to build rate base is not borne out by the fact. Rather, Union has optimized and minimized the Panhandle System and related assets for over 50 years and customers have benefited from being provided service on a system which is largely fully depreciated. The simple fact is that there are no other fixes left but the Project in order to meet the incremental demand. The motivation of Union is to satisfy the customers' request for firm service.

Union Appropriately Considered Commercial Alternatives

89. No intervenor has disputed that the facilities are the correct solution for the need set out by Union. Instead intervenors have pursued a line of argument that asserts that (i) the incremental demand is not as forecast and that import based commercial arrangements will accommodate the incremental demand in the years 2017/2018 and, at most, 2018/2019 and (ii) given this period, the Board should only consider Union's approach to commercial arrangements which the intervenors cloak in allegations of actions by Union designed to frustrate the consummation of these arrangements.

90. With respect to the former position, APPrO submits there are other feasible alternatives that were not considered which offer a partial solution to meeting overall market needs (APPrO p.12). APPrO never explains what part remains unresolved and why. But more importantly, the alternatives put forward by APPrO are not viable for all of the reasons outlined above. FRPO states that incented firm winter deliveries at Ojibway would meet initial demands in 2017/2018 and "likely beyond". There is no evidence on the record as to how the customers' need will be satisfied in FRPO's "beyond" except for vague conjecture which has no evidentiary basis. SEC goes further and states that even if the peak forecast demand materializes as projected by Winter 2019/2020, there are "viable" commercial alternatives that have not been explored, which SEC believes to be 35 TJ/d capacity on Panhandle Eastern held by Rover (SEC, p.4). However, SEC fails to provide any evidence to support its position and, in fact, fails to deal with clear evidence on the record, as noted above which shows that additional 35 TJ/d imported for Union's customers' consumption will require the construction of facilities. Union considered this

alternative in pre-filed evidence and found it to be less feasible than the Project. (see Exhibit A, Tab 6, section 3)

91. In fact, many of the submissions made by intervenors regarding commercial alternatives are conjecture with no evidentiary basis and were not put to the witnesses.

92. This is the case for APPrO, for instance, with respect to its submissions relating to the available capacity on the Panhandle Eastern pipeline and the gas available for contract at Defiance, Ohio. According to Schedule No. 1 of APPrO's submissions, APPrO claims that the remaining capacity on the Panhandle Eastern pipeline ranges from 73 TJ/d in 2017/2018 to 71 TJ/d in 2021/2022. However, these amounts are overstated and incorrect. Rover has a precedent agreement to contract for 80 TJ/d on the Panhandle Eastern pipeline. APPrO has only accounted for 35 TJ/d because it has assumed that Rover will adjust its commitments to match its 35TJ/d on Union's system. APPrO has no basis for this assumption and has provided no evidence to justify why Rover's current commitments to Panhandle Eastern would be adjusted. In fact, it provides no evidence as to why Rover would not take advantage of the ability to deliver gas at various points prior to Ojibway, providing it with the full benefit of its 80 TJ/d commitment to Panhandle Eastern. As a result, the correct capacity available on the Panhandle Eastern system is 28 TJ/d[23] in 2017/2018 after dropping to 26 TJ/d in 2021/2022. In any event, the capacity in question does not permit Union to meet its incremental Design Day demand because of the operational realities set out above.

93. This error is significant because, based on APPrO's Schedule No.1, APPrO had concluded that there were 17 TJ/d available to serve Union's incremental demand in 2017/2018 and 2 TJ/d available in 2018/2019. However, because of this error there is actually a deficiency of 28 TJ/d in the Winter 2017/2018 and 43 TJ/d in the Winter 2018/2019. These two years cannot be accommodated. In any event, any consideration of APPrO's manipulation of capacities in Schedule No.1 require the Board to remain mindful of the fact that the proper import limit at Ojibway is 115 TJ/d.

---

23 APPrO Schedule 1, line 18 calculates net remaining Panhandle Eastern capacity for 2017/2018 as 187-58-21-35 = 73. The Rover commitment should be 80 TJ/d not 35 TJ/d, so the resulting calculation would be 187-58-21-80 = 28.

94. APPrO has made the statement that if Union contracted for 71 TJ/d of capacity on the Panhandle Eastern system (based on APPrO's incorrect Schedule No. 1) from Defiance, Ohio to Ojibway commencing the winter of 2017/2018, market needs for at least two years would be met.[24] This statement is incorrect because of the foregoing and APPrO overstates the availability of gas on commercial terms at Defiance. APPrO's entire position is based on the proposition that Union would be able to acquire gas for 2017/2018 on a winter only basis. This is because as set out in APPrO's Schedule No. 1, it is only proposing (erroneously) a partial solution to the incremental demand and that the capacity on Panhandle Eastern (which it incorrectly states) is only sufficient to provide for the winters of 2017/2018 and 2018/2019. APPrO has provided absolutely no evidence as to the nature of the winter market at Defiance and whether it is even possible to buy a winter only contract on a short-term basis – in this case two consecutive winters.

95. Based on the discussions with Panhandle Eastern, Union was only offered capacity from the Panhandle Field Zone or from the Gulf of Mexico via Trunkline. In any event, capacity from Defiance would be dependent upon a few critical items materializing: i) Rover Pipeline would need to be constructed on time for November 1, 2017; ii) sufficient supply would need to be available starting November 1, 2017 for a reasonable market to develop for Union to make winter natural gas purchases; and iii) Panhandle Eastern would need to be willing to sell a Defiance to Ojibway transportation service on a short-term basis without requiring Union to hold capacity from Panhandle Field Zone to Ojibway with Defiance provided as a secondary receipt point. APPrO has also not provided any evidence as to the commodity price that would arise from such an arrangement. Given its short-term nature and its seasonal aspect, and the fact that Union would be competing for supply at Defiance with Gulf of Mexico markets, it is expected that a premium would be paid in such a circumstance. All of these factors create too many uncertainties and cannot be reasonably relied on.

24 APPrO's Schedule No.1 is "just math". Adding up import capacities does not take into account the fact that imports cannot meet demands on a 1 for 1 basis, or any other physical realities of meeting demands with imports (addressed earlier in the alternatives section). This schedule does not consider the ability to contract to ensure supplies arrive on a guaranteed basis and does not consider whether these imports can meet the design day growth on an operational basis.

96. APPrO has also not provided any evidentiary basis for its belief that the gas supply is available at Defiance. Even though APPrO asserts that there is fact and evidence, there is none that has been placed on the record in this proceeding and there is no basis for the Board to make a finding of fact. APPrO's conjecture that gas is available at Defiance is based upon two aspects. First, it believes that the Nexus Pipeline, although not connected to Defiance and located at a distance greater than 40 kilometres, will somehow displace loads on pipelines connected to Defiance and increase supply availability at Defiance. APPrO has provided no evidence that this eventuality will arise.

97. The second aspect is that APPrO believes Rover will bring significant quantities of gas beginning in 2017. However, this presumes that Rover will be constructed and in service by November, 2017. However, Rover has recently sent FERC a letter describing the risk and urgency around FERC's approval of Rover's certificate of public convenience and necessity and the timing of the approval to permit it to construct. For Rover to be able to bring gas to Dawn and be in service by November 1, 2017, it will need to construct over 700 miles of large diameter pipeline and 10 compressor stations in less than 10 months assuming construction could commence on January 1, 2017.[25] In addition to the current status of the Rover pipeline, it is unclear as to how producers will fill the capacity in the Rover Pipeline. There is no history as to whether producers will choose to sell gas at Defiance or will choose to flow gas to the Gulf of Mexico region. Further, producers will flow gas to the highest value market each day.

98. In testimony, Union asserted that Defiance is not a liquid trading the hub. APPrO has suggested that Union is not genuinely concerned about trading at a liquid hub since it has contracted for Nexus supply in Utica. Extensive evidence was filed in EB-2015-0166/EB-2015-0175 where in the Board considered Union's transportation contract with Nexus. It was clearly established in that case that because of Nexus' location in the heart of the

---

25 Link to FERC site re letter filed by Rover: https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14522264. A copy of the letter is provided at Appendix A, Tab 2 of the attached Compendium.

Utica production area with additional access to Texas Eastern**,** connection to a major processing plant and many shippers with production capacity, the Nexus connection point was more than just a trans-shipment point and had significant liquidity. It is interesting that given the extent of evidence filed in that proceeding relating to both Nexus and Rover, APPrO was unable to provide any evidence relating to Defiance during the course of this proceeding and has only raised it as a speculative viable option in closing submissions.

99. Union not only contemplated but has actively pursued a number of short and longer term alternatives to infrastructure investment to meet the forecasted firm service demand increases (see Exhibit B.Staff.3 a). These alternatives include:

- Union entered an open season on the Panhandle Eastern Pipeline Limited ("Panhandle Eastern") system for 23 TJ/d of firm transportation capacity to Ojibway for a 5-year term commencing November 1, 2017. PEPL stated that there was insufficient capacity available to Ojibway and denied Union's request for firm transportation capacity.

- Union issued a Request for Proposal ("RFP") to a broad range of market participants (100 in total) to secure firm delivered supply or firm transportation capacity to Ojibway starting in November 1, 2016. Union received only one response to the RFP and subsequently contracted for the full 21 TJ/d of firm delivered supply at Ojibway offered by that party for the period November 1, 2016 to October 31, 2019.

- Union conducted a reverse open season to determine if any existing in-franchise firm customers along the Union Panhandle System did not require all or portions of their contracted firm capacity. No customers responded to the reverse open season request.

- Union canvassed in-franchise power customers in the Windsor area to inquire about their interest in turning back all or a portion of their contracted firm capacity effective November 1, 2017. No turn back was offered to Union.

- Other alternatives related to existing C1 transportation customers were investigated. In the end, Union purchased 21 TJ/d of firm delivered supply from the only C1 Ojibway to Dawn transportation customer at the time contracted past November 1, 2017 as noted above. Union understands that this counterparty does not have any further firm PEPL transportation capacity to Ojibway. (Undertaking JT2.4, p.4) There is insufficient firm capacity available on the Panhandle Eastern system.

100. However, despite all the actions taken by Union as outlined above, Opposing Intervenors criticize Union's efforts to pursue commercial alternatives and assert Union has a predisposition for building rate base. APPrO asserts that the RFP for transportation capacity and delivered service to Ojibway (see Exhibit B.Staff.3, Attachment 3) was conducted in a non-commercial and impractical manner because the RFP was open for a period of time that included a US holiday, specified November 1, 2016 instead of 2017, and did not include all Rover shippers. Each of APPrO's criticisms are unfounded and without justification for a number of reasons and should be rejected by the Board.

101. First, the RFP was not restrictive as suggested by APPrO. It was sent to over 100 market participants. It was also not restrictive with respect to the service requested. The RFP stated:

> "Union Gas Limited ("Union") is inviting your company, along with other suppliers, to submit 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.**" (emphasis added) (Exhibit B.Staff.3, Attachment 3)

102. Delivered service as reflected in the language referring to combined supply and transportation arrangements were welcome. In fact, the one contract signed as a result of the RFP was for a delivered service, not just for transportation on Panhandle Eastern. (see Exhibit B.APPrO.3 a)

103. Although the RFP indicated a November 1, 2016 start date, it was clear from the provision quoted above that later start dates would also be considered. In fact, the timing of the start date was strategically chosen for the benefit of Union's customers. As stated at the hearing:

> Mr. WOLNIK: ….Can you tell me why you used '16 as opposed to '17?

> MR. SHORTS: Well, again, we were looking at '16 to potentially hedge the ability for us to retain that 23,000 gJs of capacity that we didn't have renewal rights on.
>
> So we used this potentially if someone could offer it early, we could do two things: We had had load growth faster in the area than what we had forecasted. That would help us to build up a little bit of buffer in being able to serve the market in the Windsor-Leamington area, as well as provide us a potential hedge against not being able to get the capacity renewed forward effective November 1 of '17. (Transcript Vol. 2, p.154, lines 13-23)
>
> ******
>
> MR. SHORTS: We did include the later start dates, and combined supply and transportation purchases will also be considered.
>
> So if anyone was interested, they were certainly welcome to call and investigate further what other alternatives we were willing to investigate. (Transcript Vol. 2, p.155, lines 1-6)

104. With respect to the term of the RFP and the time provided for a response, the RFP stated requirements for a response were minimal being the "path, quantity, start/end date, receipt and delivery points, secondary points and price." As a result, an extensive response period was not required recognizing, as is industry practice, that further details would be established post proposal. The objective was to solicit as much interest as possible without requiring detailed specifics. (Transcript Vol. 2, p. 159, lines 2-3)

105. Regarding Rover shippers, the names of the Rover shippers that have signed precedent agreements with Rover are not publicly available. (Transcript Vol. 2, pp.155-156) However, to the extent known, the RFP was provided, including to Energy Transfer Partners (which was in a position to provide it to the Rover shippers). (Transcript Vol. 2, p.156)

106. In order to be included in an RFP, suppliers need to have a NAESB agreement with Union, which also requires the contracting party to have adequate credit guarantees for Union to be able to do business with the shippers under a delivered service arrangement. As noted in Transcript Vol. 2, p.156, lines 23-28 and p.157, lines 1-7:

> MR. SHORTS: That is a possibility, that they may not have known it was happening. One of the requirements we have of doing business with various parties, especially if we are going to be buying supply, is to have a NAESB, or North American Energy Standards Board, agreement, so that in many cases is your foot in the door. So you have to have a NAESB agreement with Union to be included on many of our RFP lists, et cetera. So that, again, is a requirement. And we have been talking to many of these Rover shippers over the years, just even giving them comfort of coming to Dawn, because many of them have not done business on the Canadian side of the border.

107. It is also unclear as to whether the Rover shippers could commit as requested since Rover has not yet received its FERC certificate of public convenience and necessity or known whether the pipeline will be built in advance of November 1, 2017. (Transcript Vol. 2, p.159, lines 12-16) How the capacity on the proposed Rover pipeline will be filled is not yet known and certainly would not have been known at the time of the RFP.

108. With respect to other commercial alternatives APPrO states that Union did not negotiate a "must nominate" or similar delivery obligation with its C1 contract with Rover for 35 TJ/d at Ojibway. However, APPrO's statement reflects a very simplistic view of the gas market on the interaction between producer/suppliers and pipelines. This is particularly the case involving Union, Rover and Rover's shippers.

109. Like all APPrO's submissions related to Rover, APPrO makes statements as if they are fact when in fact it has provided no evidence in this proceeding or publicly known information to substantiate that Rover shippers are ready, willing or able to transact supply obligation provisions. APPrO fails to note that the focus of Rover Shippers is not just Ojibway and Ojibway is likely of little significance. As stated:

> MR. SHORTS: And I just want to add, one other important thing to note of Rover on this map, and it doesn't really show it very well, but when the Rover pipeline connects to Defiance, they also have contracts on Panhandle Eastern pipelines to move the bulk of the volume south.
>
> So their first phase is to actually attach at Defiance through

> multiple 42-inch pipelines, and then more than -- I believe it is more than two-thirds of the total volume of Rover will then be destined to go south.
>
> It's only the one-third which is the second phase of Rover that is coming north through two ways: The purple pipeline that you see there that attaches to Vector, and then through the transportation by others on the Panhandle Eastern system to the Ojibway interconnect. (Transcript Vol. 2, pp.25-26)

110. Furthermore, Ojibway is not even a delivery point for Rover's suppliers.

> MR. REDFORD: Well, again, so an obligated flow at Ojibway, somebody has to control that into Ojibway. And in our discussions with Rover, they're not willing to do that. In fact, they don't have title to the gas.
>
> So ultimately we would have to nominate -- or we would have to buy supply from one of the Rover shippers at Dawn, and then once that was -- that was done, then they would route that supply through Ojibway.
>
> 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. (Transcript Vol. 2, p.30, lines 11-25)

111. FRPO has stated that Union's comments in this regard are incorrect. To establish its point FRPO has provided references to various FERC documents. None of them definitively state that Ojibway is a delivery point. In fact they would not indicate this fact since according to Rover's FERC filing the delivery points for Rover are set out in its "Master Delivery Point List"[26] that is available to its shippers or prospective shippers. Union has

---

[26] The following is the link to the definition of the "Master Delivery Point List" – http://www.roverpipelinefacts.com/documents/Volume-I-Public/Public-Exh-P-Tariff_02_20_15.pdf

had direct discussion with Rover in this regard and has testified as such. Its evidence should stand. Rover's true destination is Dawn and not Ojibway (see Transcript Vol. 2, p.31, lines 20-28 and p.32, lines 1-27)

112. As indicated Rover has no title to must nominate gas. Its only responsibility is to transport the gas. Any "must nominate" service would have to be negotiated with individual Rover suppliers (Transcript Vol. 2, p.31, lines 20-23). At most, Rover can introduce the parties, but whether a deal actually gets done is wholly dependent on the market options of the supplier, which, assuming Rover gets approval and built, are varied extending well beyond Ojibway which is only 75 Mmcf or approximately 2% out of 3.25 BCF in total. As stated in the proceeding:

> MR. REDFORD: Correct. So we would have to purchase
>
> -- well, purchasing from Rover shippers at Dawn.
>
> So, you know, one of the issues with obligated supply is, so first of all you are relying on refer (Rover) *sic* to get built for November 1, 2017. You are relying on it to be in service; if it's not in service then there's no way for them to provide the service to their shippers, which is a risk to us.
>
> When Rover shippers -- when the pipeline starts to be utilized, we have no idea what that utilization is going to look like.
>
> There's no history. As Mr. Shorts said, two-thirds of that volume is headed to the Gulf coast, which is a premium market.
>
> So we've no idea how much gas will show up at Dawn, even for us to buy. Even if there is a Bcf of capacity to Dawn, we have no idea what's going to show. (Transcript Vol. 2, p.31, lines 25-28 and p.32, line 1-13)

In any event, must nominate services from any party is irrelevant to the issue before the Board, since as described above increased imports will not satisfy the incremental firm Design Day demand.

113. Furthermore, because of the extent of market options available to Rover suppliers and a limited set of Rover suppliers at Dawn, there will be a high level of price discovery by the shippers such that the price will rise to the level of Union's next-best option.

> MR REDFORD: …. And then we're going to have to purchase from a limited set of the market at Dawn, which would be just Rover shippers.
>
> Our view is they're going to know that, and they're going to know we're obligated and they're going to know that our next-best option is the Panhandle field zone and I think we're going to see a premium for obligating at Ojibway for purchases at Dawn.
>
> MR. BUONAGURO: And when you say that there would be a premium, presumably you're inferring that a premium would be unacceptably high?
>
> MR. REDFORD: Yes. We think it would be at least equivalent to buying in the Panhandle field zone and transporting to Ojibway. (Transcript Vol. 2, p.32, lines 14-27)

114. This is the same experience Union had with contracting for other third party service in the replacement of facilities:

> MR. SHORTS: Mr. Buonaguro, just to add to that, this isn't the first time we have had an experience with trying to contract for third party services in replacement of facilities.
>
> We did this -- we had this experience during the Burlington-Oakville hearing, where we were trying to service our Union CDA market. And it was pretty clear that during the three-year term where we were out in the market buying those commercial services, that our alternatives were fairly well known, and our costs escalated from $5 million dollars a year in the first year to about $15 million in the third year.
>
> So the market does know, especially in this situation, what our various alternatives are, and they will price those accordingly.
>
> As a marketer or supplier, they value optionality, and what they want to be able to do is to move the gas to the market on the day that has the highest value.

> So in the Rover case, that could very well be the Gulf coast. That is a premium market, and expected to be a premium market for LNG exports for the foreseeable future.
>
> So the expectation is that, at a minimum, they will likely price it somewhere similar to the 34 cents or so that we have in the hearing here on a premium. But we expect they may also add a premium for the loss of the optionality and the flexibility that they have embedded within their contracts now. (Transcript Vol. 2, p.32-33)

115. Therefore, the possibility for obligated delivery of supply under a C1 contract is far from certain, particularly given the uncertainties related to the Rover pipeline and the ultimate intent of its suppliers. It is inappropriate and unfair to consider APPrO's simplistic market view as a legitimate commercial alternative. Union has clearly taken many commercial steps and explored many options to serve the increased demand. Again, it must be pointed out that these options being advanced by APPrO would not, as stated, above, resolve the forecast incremental demand underlying the Project.

116. Further, Union addressed the complications and risks associated with negotiating agreements that would obligate shippers with whom Union has no relationship. (See Transcript Vol. 2, p.59, lines 2-15)

> MR. REDFORD: Let me deal with the second part. So as Mr. Shorts explained, with the Parkway obligation, their in-franchise customers and the recourse for not delivering is that they don't get supply. This is a completely different scenario. If you obligate somebody at Ojibway and they fail to deliver, and we need that supply to meet design day demand, no penalty is going to help you. So you have to go on an illiquid market at Ojibway to try and find supply to replace it, and that is a problem. That's a significant concern for us with any obligation of a producer or shipper to Ojibway, is that the recourse available to us on the day is not going to be enough to get people gas.

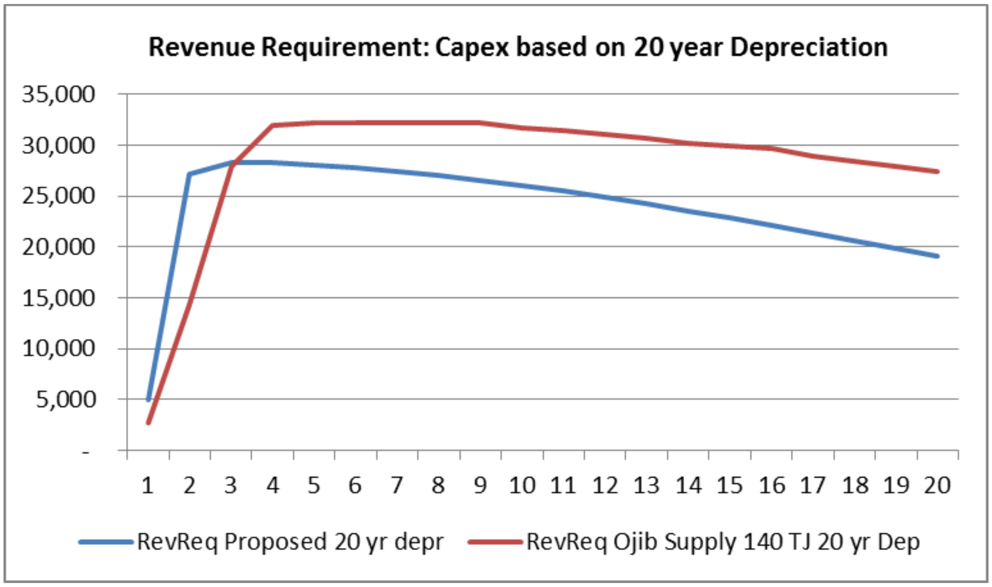
And see Transcript Vol. 2, p 182, lines 6-13

> MR. REDFORD: Well, that is the issue. Our view, the consequences are higher. It may be a low frequency, but the consequences are higher. So will there be gas available at Ojibway to even purchase? The price -- I think if it was a design day and we were short a large volume of gas, you know, we would have the choice between purchasing the gas in the market and paying the price on the day, or people don't get gas.

FRPO's Proposals Not Viable

117. FRPO also stated a must nominate C1 service is a "viable" option that Union should have pursued. However, the proposal made by FRPO is not a viable one. FRPO's entire must nominate proposal is premised on only satisfying the incremental demand in the first winter – 2017/2018 – based solely on the results set out in the JT1.8 which shows 140 TJ/d would meet demand in that winter without facilities. The 140 TJ/d would require Union to secure a portion of the deliveries on a must-nominate basis which was addressed above. However, FRPO is being disingenuous since it fails to refer to Undertaking J2.5 which shows that beyond 2017/2018 the facilities are required to serve the full five year incremental demand at an NPV that is worse than the Project. Furthermore, FRPO has no evidentiary basis to assert that a must nominate service of 70 TJ/d (the amount suggested by FRPO) could be contracted on a winter-only basis for one winter. FRPO never addresses the period beyond Winter 2017/2018 and whether the period "beyond" could be viably served.

118. FRPO also submits that a market based solution will put customers in a better position because rate base and the cost of service will be reduced. However, this is incorrect. The cost of the gas and the transportation service will continue to be part of the cost of service and supply that would be borne largely by system gas supply customers, and not all customers as it should be. (see p.13 of LPMA submission) Those costs will continue well into the future and will likely rise as suppliers price according to Union's next best supply alternative from the Panhandle Eastern supply area. The rate base cost of the Project will however be capped and will decline over time with depreciation. This is shown in the chart below (which has been calculated based on evidence in this proceeding). Specifically, the chart shows that after year two, the cost of the Project will be less than the supply option from Ojibway.



119. FRPO also suggested in its submission that Union should develop an incented exchange service where the incentive is tied to the incremental revenue requirement of the Project. There is no basis in evidence or otherwise to support the calculation proposed by FRPO. Furthermore, it is unclear how this premium would be advantageous to rate payers since it does not contemplate gas cost or the added cost of a build to accommodate for increase in imports.

Union's Negotiations with Energy Transfer were Appropriate

120. By isolating and considering only a very small part of the correspondence regarding the negotiations between Energy Transfer and Union, Opposing intervenors, in particular FRPO, have attempted to discredit Union and its staff who have prepared evidence and testified under oath with respect to (i) its position on the availability of Panhandle Eastern capacity; (ii) the consideration of an obligation to nominate or delivered service to Ojibway; and, (iii) its motivations relative to a capacity obligation and the regulatory process. Looking at the correspondence as a whole, the assertions made by the Opposing Intervenors are inappropriate, unjustified and unfair.

121. In its submission, FRPO highlighted a sentence from Union interrogatory response Exhibit B.Staff.3, p.5 which said: "At this point Union does not expect to reach an agreement with PEPL on any additional firm transportation capacity to Ojibway." It is

important to note that the interrogatory responses were filed on September 19, 2016. Based on the fact an agreement was ultimately reached in November and parsing a sentence from further correspondence between Union and Rover/Energy Transfer. FRPO asserted “so we now know it isn’t true that Union cannot get additional contracts on Panhandle Eastern. . .” (FRPO, para 26) This assertion is disingenuous.

122. Appendix A, Tab 1, of the Compendium to this submission includes email correspondence and proposals sent between Energy Transfer/Panhandle Eastern and Union for the period from July 2015 until the completed arrangements in November, 2016. As is shown in the attached, over the course of the 18 months there were a series of offers and counter-offers, by each party to obtain capacity on the other’s pipeline.

123. As part of those negotiations, in response to an Energy Transfer/Panhandle Eastern offer to Union to reduce the term of Panhandle Eastern capacity from 15 to 10 years, Union advised in an email dated September 16, 2016 (see p.22 of Appendix A, Tab 1) that Union could not commit to a 10-year term and that Union would await the outcome of its leave to construct application to assess its position. At that point and in advance of the interrogatory response, Union believed that it could not get the capacity it wanted on Panhandle Eastern under reasonable terms.

124. Not only could Union and Energy Transfer/Panhandle Eastern not reach an agreement with respect to term, Union’s bid for 23 TJ/d of firm transportation capacity to Ojibway (to replace expiring capacity) in Panhandle Eastern’s open season was not accepted. (see Exhibit B.Staff.3, p.2)

125. As a result of the foregoing, Union’s statement in Exhibit B.Staff.3 was true at the time. It was made in September 2016 and has since been surpassed by subsequent events. It was clear Union was not willing to contract for 10 years and this never wavered as the ultimate agreement was for a term of 8 years.

126. The Opposing Intervenors have also alleged that Union has wasted the 18-month negotiation period by not reaching a delivered service agreement and did so out of its desire to build rate base. On the facts in this proceeding, both aspects are untrue. Based

on the correspondence in Appendix A, Tab 1 and in particular the two proposals made by Energy Transfer on May 17, 2016 and July 28, 2016, at no time was a delivered service a focus or basis of any proposed agreement or even requested by Energy Transfer. The Opposing Intervenors rely on the last paragraph of Rover's letter to Union (dated November 17, 2016) where Rover reiterates its desire to have C1 Capacity from Ojibway to Dawn and makes comment that it would be happy to facilitate an avenue for discussion between Union and Rover shippers regarding a delivery commitment for supply. (see pp.24-25 of Appendix A, Tab 1) Rover then states that it has been ready to discuss an arrangement with Union for the last 18 months.

127. Consistent with the course of negotiations to that point, the real intent relating to the 18 months was the C1 capacity and not a supply delivery commitment. This is made clear by Rover's statement in the first paragraph of the November 17, 2016 letter where Rover stated: "we have been attempting to obtain C1 Capacity on Union from Ojibway to Dawn for over 18 months." The last statement is true since to that point neither party could reach terms on capacity either on Panhandle Eastern or Union that was acceptable notwithstanding the proposals that have been exchanged which related to capacity only.

128. As noted in email correspondence from Mr. Redford on November 20, 2016 there was some discussion of a delivered service late in the discussions, but this was to Dawn and not to Ojibway (see Compendium at p.27 of Appendix A, Tab 1) and as noted above such service would not be to the advantage of Union's customers.

129. As such, contrary to the statements of the Opposing Intervenors, Union's proposal to build the Project is totally unrelated to a supposed attempt to thwart delivered supply to Ojibway since as outlined extensively above, delivered supply was not an option that could satisfy the increased demands that are at issue in this proceeding. The necessity to build the Project is because the incremental demand will not be satisfied by imports alone and the Project is the most economical solution.

130. FRPO has suggested that the Union/Energy Transfer discussions were compromised by Energy Transfers' November 17, 2016 correspondence relating to its concerns over the regulatory process. As Union noted in its testimony and in its cover letter accompanying

the correspondence in Exhibit K2.1 (excerpts of this correspondence are included in Appendix A, Tab 1 of the attached Compendium), Union was able to clarify Energy Transfers concerns and, following which, work constructively to reach an arrangement.

131. In this regard, it is important to note that throughout the 18 month negotiation Energy Transfer/Panhandle Eastern has sought a long-term C1 capacity commitment from Union ranging from initially 15 and then 10 years. The correspondence in Appendix A, Tab 1 shows that Union refused both and made that clear in September, 2016. However, Energy Transfer sought that term again as part of the November negotiation. In fact, Energy Transfer tied Union's acceptance of that term to its willingness to retract its November 17, 2016 letter referenced above. Union refused this overture as is clear from the fact that it received an agreement with an eight-year term as well as other concessions. See Transcript Vol. 2, p.177, lines 10-28 and p.178, lines 1-9 for a description of the other concessions. The letter was voluntarily withdrawn by Energy Transfer in emails on both November 21 and 22, 2016 (see p.28 of Appendix A, Tab 1). Union held steadfast to medium term to provide flexibility and to Panhandle Field Zone versus the Gulf to achieve optimum cost. Notwithstanding the November 17, 2016 letter, Union held to those principles.

132. Union believes it is important to note that at all times it was open with the Board. Contrary to FRPO's suggestion that Union was directed to disclose the correspondence, Union voluntarily agreed to disclose the correspondence in advance of the hearing of FRPO's Motion and also willingly provided the correspondence at the outset of the hearing. Union provided full and complete disclosure, including in its second filing of further correspondence, plus correspondence missed in the first filing. Union takes its relationship with the Board seriously and would not do anything to compromise it. As indicated in internal correspondence the intention was to disclose the letter to the Board in the event it was not rescinded. (see p.26 of Appendix A, Tab 1)[27]

133. As a result of the foregoing, Union's negotiations with Energy Transfer with respect to C1 service was appropriate and most importantly in no way was related to or eliminated

[27] This was also addressed at Transcript Vol. 2, p.177, lines 5-9.

viable commercial options available to satisfy the forecast incremental firm demand at issue in this proceeding.

C. COST ALLOCATION

Merit of proposed interim allocation changes

134. Union is proposing an allocation methodology for the Project costs that would be in place, on an interim basis, for the remainder of its current IRM term. As part of its 2019 Rebasing application, Union intends to review the cost allocation methodology for all costs of both the Panhandle System and St. Clair System (including the costs of the Project). Based on that review, Union will propose an appropriate cost allocation methodology for these costs, which would be reflected in new rates that would take effect January 1, 2019. Given the planned in-service date for the Project of November 1, 2017, the proposed interim cost allocation methodology would be in effect only for a 14-month period.

135. The proposed interim cost allocation methodology will apply only to the incremental costs associated with the Project. During the 14-month interim period, the current cost allocation approach would continue to apply in respect of existing costs.

136. Whereas the current Board-approved methodology includes an allocation to ex-franchise Rate C1 and Rate M16 customers based on firm contracted demands, as well as an allocation to in-franchise rate classes in proportion to the combined Panhandle System and St. Clair System Design Day demands, Union's proposed interim cost allocation methodology for the Project costs would use only the Board-approved Panhandle System Design Day demands, as updated to include the incremental Design Day demands resulting from the Project. The methodology would also reduce the allocated Project costs by incremental Project revenue, by rate class. The proposed methodology would, therefore, not allocate Project costs to ex-franchise rate classes. (see response to Undertaking J1.2, Attachment 2 for detailed cost allocation description)

137. Union's proposed allocation methodology also differs from the current Board-approved approach in that it does not consider the Design Day demands of the St. Clair System.

This is because the incremental costs of the Project relate only to the Panhandle System. Furthermore, the proposed approach calls for no update to ex-franchise Rate C1 and Rate M16 demand rates for the Project.

138. Union's proposed approach is designed to ensure that the allocation of Project costs and the resulting rate impacts reflect the principle of cost causality. The proposed methodology recognizes how ex-franchise Rate C1 and Rate M16 customers would use the Panhandle System on Design Day, being the coldest or peak demand day on the system. Specifically, when ex-franchise Rate C1 and Rate M16 customers flow on the Panhandle System they flow counter to the flow of the Design Day volumes. On this basis, it is appropriate for Union to exclude these customers from the interim cost allocation methodology for the Project costs and, as stated in the response at Exhibit B.BOMA.22, to allocate Project costs only to those rate classes that use the Panhandle System on Design Day.

139. Union's proposed approach to cost allocation will also reduce the rate volatility that would occur if the current Board-approved methodology were applied to the Project costs during the interim 14-month period and then, as a result of its cost allocation review during the 2019 Rebasing application, Union proposes to split the two systems for cost allocation purposes effective January 1, 2019. (see last paragraph in response to Undertaking J1.2, Attachment 2)

140. Another risk of applying the current Board-approved methodology to the Project costs, which would be avoided by Union's proposed approach, is that due to the significant rate impacts that would result from allocating Project costs to ex-franchise customers (C1 and M16), Union would face significant risk that it would not be able to recover all of its prudently incurred costs of the Project (see response to Undertaking J1.2, Attachment 2). This could put the Project at risk if it is approved on the basis of the current Board-approved methodology. Moreover, maintaining the ex-franchise activity provides a benefit to in-franchise customers through the ex-franchise transmission margin and ex-franchise allocated costs that would be lost upon rebasing. (see Exhibit B.LPMA.20)

141. The details of Union's interim cost allocation methodology are set out at Exhibit A, Tab 8, Section 3.

142. Several parties, including BOMA, SEC, FRPO and Board staff, express concerns in their submissions about Union's proposed interim cost allocation methodology for the Project costs. To summarize, these concerns relate primarily to:

A. Union's ability to implement changes under the terms of its 2014-2018 IRM Settlement Agreement; and

B. the appropriateness of changing the cost allocation methodology for one project within the context of a broader regional pipeline sub-system (comprised of the Panhandle and St. Clair Systems).

Union responds to these areas of concern as follows.

The 2014-2018 IRM Settlement Agreement explicitly contemplates changes

143. The proposed interim cost allocation changes are reasonable and justified, as well as permitted, under the terms of the current IRM.

144. LPMA argues that the Board should reject the proposed changes to the cost allocation methodology until they can be dealt with as part of a comprehensive review of all cost allocation methodologies in Union's 2019 Rebasing application.

145. In Union's view, the present application is the appropriate time to consider and seek approval for these allocation changes, which as noted are being sought on an interim basis until such a broader review is carried out for the 2019 Rebasing application. The addition of the Project costs to the current cost allocation methodology results in an allocation to rate classes that no longer represents the principles of cost causality and warrants a review and proposed change. As indicated by Union in the response at Exhibit B.Staff.6, the 2014-2018 IRM Settlement Agreement provides Union with the opportunity to obtain approval for a cost allocation methodology for a capital project that differs from the Board-approved methodology. In particular, the IRM Settlement Agreement establishes eight criteria for a project to qualify for capital pass-through

treatment. One of the major capital additions criteria, item (vii) on page 34 of the IRM Settlement Agreement, states:

> "Subject to direction otherwise from the Board, Union would allocate the net revenue requirement using the 2013 Board-approved cost allocation methodologies. Any party, including Union, may take any position with respect to the proposed allocation for any particular capital project during the review of the project, or its rate impacts, by the Board;"

146. SEC supports that the IRM Settlement Agreement allows for proposals to change the cost allocation for major capital projects during the IRM term. (see page 12 of SEC submission)

147. As explained in detail at Exhibit J1.2, Attachment 2, use of the combined Panhandle and St. Clair Systems for allocating the Project costs would not be appropriate as this would not be reflective of cost causation principles.

148. The current Board-approved cost allocation methodology was reasonable when the Panhandle System and the St. Clair System had similar costs per unit of demand, and it is still appropriate in respect of existing system costs. However, the Project costs relate only to the Panhandle System. There is no change to the costs of the St. Clair System. Consequently, using the combination of the two systems as the basis for allocating the costs of the Project would result in rates that would not reflect the costs of serving customers on each of these systems individually. As stated by Union in its response in Exhibit B.VECC.11,

> "Union's cost allocation proposal is consistent with the principles of cost causation and rate class ratemaking. Union's proposal allocates the Project costs to all rate classes that benefit from the use of the Panhandle System on Design Day including existing demands."

149. The rationale underlying Union's proposed cost allocation approach, of adopting an approach that reflects the principles of cost causality, is supported by various aspects of

the submissions from IGUA, Board staff, APPrO and LPMA. LPMA notes at pp.9-10 of its submission that it is no longer appropriate to use the joint allocator for both systems:

> "… each transmission system should be allocated based on its design day demand customer mix if the mix of customers is significantly different in each system and the costs are significantly different for each system. For example, it would make no sense to allocate the Panhandle system costs based on the design day demands of the Dawn to Parkway system or some joint allocator of the Panhandle system and the Dawn to Parkway system. The costs are significantly different and the mix of customers served are significantly different from one system to the other."

Board staff at p.10 of its submission comments:

> "OEB staff does not oppose the rationale of Union with respect to a change in the cost allocation of the combined Panhandle and St. Clair System."

APPrO at p.28 of its submission notes:

> "Union is proposing to allocate the Panhandle System demand costs related to the proposed project to the firm Union South in-franchise Panhandle System Design Dan demands, updated to include the incremental Project Design Day demands. This allocation methodology is consistent with how the Panhandle System is used. If the project is approved APPrO supports this proposal."

150. Going forward, LPMA at p.10 of its submission is of the view that it makes no sense to continue to use the joint allocator that includes the St. Clair System.

> "The costs are now significantly different and the evidence shows that the mix of customers is also significantly different on these two systems."

151. If the principles of cost causality were ignored and the current Board-approved methodology were used to allocate the costs of the Project, significant costs to ex-franchise Rate C1 and Rate M16 customers would result. Specifically, a rate increase in excess of 300% would be required in order to provide Union with an opportunity to recover the costs of the Project. Using the current Board-approved cost allocation

methodology would also disproportionately allocate costs to in-franchise Rate T2 customers. The St. Clair System has a large Rate T2 customer base and, using the Design Day demands of the combined system to allocate costs to in-franchise rate classes, would result in a significant allocation of costs to Rate T2 customers that would not be representative of that customer class' use of the Panhandle System.

Postage Stamp Ratemaking

152. At p.25 of its submission, APPrO states,

> "Existing customers cross subsidize new customers and cover 94% of the incremental cost to supply this new load. This significant rate increase is not consistent with cost causation principles, the Board's recent decision on natural gas expansions, and APPrO submits that it is threatening the economic viability of existing customers."

153. APPrO is making this claim in an effort to draw parallels to the Board's recent EB-2016-0004 Generic Community Expansion decision where it found it not appropriate or necessary for existing customers to subsidize projects that result in sufficient savings to customers to cover the costs of the projects. Rather, the Board endorsed that proponents apply for rates geared towards the costs of the individual projects, or groups of projects where they have similar cost drivers, in other words, stand-alone rates.

154. Although this decision contradicts the use of "postage stamp" ratemaking for community expansion projects, Union submits a reinforcement project such as the proposed Project should not follow these same findings.

155. A postage stamp rate charges the same amount regardless of the location or distance involved. Perhaps the best example is Canada Post who charges the same to mail a letter whether it's mailed across the street or across the country. Postage stamp rates do not differentiate price based on distance or location within a given franchise area.

156. Postage stamp ratemaking does recognize the existence of cost differences due to location or distance do exist. However, these cost differences are averaged for the pricing of the

service. Consequently, within each rate class customers have the same rate irrespective of their geographical location.

157. As stated in Union's response at Exhibit B.APPrO.7, postage stamp ratemaking is a long-standing and Board-endorsed principle. A principle that has been tested in numerous regulatory proceedings and one that Union continues to prefer wherever possible.

> "No. Union did not consider incorporating a surcharge for new customers similar to the "temporary expansion surcharge". Such an approach would represent a departure from Union's commitment to apply postage stamp ratemaking principles wherever possible. The intent of the "temporary expansion surcharge", introduced by Union in its Community Expansion Application (EB-2015-0179), was to help make expansions to areas currently not served by natural gas more economic. Union's proposal to reinforce the Panhandle System is a very different project in that it is not expansion to a new area, but rather reinforcement of an existing system."

158. As noted above, the use of postage stamp ratemaking is a long-standing principle supported by the Board. For example, postage stamp ratemaking was an issue in the Board's decision (dated January 6, 2006) specific to the competing Greenfield Energy Centre ("GEC") and Union applications to supply GEC's gas-fired generating station near Sarnia, Ontario (RP-2005-0022/EB-2005-0441/EB-2005-0442/EB-2005-0443/EB-2005-0473).

159. Specifically, at page 31 of the decision it states,

> "Union's position is that bypass is completely antithetical to postage stamp rates. The Board continues to support the principle of postage stamp rates, but does not conclude that the approval of GEC's application would undermine that principle. An important foundation for postage stamp rates is the appropriate determination of a class and the accurate allocation of costs to that class. An equally important consideration is that customers should be entitled to receive the services they require and the tariff should reflect those services appropriately."

D. DEPRECIATION

Merit of proposed 20-year depreciation rate

160. The use of Board-approved depreciation rates for the Project infrastructure would result in a weighted average useful life of approximately 50 years. The revenue requirement and resulting customer bill impacts would typically be calculated using this depreciation expense. The introduction of Ontario's Cap and Trade program and the Ontario government's 5-year (2016-2020) Climate Change Action Plan ("CCAP") have given rise to significant risk to the return of any capital invested in natural gas infrastructure over the medium to long term. As described at Exhibit A, Tab 3, pp. 7-8, the uncertainty created by these initiatives has prompted Union's proposal to calculate the revenue requirement and resulting rate impacts based on an estimated 20-year useful life for the Project assets, rather than the weighted average useful life of approximately 50 years based on Board approved depreciation rates. This decision was made by Union's management based on its judgement in the face of the uncertainty created by the Cap and Trade program and the CCAP. (see Exhibit B.Staff.5)

161. Depreciating the assets over a 20-year useful life better aligns their cost with the timing of the reported restrictions and potential elimination of natural gas heating in homes and businesses, as indicated by the Cap and Trade program and the CCAP.

162. In addition to aiding in the mitigation of this risk, reducing the depreciation period to 20 years enables the recovery of the investment from as many customers as soon as possible which will minimize the future rate impact to customers.

163. Union has addressed this Project risk from short-, medium- and long-term perspectives. The immediate need for the Project is clear based on the urgent need for reinforcement in Southwestern Ontario. In the medium-term, Union does not expect material impacts to natural gas peak day demand. However, in the long-term, it is reasonable to expect increased risk to natural gas demand due to uncertainties presented by the CCAP. As explained in Union's response at Exhibit B.Staff.4 (Updated):

> "Such uncertainty is impossible to quantify in terms of impact, or timing. However, it does present the risk that at some future point, customer behaviour

> may change peak day requirements, or new technologies may be more widely adopted, and this could impact Union's facilities. Union does not expect such changes to occur within the short to medium term. However, it is possible that it will occur within the typical 40 to 50 year depreciation period and as such Union has proposed the 20 year depreciation term as a means of addressing this risk."

164. Notably, LPMA at pp.8-9 of its submission argues that the Board should approve Union's 20-year depreciation rate proposal and refers to the proposal as a "win-win" situation:

> "… the Board should approve the shorter depreciation period for the costs associated with this project because they reduce the risk to Union that has resulted from the Cap and Trade program and from the CCAP, while at the same time reducing the total overall net present costs to ratepayers."

165. Other parties, including IGUA, Board staff, CME, SEC, OGVG, BOMA, APPrO, FRPO, VECC and CCC have expressed concerns about Union's depreciation rate proposal. In summary, these parties are of the view that this issue warrants a more comprehensive review as part of Union's 2019 Rebasing application. In response, Union notes that it is in a position where it must make an investment decision now. The proposed approach to depreciation only applies to the costs of the Project that is the subject of the present application. Union is not proposing that this depreciation treatment be applied to all or any other existing assets. As such, it is entirely appropriate and necessary for the Board to consider and approve Union's proposed approach to depreciation within the scope of the present application. Moreover, Union has indicated as part of its proposal that it intends to review depreciation on a system-wide basis as part of its 2019 Rebasing application. (Transcript Vol.1, p.131)

166. Additionally, APPrO and CCC argue that Union's proposed depreciation rate changes are "prohibited" by the terms of Union's current 2014-2018 IRM Settlement Agreement. The change in depreciation rate as contemplated by Union is not prohibited. The IRM Settlement Agreement only obliges Union to use exiting depreciation rates to calculate the capital pass-through threshold and does not prohibit Union from using a different depreciation rate for the purpose of cost recovery.

167. Board staff comments that a shorter depreciation horizon would effectively result in higher rates for Union's ratepayers as compared with the 50 year depreciation horizon. However, this ignores that overall costs to consumers would be reduced. This reality is further supported by LPMA at pp.7-9 of its submission. Board staff also suggests that a shorter depreciation horizon would force Union's ratepayers to bear the Cap and Trade related risk, rather than sharing the risks between Union's shareholder and its ratepayers. Union disagrees with the position taken by Board staff. Union is entitled to the recovery of the return on equity and the return of its investment. The impact of Cap and Trade has no impact on this principle. Because of this principle, a shorter depreciation period protects customers from any rate burden that arises from Cap and Trade beyond the 20-year depreciation period,

168. At page 9 of its submission, VECC states that Union "painted a scenario of doom and gloom for the natural gas industry, while simultaneously asking the Board to believe that demands for gas will increase by 27% over the next five years." On this basis, VECC is recommending the depreciation change be denied for the medium term. These comments from VECC grossly mischaracterize Union's evidence on the proposed approach to depreciation. As explained in Union's response at Exhibit B.Staff.4, from a short to medium-term perspective Union expects that the capacity resulting from this Project being fully subscribed after five years. Further, Union forecasts that demand on the Panhandle System will be sustainable over at least the next 20 years. It is only over the long-term that Union believes there may be increased risk to natural gas demand due to uncertainties presented by the CCAP, and therefore an increased risk of cost recovery. There is nothing inconsistent between Union's expectation of increased gas demand over the next 5 years and its concerns about cost recovery due to long-term uncertainties.

169. Should the CCAP have a material impact sooner than anticipated, Union's proposed 20-year term for depreciation of the Project assets will help mitigate the risk of any excess capacity for ratepayers. As stated in Union's response at Exhibit B.Staff.4 (Updated):

> "The benefit of reducing the depreciation period now to 20 years is that it recovers the investment from as many customers as soon as possible which will minimize the future rate impact to customers.

> Further, as discussed above Union would also have the option of decreasing upstream transportation commitments or delivered supply at Ojibway to mitigate the decreasing demand requirements on the Panhandle System. This would result in a higher utilization of the Project and an efficient use of the asset."

Moreover, the concept of accelerated depreciation is not new to the Board. As set out in Union's response in Exhibit B.BOMA.18, there are a number of examples where both the Board and the National Energy Board have addressed accelerated depreciation rates based on factors other than the physical life of assets. This includes Union's Dawn to Dawn-TCPL rate application EB-2010-0207 where the Board-approved accelerated depreciation rates given the uncertainty regarding the demand beyond the term of the contract.

E. CONCLUSION

170. Union has clearly demonstrated the need for the Project based on its robust forecast of incremental Design Day firm demand that will not be satisfied without the Project. Recognizing the operational realities of the Panhandle System, Union thoroughly reviewed alternatives and no other viable alternatives exist nor have been suggested or supported with evidence that are better than the Project and as such leave to construct should be granted. Union has also proposed a fair interim cost allocation proposal that allocates costs to those who will benefit from the Project. Union has also proposed a depreciation period that appropriately reflects the risks associated with Ontario's CCAP.

All of which is respectfully submitted, this 30th day of December, 2016.

UNION GAS LIMITED

By its Counsel Torys LLP

[*original signed by*]

____

Charles Keizer

EB-2016-0186

Ontario Energy Board

Panhandle Reinforcement Pipeline Project

Reply Submission by

UNION GAS LIMITED

COMPENDIUM

December 30, 2016

TABLE OF CONTENTS

Tab **Document**

TAB 1

Hockin, Karen

From: Debevc, Melissa
Sent: July 6, 2015 4:27 PM
To: Moxley-Peltier, Michelle
Subject: FW: Ojibway

FYI....Can you provide an estimate of when you will have the information ready for Dale.

He has indicated Union would build for 35 TJ/d.

Melissa Debevc P. Eng.

Strive Higher. For the energy in you.™

From: Van Der Meersch, Dale
Sent: July 6, 2015 4:08 PM
To: Debevc, Melissa
Cc: Mastronardi, Paolo
Subject: RE: Ojibway

Melissa...as part of the take away that you were doing 1) upsize the sandwich compressor 2) total replacement of the river crossing is there an option to do something where we can do something to get us enough volume to cover what we are currently short for Rover. I believe Union has a contract for 80,000 and the market can take 115,000 which leaves 35,000. Rover wanted 70,000 so can we tweak anything to get us the other 35,000?

Dale

From: Debevc, Melissa
Sent: June-30-15 3:15 PM
To: Van Der Meersch, Dale; Wallace, Dan; Bossy, Deb
Cc: Mastronardi, Paolo
Subject: RE: Ojibway

Deb is going to work on a magnitude estimate for early next week.

I will get you the capacity.

Melissa Debevc P. Eng.

Bechard, Shelley

From:	Piett, Patti
Sent:	August-07-15 3:47 PM
To:	Redford, Jim
Cc:	Mastronardi, Paolo, Montgomery, Jacquie
Subject:	Re PANHANDLE MEETING TAKE AWAYS
Attachments:	image001 jpg

Thanks for the summary Jim. I was also going to send Beth/john information about Dawn (stats, index of customers, etc suitable for sharing with other shoppers/producers)

ET was going to confirm their requested capacity given our 35000 existing capacity limit and their interest to support a project beyond that. I don't believe they committed to a time for this but I will follow up in a week.

Sent from my iPhone

On Aug 7, 2015, at 9:29 AM, Redford, Jim <JRedford@uniongas.com> wrote:

Here are what I recorded as our take aways from yesterday's Panhandle Meetings:

- The Integrity Management Plan needs to be completed now and reviewed to ensure it covers decision tree and risk analysis. **PAOLO**
- Do we have the ability to offer a winter only service (above 35 TJ/d) and what would the terms of that service be (capacity, duration, etc.)? **PAOLO/PATTI**
- What is the capacity of one 12" line under the river (at 425 psig MOP = current conditions)? Does it exceed 115 TJ/d? **PAOLO**
- What is the cost and rate to provide 75 mmcfd of Ojibway to Dawn capacity for Panhandle? **PAOLO**
- What is the cost and rate to handle 175 mmcfd total deliveries at Ojibway (115 mmcfd Ojibway to Dawn plus ~60 mmcfd delivery at Ojibway for in-franchise)? **PAOLO**
- Is the river crossing replacement included in the expansion costs? Is the river crossing replacement maintenance capital under all circumstances? Can the river crossing replacement be a separate project from any work required to provide more than 35 TJ/d of firm capacity? **PAOLO**

We promised a response in September to these items. Paolo – I assume you will have Dale assist with the gathering and analysis of this information.

Jim Redford, P. Eng.
Director Business Development &
Upstream Regulation
Union Gas Limited | A Spectra Energy
Company
50 Keil Drive North | Chatham, ON N7M
5M1
Direct Tel: 519.436.4577 Cell: 519-365-
0510

From: Reid, John
To: Mastronardi, Paolo
Cc: Colton, Joey
Subject: Re: Ojibway to Dawn Transport Discussion - ETP Meeting Followup
Date: September-10-15 9:47:04 AM

The 390 (not 375) is after the river crossing on the Cdn side (ie it already takes into account the losses through the crossing).

John

On Sep 10, 2015, at 8:01 AM, Mastronardi, Paolo <pmastronardi@spectraenergy.com> wrote:

John, met with a few people here. One point of clarification, on the 375 psi are delivering that to us at the middle of the river (cdn side) or is 375 psi at the beginning of the river.

Paolo Mastronardi
Business Development Manager
Union Gas Limited a Spectra Energy Company
Direct 519 436 5264 | Cell - 519 359 3190
AOLIM - MastroUnion

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: September 4, 2015 9:53 AM
To: Mastronardi, Paolo
Cc: Colton, Joey
Subject: FW: Ojibway to Dawn Transport Discussion - ETP Meeting Followup

Paolo,

Our facilities guys have finished running all their models. Using our 425 psi MAOP at the US side of the river, we can push ~175 MM/d through the current crossing hitting you guys on the CAN side of the crossing at ~390 psi. We could flow more volume, but then the pressure would drop.

I hope this helps. Sorry for the delay in getting it to you.

John

From: Reid, John
Sent: Wednesday, August 26, 2015 2:13 PM
To: 'Mastronardi, Paolo' <pmastronardi@spectraenergy.com>
Subject: RE: Ojibway to Dawn Transport Discussion - ETP Meeting Followup

PROPOSAL TO ENERGY TRANSFER PARTNERS ("ETP")

NOVEMBER 2, 2015

Union and ETP each have transportation capacity requirements on the other's pipeline systems.

Union currently contracts for 60 TJ/d from ETP on PEPL and Trunkline to November 1, 2017. Union requires 60 TJ/d of transportation capacity on the ETP (PEPL) system to Ojibway on an ongoing basis. Union currently has Right of First Refusal (ROFR) rights on 35 TJ/d of the ETP (PEPL) capacity.

ETP has requested 75-80 TJ/d of transportation capacity on Union's system from Ojibway to Dawn. Currently, on a long term basis Union is only able to provide 35 TJ/d of firm year-round transportation capacity to ETP from Ojibway to Dawn without significant expansion of its facilities. ETP has indicated that it is not interested in supporting a significant facilities expansion on Union's system. ETP is not able to provide an increased delivery pressure of 500 psig which would significantly reduce the scope of Union's expansion facilities.

Comment [RJ1]: ET would be interested in purchasing capacity that would support a build, as long as it made economic sense. Union has not provided the estimate of what would be required.

Comment [RJ2]: The 425# MAOP of the river crossing is the limiting factor here. We could provide more pressure, but a new river crossing would be required

The availability of capacity assumes that both of the twin 12" River Crossing pipelines are in service. No internal inspection has been completed since installation in 1947.

Proposal

The following package of commitments is intended to address the needs of both parties to the extent practical:

Union and ETP Commitment

- Execute in-line inspection program on 12" River Crossing pipelines (see attached)

Union Commitments

- Contract incremental 25 TJ/d of renewable Putnam (or a point to be determined further southwest) to Ojibway transportation capacity on PEPL for a 5 year term at posted tolls starting November 1, 2017
- Continue to renew 35 TJ/d of existing transportation capacity on PEPL

Comment [RJ3]: These would need to be addressed and calculated based on capital costs incurred by both parties, but I suspect the terms would need to be similar (ie longer than 5 years)

ETP Commitments

- Contract new 35 TJ/d of renewable Ojibway to Dawn transportation capacity on Union for up to a 15 year term at posted C1 tolls starting June 1, 2017*

Comment [RJ4]: These would need to be addressed and calculated based on capital costs incurred by both parties

*Only one River Crossing pipeline will be available for service at June 1, 2017. The quantity will be reduced to 25 TJ/d until such time that both 12" River Crossing pipelines are in service or the River Crossing replacement has been completed.

- Contract new 25 TJ/d of renewable Ojibway to Dawn transportation capacity on Union for the months of December, January and February on Union for up to a 15 year term at posted C1 tolls starting December 1, 2017**

**This contract will be available to start when both 12" River Crossing pipelines are in service or the River Crossing replacement has been completed.

If the results of the in-line inspection program requires the replacement of the River Crossing pipelines then the term of all Union (and ETP) Commitments increase to 10 years.

Filed: 2016-10-28
EB-2016-0186
Attachment 2
Page 32 of 53

Shorts, Chris

From: Shorts, Chris
Sent: May-05-16 11:11 AM
To: Piett, Patti; Redford, Jim; O'Hara, Clancy
Cc: Mastronardi, Paolo
Subject: FW: ETP Meeting in Detroit

Paolo and I met with Beth Hickey, John Reid and Bryan Hill in Detroit Monday evening and discussed:

1) Organizational Changes at Union
2) The Panhandle Reinforcement project
    a. Provided the slides from the Stakeholder presentation
    b. Discussed the drivers being the local in franchise markets including greenhouse
3) The need for capacity on PEPL for Union for our 10 that we have now and are assuming will continue
    a. The ROFR has been filed
    b. Will likely need to bid long haul tolls for a period of longer than 10 years (will be competing with Rover who is willing to bid 20 years for everything PEPL has left to Ojibway but at short haul tolls in the 15 to 17 cent range)
4) Also discussed the need for an additional 10 or so for a 2 year period to cover immediate needs in the market area
    a. Again if we need more it will be subject to an open season and the competition will be Rover at 20 years
    b. ETP can negotiate something prior to the ROFR closing to influence the Rover bid (ie needs to be done prior to June 15)
5) ETP not interested in expansion on their side but if required they will
6) We confirmed we didn't want anything more than 70 a day (the 60 long term and 10 short term) required
7) River crossing still not high on their radar [redacted]
    a. Not crazy about pigging since they feel it is throwing good money at bad, both engineering groups feel that data may not be reliable anyway
    b. They understand integrity but will need dollars to help support any work
    c. Will need to nail down commitment on the entire portion of the capacity we want and for what term
    d. This likely means a combination of short and long haul for a 10 to 15 year term to create more revenue that 20 year short haul
    e. Would like a commercial agreement in place that would deal with river crossing, capacity on Union's System and PEPL System. This agreement will assist with capital required and term of transportation contracts required to recover the capital outlay.
8) If they cannot get the 75 a day they wanted they will need to go back to Rover and their shippers and find an alternative.
    a. They didn't seem to interested in the 35 a day and said if Union wanted it they may back off (would still require long term commitment)
9) We did review the River crossing proposal and we both agreed to freshen the numbers
10) We need to understand our desire to a deal for 70 long term and what we would expect in return as it relates to the river crossing

Next Steps to reconvene in about a week to check back on progress...
Chris

ENERGY TRANSFER

Chris Shorts
Director, Business Development and Upstream Regulation
Union Gas Limited

May 17, 2016

Chris,

Energy Transfer is pleased to offer the following proposal to Union Gas Ltd. for capacity to continue to serve your Windsor market utilizing the Panhandle and Trunkline assets. Under the proposal below, Energy Transfer would commit to the following:

1. Energy Transfer agrees to fix the tariff rate for the term of the contracts.
2. Energy Transfer and Union execute an in-line inspection program on the 12" river crossing pipelines. The costs will be shared equally between Energy Transfer and Union ($2.2 Million total estimated).
3. If the results of the in-line inspections are conclusive and included a significant anomaly on either of the twin 12" river crossing pipelines that cannot be repaired, a new river crossing replacement pipeline would be required. The costs for the replacement River Crossing will be shared equally between Energy Transfer and Union ($24 Million total estimated).

Proposal Details:

1. Union extends their current 57,000 Dth/d of capacity on PEPL and Trunkline until 10/31/26 as follows:
   - 25,000 Dth/d – PEPL FZ to Ojibway is renewed on 11-1-2017 for a term of **9 years** at **tariff rate**
   - 20,000 Dth/d – TGC FZ to PEPL/BRBN and PEPL/BRBN to Ojibway capacity is renewed on 11-1-2017 for a term of **9 years** at **tariff rates**
   - 2,000 Dth/d – PEPL FZ to Ojibway is renewed on 11-1-2017 for a term of **9 years** at **tariff rate**
   - 10,000 Dth/d – PEPL FZ to Ojibway is renewed on 11-1-2016 for a term of **10 years** at **tariff rate**

2. Union signs up for an additional 38,000 Dth/d of PEPL FZ to Ojibway capacity starting on November 1, 2016 for a term of **10 years** at **tariff rate**. This will get total capacity commitment to 95,000 Dth/d.

Shorts, Chris

From: Reid, John <John.Reid@energytransfer.com>
Sent: June-22-16 3:50 PM
To: Shorts, Chris
Cc: Colton, Joey; Hill, Bryan D.
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

Sorry for taking so long to respond to this email. As you know I have been off on vacation for a couple of weeks.

We are still re-running our numbers and double checking our expected capital costs on the river crossing (if required), but with where our numbers look right now, we will be able to accommodate the items you mention below, namely:

1. Extend Union's current 57,000 Dth/d for a longer (~10 years as proposed) term with ROFR/Renewal rights
2. A lesser incremental volume (~15,000 Dth/d) for a shorter term as opposed to 38,000 Dth/d for 10 years as proposed
3. PEPL FZ to Union/Ojibway for all of the volume

Once I get confirmation of our numbers, I will send you a new, revised proposal. Give me a call at your convenience so we can discuss next steps on moving this forward.

Thanks,

John

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Wednesday, June 01, 2016 5:29 PM
To: Reid, John <John.Reid@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, as per our conversations, we really appreciate the offer and I want to provide you some feedback.

1) Our main concern is the continuation of the 57,000 Dth/d for a longer term and ensuring we have ROFR/Renewal rights on it
2) Given the constraints on our system and where the incremental load growth is materializing, we cannot take the 38,000 Dth/d on a long term basis
3) I am not comfortable with the PEPL Trunkline long haul commitment, although the PEPL only long haul path from the field zone would be more palatable
4) As per our original request we may be interested in about 15,000 Dth/d PEPL capacity on a short term basis (ie 2-3 years)

Let me know if you feel you can work this in...
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: May-19-16 10:16 AM
To: Shorts, Chris
Cc: Hill, Bryan D.
Subject: Energy Transfer Proposal for Union Gas

Shorts, Chris

From: Reid, John <John.Reid@energytransfer.com>
Sent: July-26-16 4:24 PM
To: Shorts, Chris
Subject: RE: Energy Transfer Proposal for Union Gas

Fair enough. But you can transact the ramp-up in volumes? ie there's no ROFR on who may hold the capacity today?

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Tuesday, July 26, 2016 3:15 PM
To: Reid, John <John.Reid@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, I am saying yes because I believe I can convince people to take some rounding risk to ensure our 22 is accessible longer term. There is no one here right now to confirm but I am confident I can convince them....just wanted to caveat it that way....hopefully I can fully confirm our abilities shortly...
Nothing like a goal to get them convinced....

From: Shorts, Chris
Sent: July-26-16 4:05 PM
To: 'Reid, John'
Subject: RE: Energy Transfer Proposal for Union Gas

Yes we will make the 15 and 35 work, for the time periods you proposed...

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: July-26-16 3:57 PM
To: Shorts, Chris
Subject: RE: Energy Transfer Proposal for Union Gas

What about my first question – would you guys do the ramp-up contract? Could you squeeze 15,000 Dth and 35,000 Dth as I proposed?

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Tuesday, July 26, 2016 2:53 PM
To: Reid, John <John.Reid@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John the 115 is TJ not Dth/d, so if we convert all that is
115 total
60 Union
21
21
Equals 13 TJ/d left over.....it can change by a little bit year to year given the Windsor market etc....

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: July-26-16 2:13 PM
To: Shorts, Chris
Subject: FW: Energy Transfer Proposal for Union Gas

Chris – I would also be happy with 18,000 Dth for the first piece. That's the number that my math shows should be available as follows:

115,000 Dth/d point capacity
-57,000 Dth/d for Union
-20,000, Dth/d for Other C1
-20,000 Dth/d for delivered service

Remainder: 18,000 Dth/d

Can you please confirm the numbers?

Thanks

From: Reid, John
Sent: Tuesday, July 26, 2016 12:56 PM
To: 'Shorts, Chris' <CShorts@uniongas.com>
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

We are still working on the proposal. As part of our presentation, we are putting in what we will be contracting for from you on the C1 Ojib to Dawn. Would you guys sell us the "shaped" transport in a contract now (ie a contract with the ramp-up over time)? We would be looking for slightly more rounded numbers as follows:

15,000 Dth/d Nov 1, 2017 to October 31, 2019
35,000 Dth/d Nov 1, 2019 to Octber 31, 2032 (or thereabouts)

Let me know – thanks.

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Thursday, July 07, 2016 5:50 PM
To: Reid, John <John.Reid@energytransfer.com>
Cc: Newbury, Cheryl <CNewbury@uniongas.com>; Liberty, Erin <eliberty@uniongas.com>; McClacherty, Shawn <smcclacherty@uniongas.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, I verified the numbers and given some changes on our system only about 13,000 is available firm all year around now with 32,000 available winter only starting Nov 1, 2017. It looks like the 32,000 firm all year around won't be available until Nov 1, 2019, and that goes up for Nov 1, 2020 to in excess of the 35,000...
Sorry for any confusion...
Chris

From: Shorts, Chris
Sent: July-07-16 1:18 PM
To: 'Reid, John'
Cc: Newbury, Cheryl; Liberty, Erin; McClacherty, Shawn
Subject: RE: Energy Transfer Proposal for Union Gas

John, I should have also included the other issue we discussed, in that this should allow us to provide approx. 35,000 Dth/d of Ojibway to Dawn C1 capacity to PEPL all year around, although we may require gas to be delivered on this path for the heart of the winter for a period of time.
Chris

From: Shorts, Chris
Sent: July-07-16 10:03 AM
To: 'Reid, John'
Cc: Newbury, Cheryl; Liberty, Erin; McClacherty, Shawn
Subject: RE: Energy Transfer Proposal for Union Gas

John, as per our discussion, Union is not in a position to consider the potential River Crossing work as part of its discussions at this point in time with ETP, but would like to term/sure up the 22,000 Dth/d that Union currently has under contract that does not have renewal/ROFR rights. This would mean Union would hold the remaining 35,000 Dth/d that it has with renewal/ROFR to potentially be available to be used to help justify any river crossing work in the future.

As such, Union is interested in obtaining the 22,000 longer term and is willing to contract for a 5 year term starting Nov 1, 2017 at max tariff rates, with approx. 15,000 Dth/d as short haul (Putnam/Lebanon interconnect) to Ojibway and 7,000 Dth/d long haul PEPL Field Zone to Ojibway. If possible our preference would be to lock in the tariff rate at current levels for the 5 year term and still have renewal/ROFR rights.

Union would rather contract now to provide PEPL with assurance related to the revenue and Union with assurance to access and cost, rather than to rely on the open season PEPL is currently having....

Please let me know your thoughts related to this request...
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: July-07-16 9:28 AM
To: Shorts, Chris
Subject: RE: Energy Transfer Proposal for Union Gas

Chris – could you please send me an email about your revised request for transport that we discussed yesterday?

Thanks

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Thursday, June 30, 2016 1:00 PM
To: Reid, John <John.Reid@energytransfer.com>
Cc: Newbury, Cheryl <CNewbury@uniongas.com>; Hill, Bryan D. <Bryan.Hill@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

Thanks John....
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: June-30-16 1:32 PM
To: Shorts, Chris
Cc: Newbury, Cheryl; Hill, Bryan D.
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

You can still work on this past June 30th, that's fine. I would like to get this wrapped up as soon as we can though.

We can extend the offer through until July 15th.

Thanks,

John

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Wednesday, June 29, 2016 12:12 PM
To: Reid, John <John.Reid@energytransfer.com>
Cc: Colton, Joey <Joey.Colton@energytransfer.com>; Hill, Bryan D. <Bryan.Hill@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, we did meet internally and I found I we hired a 3rd party consultant to provide some advice and they are just going through the findings now. I assume that since we have strayed away from the original offer that the June 30th deadline is somewhat irrelevant. Please let me know if we can still work on this post June 30th
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: June-22-16 3:50 PM
To: Shorts, Chris
Cc: Colton, Joey; Hill, Bryan D.
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

Sorry for taking so long to respond to this email. As you know I have been off on vacation for a couple of weeks.

We are still re-running our numbers and double checking our expected capital costs on the river crossing (if required), but with where our numbers look right now, we will be able to accommodate the items you mention below, namely:

1. Extend Union's current 57,000 Dth/d for a longer (~10 years as proposed) term with ROFR/Renewal rights
2. A lesser incremental volume (~15,000 Dth/d) for a shorter term as opposed to 38,000 Dth/d for 10 years as proposed
3. PEPL FZ to Union/Ojibway for all of the volume

Once I get confirmation of our numbers, I will send you a new, revised proposal. Give me a call at your convenience so we can discuss next steps on moving this forward.

Thanks,

John

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Wednesday, June 01, 2016 5:29 PM

To: Reid, John <John.Reid@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, as per our conversations, we really appreciate the offer and I want to provide you some feedback.

1) Our main concern is the continuation of the 57,000 Dth/d for a longer term and ensuring we have ROFR/Renewal rights on it
2) Given the constraints on our system and where the incremental load growth is materializing, we cannot take the 38,000 Dth/d on a long term basis
3) I am not comfortable with the PEPL Trunkline long haul commitment, although the PEPL only long haul path from the field zone would be more palatable
4) As per our original request we may be interested in about 15,000 Dth/d PEPL capacity on a short term basis (ie 2-3 years)

Let me know if you feel you can work this in...
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: May-19-16 10:16 AM
To: Shorts, Chris
Cc: Hill, Bryan D.
Subject: Energy Transfer Proposal for Union Gas

Chris,

Please find attached a proposal from Energy Transfer regarding upstream transportation for the Windsor market and how that relates to the Ojibway River Crossing. I am sending this to you as you seem to be "leading the charge", but please forward to Cheryl as well.

I look forward to discussing this with you at your convenience.

Thanks,

John

John Reid | Sr. Director – Business Development
Energy Transfer | 1300 Main St. | Houston, TX 77002
P: 713.989.7143 | C: 713.444.1483 | IM: johnreid126
Email: john.reid@energytransfer.com

Shorts, Chris

From: Reid, John <John.Reid@energytransfer.com>
Sent: August-08-16 10:40 AM
To: Shorts, Chris
Subject: Fwd: Energy Transfer Proposal for Union Gas

Any updates Chris?

Thanks,

Begin forwarded message:

From: "Reid, John" <John.Reid@energytransfer.com>
Date: July 27, 2016 at 2:21:59 PM CDT
To: "Shorts, Chris" <CShorts@uniongas.com>
Cc: "Newbury, Cheryl" <CNewbury@uniongas.com>, "Liberty, Erin" <eliberty@uniongas.com>, "McClacherty, Shawn" <smcclacherty@uniongas.com>, "Hill, Bryan D." <Bryan.Hill@energytransfer.com>, "Colton, Joey" <Joey.Colton@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

Please find attached a new proposal based on the email below and our discussions to date on Union and Energy Transfer's requirements. This proposal is subject to management approval.

Please note that this new proposal does not support any work or capital related to the river crossing.

Please let me know when you have time to discuss.

Thanks,

John

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Thursday, July 07, 2016 9:03 AM
To: Reid, John <John.Reid@energytransfer.com>
Cc: Newbury, Cheryl <CNewbury@uniongas.com>; Liberty, Erin <eliberty@uniongas.com>; McClacherty, Shawn <smcclacherty@uniongas.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, as per our discussion, Union is not in a position to consider the potential River Crossing work as part of its discussions at this point in time with ETP, but would like to term/sure up the 22,000 Dth/d that Union currently has under contract that does not have renewal/ROFR rights. This would mean Union would hold the remaining 35,000 Dth/d that it has with renewal/ROFR to potentially be available to be used to help justify any river crossing work in the future.

As such, Union is interested in obtaining the 22,000 longer term and is willing to contract for a 5 year term starting Nov 1, 2017 at max tariff rates, with approx. 15,000 Dth/d as short haul (Putnam/Lebanon interconnect) to Ojibway and 7,000 Dth/d long haul PEPL Field Zone to Ojibway. If possible our preference would be to lock in the tariff rate at current levels for the 5 year term and still have renewal/ROFR rights.

Union would rather contract now to provide PEPL with assurance related to the revenue and Union with assurance to access and cost, rather than to rely on the open season PEPL is currently having....

Please let me know your thoughts related to this request...
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: July-07-16 9:28 AM
To: Shorts, Chris
Subject: RE: Energy Transfer Proposal for Union Gas

Chris – could you please send me an email about your revised request for transport that we discussed yesterday?

Thanks

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Thursday, June 30, 2016 1:00 PM
To: Reid, John <John.Reid@energytransfer.com>
Cc: Newbury, Cheryl <CNewbury@uniongas.com>; Hill, Bryan D. <Bryan.Hill@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

Thanks John....
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: June-30-16 1:32 PM
To: Shorts, Chris
Cc: Newbury, Cheryl; Hill, Bryan D.
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

You can still work on this past June 30th, that's fine. I would like to get this wrapped up as soon as we can though.

We can extend the offer through until July 15th.

Thanks,

John

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Wednesday, June 29, 2016 12:12 PM
To: Reid, John <John.Reid@energytransfer.com>

Cc: Colton, Joey <Joey.Colton@energytransfer.com>; Hill, Bryan D. <Bryan.Hill@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, we did meet internally and I found I we hired a 3rd party consultant to provide some advice and they are just going through the findings now. I assume that since we have strayed away from the original offer that the June 30th deadline is somewhat irrelevant. Please let me know if we can still work on this post June 30th
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: June-22-16 3:50 PM
To: Shorts, Chris
Cc: Colton, Joey; Hill, Bryan D.
Subject: RE: Energy Transfer Proposal for Union Gas

Chris,

Sorry for taking so long to respond to this email. As you know I have been off on vacation for a couple of weeks.

We are still re-running our numbers and double checking our expected capital costs on the river crossing (if required), but with where our numbers look right now, we will be able to accommodate the items you mention below, namely:

1. Extend Union's current 57,000 Dth/d for a longer (~10 years as proposed) term with ROFR/Renewal rights
2. A lesser incremental volume (~15,000 Dth/d) for a shorter term as opposed to 38,000 Dth/d for 10 years as proposed
3. PEPL FZ to Union/Ojibway for all of the volume

Once I get confirmation of our numbers, I will send you a new, revised proposal. Give me a call at your convenience so we can discuss next steps on moving this forward.

Thanks,

John

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Wednesday, June 01, 2016 5:29 PM
To: Reid, John <John.Reid@energytransfer.com>
Subject: RE: Energy Transfer Proposal for Union Gas

John, as per our conversations, we really appreciate the offer and I want to provide you some feedback.
1) Our main concern is the continuation of the 57,000 Dth/d for a longer term and ensuring we have ROFR/Renewal rights on it
2) Given the constraints on our system and where the incremental load growth is materializing, we cannot take the 38,000 Dth/d on a long term basis
3) I am not comfortable with the PEPL Trunkline long haul commitment, although the PEPL only long haul path from the field zone would be more palatable
4) As per our original request we may be interested in about 15,000 Dth/d PEPL capacity on a short term basis (ie 2-3 years)

Let me know if you feel you can work this in...
Thanks
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: May-19-16 10:16 AM
To: Shorts, Chris
Cc: Hill, Bryan D.
Subject: Energy Transfer Proposal for Union Gas

Chris,

Please find attached a proposal from Energy Transfer regarding upstream transportation for the Windsor market and how that relates to the Ojibway River Crossing. I am sending this to you as you seem to be "leading the charge", but please forward to Cheryl as well.

I look forward to discussing this with you at your convenience.

Thanks,

John

John Reid | Sr. Director – Business Development
Energy Transfer | 1300 Main St. | Houston, TX 77002
P: 713.989.7143 | C: 713.444.1483 | IM: johnreid126
Email: john.reid@energytransfer.com

<Union Gas Proposal 72816.docx>

ENERGY TRANSFER

Chris Shorts
Director, Business Development and Upstream Regulation
Union Gas Limited

July 28, 2016

Chris,

Energy Transfer is pleased to offer the following proposal to Union Gas Ltd. for capacity to continue to serve your Windsor market utilizing the Panhandle and Trunkline assets. Under the proposal below, Energy Transfer Energy Transfer agrees to fix the tariff rate for the term of the contracts.

Proposal Details:

1. Union extends their current 57,000 Dth/d of capacity on PEPL and Trunkline until 10/31/32 as follows:
   - 25,000 Dth/d – PEPL FZ to Ojibway is renewed on 11-1-2017 for a term of **15 years at tariff rate**
   - 20,000 Dth/d – TGC FZ to PEPL/BRBN and PEPL/BRBN to Ojibway capacity is renewed as PEPL FZ to Ojibway on 11-1-2017 for a term of **15 years** at **tariff rates**
   - 2,000 Dth/d – PEPL FZ to Ojibway is renewed on 11-1-2017 for a term of **15 years** at **tariff rate**
   - 10,000 Dth/d – PEPL FZ to Ojibway is renewed on 11-1-2017 for a term of **15 years** at **tariff rate**
2. Energy Transfer contracts for Union C1 Ojibway to Dawn transport as follows:
   - 15,000 Dth/d with a term of Rover in-service (currently expected to be 11-1-2017) to 10/31/2019 at **C1 tariff rate**
   - 35,000 Dth/d with a term of 11-1-2019 to **15 years** from in-service at **C1 tariff rate**

Please call me at 713-989-7143 at your convenience to discuss this in more detail.

This proposal is valid through August 15, 2016 and is subject to available capacity and approval from Energy Transfer executive management. Fuel, commodity and other specifics are governed by the respective FERC GAS TARIFF's

Sincerely,

John Reid
Senior Director
Energy Transfer

Shorts, Chris

From: Reid, John <John.Reid@energytransfer.com>
Sent: September-22-16 11:15 AM
To: Shorts, Chris
Subject: RE: Panhandle Capacity

Chris,

Is Union still able to offer Energy Transfer the 35k/d of Ojibway to Dawn C1 transport?

Thanks

From: Shorts, Chris [mailto:CShorts@uniongas.com]
Sent: Friday, September 16, 2016 2:23 PM
To: Reid, John <John.Reid@energytransfer.com>
Cc: Newbury, Cheryl <CNewbury@uniongas.com>
Subject: Re: Panhandle Capacity

John we have run the numbers and I just don't see us in a position to commit to a 10 year term at this point. I think we may have to wait for the regulatory process to run its course. I appreciate you guys looking into options.
I am just boarding a plane to Calgary as I have to be at an NEB hearing all of next week. I will call you when I get a chance.
Appreciate your efforts.
Chris

Sent from my iPhone

On Sep 16, 2016, at 11:19 AM, Reid, John <John.Reid@energytransfer.com> wrote:

> Chris,
>
> Any update on this? It's been a few weeks, and I would really like to get this resolved.
>
> Thanks,
>
> John
>
> **From:** Reid, John
> **Sent:** Wednesday, August 24, 2016 9:54 AM
> **To:** Shorts, Chris <CShorts@uniongas.com>; Newbury, Cheryl <CNewbury@uniongas.com>
> **Subject:** Panhandle Capacity
>
> Chris/Cheryl,
>
> We have discussed this internally and ran our models. The increased capacity of 35k/d on the Ojibway to Dawn C1 does help our economics, but does not get us to a point where we could do down to a 5 year term. We could drop from the previously proposed 15 year term to a 10 year term on the PEPL FZ longhaul (57k/d).

Please let me know your thoughts.

Thanks,

John

-----Original Message-----
From: Shorts, Chris
Sent: August-11-16 10:24 PM
To: john.reid@energytransfer.com
Subject: Panhandle capacity

John we have been working to see if we could provide 35 a day for the full 15 years starting Nov 1, 2017. Although I don't have a final answer from the planners, I was hoping you could see if that coupled with a 5 year commitment to the PEPL filed zone long haul may be of interest.
Chris

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: August-16-16 4:09 PM
To: Shorts, Chris
Subject: Test

John Reid | Sr. Director – Business Development
Energy Transfer | 1300 Main St. | Houston, TX 77002
P: 713.989.7143 | C: 713.444.1483 | IM: johnreid126
Email: john.reid@energytransfer.com

ROVER PIPELINE
An ENERGY TRANSFER Company

November 17, 2016

VIA EMAIL

Chris Shorts
Director, Business Development
and Upstream Regulation
Union Gas Limited
50 Keil Drive North
Chatham, ON N7M 5M1
Canada

Re: Union Gas Limited's Panhandle Reinforcement Project (the "Project")

Dear Chris:

I am sending this letter as a follow-up to our phone conversation yesterday concerning Union's comments at the October 4, 2016 Technical Conference held with respect to the Project. To the point, the transcript of the Technical Conference reveals that Union made comments that mischaracterizes our discussions and negotiations for capacity on Union. As you know, we have been attempting to obtain C1 capacity on Union from Ojibway to Dawn for over 18 months. Indeed, we have submitted formal proposals in pursuit of that capacity. However, Union representatives have made comments on the record suggesting that, for example, Rover is "still wondering" about contracting for Union capacity [Transcript at p. 72]; or that Union has had conversations with "Energy Transfer, the Panhandle folks", but not with, "quote-unquote, Rover" [Transcript at p. 117] -- though Rover is part of Energy Transfer. We also see where Union refused on the record to discuss with us other service options to Dawn on the Ojibway line. [Transcript at p. 118] Further, contrary to Union's contention that it has not been provided any incremental capacity option by us [Transcript at p. 69], we have expressly made proposals from 57,000 to 95,000 Dth/d of capacity to Ojibway (for as short as 10 years) – as evidenced by the documents Union recently produced in the subject proceeding.[1]

We are concerned that Union has not been dealing in good faith with us and that Union is misleading the Ontario Energy Board ("OEB"). Accordingly, let me reiterate that we have been and continue to be seriously desirable of obtaining C1 capacity from Ojibway to Dawn for up to 75,000 Dth/d effective from the Rover in-service date (currently expected to be 11-1-2017) for a period of up to 15 years. 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

[1] These examples are not comprehensive of the inaccuracies we are finding in the Technical Conference Transcript.

ROVER PIPELINE
An ENERGY TRANSFER Company

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.

In addition, we request that Union make a filing with the OEB correcting its mischaracterizations of our efforts to obtain the subject capacity, and provide Rover with a copy of that filing. We realize that a hearing is scheduled for November 22-24, 2016; therefore, your immediate attention in this regard is required. In the event Union fails or refuses to formally correct the record by Monday, November 21, 2016, please be advised that we may pursue other avenues to inform the OEB of the mischaracterizations, including directly providing a copy of this letter.

Sincerely,

John Reid
Sr. Director – Business Development
Rover Pipeline LLC

cc: Jim Redford

Redford, Jim

From:	Redford, Jim
Sent:	November 18, 2016 7:07 AM
To:	Baker, Steve
Cc:	Simpson, David
Subject:	FW: Union Panhandle Reinforcement Project
Attachments:	11172016 - Letter to Union re Panhandle Reinforcement Project.pdf

We received a letter from ETP yesterday that states that we have mischaracterized our discussions with them on the Ojibway path. We have been in touch with Regulatory and will be responding. We are reviewing the response to Rover today and are likely to file our response (and their letter) with the OEB.

John Reid called Chris to discuss their issues and to let him know that a letter was coming. Beth Hickey called me to do the same.

We do not believe that we have mischaracterized our discussions. To your point on this proceeding, we will take the opportunity at the hearing to clarify a complex set of negotiations and discussions with ETP.

Jim Redford
Vice President, Business Development,
Storage & Transmission
519-436-4577

From: Reid, John [mailto:John.Reid@energytransfer.com]
Sent: November 17, 2016 9:11 AM
To: Shorts, Chris
Cc: Redford, Jim; Hickey, Beth A.; Erwin, Kevin
Subject: Union Panhandle Reinforcement Project

Please find attached a letter regarding Union's Panhandle Reinforcement Project.

John Reid | Sr. Director – Business Development
Energy Transfer | 1300 Main St. | Houston, TX 77002
P: 713.989.7143 | C: 713.444.1483 | IM: johnreid126
Email: john.reid@energytransfer.com

Redford, Jim

From: Baker, Steve
Sent: November 20, 2016 12:03 PM
To: Redford, Jim
Cc: Hopper, Darlene
Subject: Re: PANHANDLE DISCUSSIONS

Categories: Important

We should talk - not sure I follow this - they say they could obligate supply but we need to bid for supply from River shippers? How does/would that work? When we bid for supply at Dawn it is just supply - we don't know or care how a producer or shopper gets the gas there - so I don't understand what ETP is actually offering or how this would be workable

So if directed by the OEB, we would have to contract for 75/d of supple from a rover shipper and then ETP would obligate at Ojibway - not sure this is a good deal

Let's discuss

Sent from my iPhone

On Nov 20, 2016, at 10:15 AM, Redford, Jim <JRedford@uniongas.com> wrote:

We teleconferenced with ETP/Rover (Beth and John) late Friday afternoon to discuss their letter.

- Rover is not interested in supporting expansion facilities within Union's system and would be satisfied with the existing capacity available at prevailing C1 rates (about 36 TJ/d) at a 15 year term.
- ETP also offered us 23 TJ/d of capacity from Panhandle FZ to Ojibway on a term less than 10 years (possibly could do 5 year term). This would replace the capacity we did not have ROFR rights on (and would protect supply if the Emera deal did not extend past October 31, 2019).
- Rover could obligate deliveries through Ojibway if we were directed to pursue by the OEB. We would need to bid for Dawn supply from Rover shippers and Rover would then route gas first through Ojibway (up to 75 mmcfd Rover contract). My sense is that we would not get a Dawn price but the next best option at Ojibway (Panhandle FZ), particularly if the producers know that we have the obligation in place.

We need to respond to the Rover letter tomorrow morning. Would like to discuss recommendation with you.

Jim Redford, P. Eng.
Vice President, Business Development,
Storage & Transmission
Union Gas Limited | A Spectra Energy Company
50 Keil Drive North | Chatham, ON N7M 5M1
Direct Tel: 519.436.4577 Cell: 519-365-0510

<image001.jpg>

Shorts, Chris

From:	Hickey, Beth A. <Beth.Hickey@energytransfer.com>
Sent:	November-22-16 5:46 PM
To:	Shorts, Chris; Redford, Jim
Cc:	Reid, John; Hickey, Beth A.
Subject:	Fw: ETP follow up

Chris and Jim,

Thank you for the multiple discussions over the past few days that have helped John and myself better understand the context of your comments during the technical conference. As stated in our last call, Energy Transfer no longer has any concerns about the comments described in our letter dated Nov 17, 2016 and retracts our concerns included in that communication. In specific, we understand and agree that Union has been dealing with us in good faith and, in our opinion, has not been misleading the OEB.

Please do not hesitate to contact me should you wish to discuss further.

Regards,
Beth.

TAB 2

ROVER PIPELINE
An ENERGY TRANSFER Company

December 16, 2016

Chairman Norman C. Bay
Commissioner Cheryl A. LaFleur
Commissioner Collette D. Honorable
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: Rover Pipeline LLC
Docket No. CP15-93-000
Request for Immediate Commission Action

Dear Chairman Bay and Commissioners,

Rover Pipeline LLC ("Rover") hereby respectfully requests that the Federal Energy Regulatory Commission ("Commission" or "FERC") grant Rover's Natural Gas Act ("NGA") Section 7(c) pending certificate application for the Rover Pipeline Project ("Project") as soon as possible, but no later than December 2016, so that Rover may prepare to commence construction activities by mid-January 2017.

Achieving this commencement of construction date is vital to allow Rover to comply on a timely basis with certain environmental conditions contained in the Final Environmental Impact Statement ("FEIS") and associated clearances for the Project. However, Rover will be unable to meet these requirements without Commission action before the end of the year. For instance, Rover must conduct tree felling during certain limited windows. If Rover is unable to commence tree felling by mid-January 2017, the Project very likely will be delayed for up to a full year and it will be not be able to meet the contractual in-service date that its producer-shippers are counting on. This will result in significant economic harm, not only to Rover and its shippers, but also to the natural gas consumers and the national and local economies that stand to benefit from construction of the Project.

This is a matter of significant concern to Rover's producer-shippers that have made major capital investments and have committed to production and delivery schedules on the basis of Rover's projected in-service dates. Continued delays in Project execution will have devastating implications for these producer-shippers who have over 1.55 billion cubic feet ("bcf") per day ("bcf/d") of natural gas scheduled to begin flowing in July 2017 and up to 3.15 bcf/d starting in November 2017. It will also have a negative economic impact in the market regions that have already made commitments and plans to receive natural gas for a multitude of uses, including domestic consumption for heating and cooling, as well as manufacturing, chemical production, and fuel for power generation.

The negative financial consequences resulting from a failure to start Project construction by mid-January 2017 will also will be felt directly by approximately 15,000 construction workers and nearly 2,000 non-construction workers, including surveyors, engineers, environmental specialists, pipeline inspectors, outreach and right-of-way professionals, among others, who are all waiting to begin work on the Project. The ongoing delay in the start of construction is creating a void in employment opportunities in the Project region. In this regard, trade groups and unions that have invested millions of dollars and thousands of hours training their workers to build the Rover Pipeline are on hold awaiting approval of the Project. Communities along the pipeline route that have been planning for and relying upon the income that will result from pipeline construction are already suffering due to the delay in income and revenue associated with sales of services and products such as food, lodging, fuel and other supplies, as well as associated tax revenues, including property and ad valorem taxes. These losses are real and are having a negative impact on communities, including school budgets and community improvement projects, that otherwise would benefit from the added tax basis that will result from the Project.

As you are aware, construction of the Project, which is over 95 percent subscribed (at present 3.1 bcf/d out of 3.25 bcf/d is committed under long-term firm contracts), will enable the transportation of up to 3.25 bcf/d of natural gas from points in Pennsylvania, West Virginia, and Ohio to markets in the Gulf Coast, Midwest, and Canada, providing producer-shippers with markets for bottle-necked production, and gas consumers with access to readily-available, stable, and competitively-priced gas supplies.

Rover commenced the Commission's pre-filing process in June 2014, and subsequently submitted an application under NGA Section 7(c) in the above-captioned docket on February 20, 2015 ("Application"). In the Application, Rover requested that the Commission issue an order approving the Project by November 2015. On July 29, 2016, the Commission issued the FEIS for the Rover Pipeline Project, and Rover currently is awaiting Commission approval of its Application. Construction of the Rover Pipeline Project must commence by no later than mid-January 2017 to avoid or mitigate the significant environmental concerns raised by construction activities in West Virginia, Pennsylvania, Ohio and Michigan.

As a conservation measure to reduce impacts on the federally listed Indiana and northern long-eared bat, Rover committed to clearing trees within the U.S. Fish & Wildlife Service's ("USFWS") approved seasonal windows between October 1 and March 31 in Michigan, Ohio, and Pennsylvania, and between November 15 and March 31 in West Virginia. FERC staff concurred with this conservation measure and included a specific condition in its FEIS that Rover adhere to the USFWS clearing windows. In addition, this conservation measure provides protection for migratory birds in that the trees would be felled outside of the migratory nesting season between April 15 and August 1. Implementation of this conservation measure will require felling of trees from approximately 2,918 acres of land along 511.4 miles of the Project and from 112 acres within the aboveground facilities. All trees will be dropped within the authorized construction right-of-way within the specified windows for later disposal during clearing and grading. To accomplish this, multiple crews and equipment must be mobilized along the entire Project construction right-of-way during the USFWS-window.

As detailed above, any further delay in issuance of the Certificate and/or approval to begin the initial phase of construction will severely delay the Project and have a detrimental and cascading impact on Rover's producer-shippers, U.S. natural gas consumers, construction and other workers as well as communities along the Project route.

As we understand it, Rover's Application is complete and there are no legal, procedural or other impediments to the Commission granting the Application and issuing the Certificate. We therefore respectfully request that the Commission issue the Certificate no later than the end of this year.

Respectfully submitted,

*/s/ Joey Mahmoud*________
Joey Mahmoud
Executive Vice President, Engineering & Construction
Energy Transfer Partners, L.P.

cc:

Ann Miles
Terry Turpin
Kimberly Bose

CERTIFICATE OF SERVICE

In accordance with the requirements of Section 385.2010 of the Commission's Rules of Practice and Procedures, I hereby certify that I have this day caused a copy of the foregoing document to be served upon each person designated on the official service list compiled by the Commission's Secretary in this proceeding.

/s/ Dionne McCallum-George
Dionne McCallum-George
Legal Secretary on behalf of
Rover Pipeline LLC