Introduction

In response to the Board's Procedural Order No. 2, the Federation of Rental-housing Providers ("FRPO") provides the following submissions on the unsettled items in the Union Gas Deferral Account proceeding.

1. PDO Reduction Cost Removal

1.1. FRPO firmly believes an additional appropriate adjustment should be made to recover PDO Reduction costs. The portion of the ratepayer contribution of $5.014M for the demand costs of the PDO facilitated surplus capacity starting with 146TJ of Temporarily Available Capacity should be returned to Union South customers. We submit that this adjustment is just and reasonable for the following reasons:

- 1.1.1. The Revenue Requirement for All Existing Dawn-Parkway Assets are in Rates at the beginning of the IRM Term
- 1.1.2. Parkway Delivery Obligation Reduction Costs for Temporarily Available Capacity are Incremental to the Revenue Requirement for the Dawn-Parkway Assets
- 1.1.3. Dawn-Kirkwall Turnback Replaced Temporarily Available Capacity thus Continuing Incremental Revenue
- 1.1.4. Framework Settlement Agreement for PDO Explicitly Intended to Keep Union Whole through IRM Period but Not to Enhance Earnings
- 1.1.5. Dawn-Parkway Capacity is Surplus to In-Franchise and Ex-franchise Demands
- 1.1.6. Forgone Revenue Presumes Demand for Service that Cannot be Met

1.2. At a high level, ratepayers paid for a surplus of Dawn-Parkway capacity in the rebased rates at the start of the IRM period. Union sold in-franchise ratepayers that Temporarily Available capacity at an incremental cost through PDO Reduction costs added to rates. The capacity was already in base rates but ratepayers had to buy it again to facilitate PDO reduction.

1.3. When Dawn-Kirkwall capacity replaced the Temporarily Available capacity, that Temporarily Available Capacity was sold to others generating a replacement revenue stream while ratepayers were still paying for that capacity through PDO Reduction costs in rates. As each Dawn-Parkway expansion was put in service, all of the costs of the expansions were put in rates even though the builds created a growing surplus. This approach inflated the unit cost of capacity, on top of the fact that ratepayers were still paying twice for a portion of the original surplus deemed as Temporarily Available Capacity through PDO costs in rates.

1.4. Even with the last tranche of Parkway to Dawn shift Nov. 1/17, there is an equivalent of 200 TJ of Dawn-Parkway which ratepayers are now paying for through PDO Reduction costs in rates. Since that amount is less than the 210 TJ of original surplus capacity in base rates, ratepayers are paying twice for the 200TJ.

1.5. To assist the Board, we provide a brief summary of the PDO Reduction Framework Agreement after which, we establish an evidentiary basis for our premises.

1.6. The Parkway Delivery Obligation describes a contractual commitment to deliver gas to Parkway on a daily basis subject to Union's approval for other arrangements. From the earliest days of Direct Purchase, those marketers or customers made that commitment to Union as a condition of being allowed to arrange their own supply upstream of Union's franchise for redelivery in the Union South franchise.

1.7. Over the past couple of decades, as the market evolved, the cost of landing gas at Parkway vs. Dawn increased to a level well above M12 rates on an annual basis while the Dawn market increased in liquidity. This prompted customers, some of whom were large customers who were situated west of Dawn, to seek relief from this historic inequity and be allowed to deliver their daily commitment quantity to Dawn. The historic inequity was that the Parkway deliveries were a mechanism to avoid building more facilities from Dawn to Parkway, which saved all ratepayers money, while the costs of the Parkway deliveries were borne by the Parkway obligated customers. For the most part, this was a subsidy from the Parkway obligated customers to the rest of Union's ratepayers.

1.8. The Settlement Framework for the Reduction of the Parkway Delivery Obligation[1] ("the Framework Agreement) was negotiated between ratepayers and Union as a mechanism to try "to rectify this inequity".[2]

> *1.8.1. "The ultimate objective of the modified proposal is to remedy an inequity. The guiding principle is to keep Union whole rather than to enhance or reduce its earnings during the operation of the Incentive Regulation Mechanism ("IRM") to December 31, 2018."*

1.9. The initial phase of the PDO Reduction Agreement called for a prorated share of Parkway delivery obligations in the amount of 212TJ/day to be moved to Dawn being facilitated by Temporarily Available Dawn to Parkway Capacity. This Temporarily Available Capacity was in excess of the combined in-franchise and ex-franchise peak day needs at the time of the Agreement. It was deemed to be Temporarily Available as

[1] EB-2013-0365 Appendix B, filed June 3, 2014
[2] EB-2013-0365 Appendix B, page 1, paragraph 3

it was expected to be sold in the market prior to the winter of 2015/16.[3] For the winter of 2015/16, the pre-established shift of 212 TJ/day back to Dawn would be facilitated by a combination of Dawn-Kirkwall turnback and incremental resources.[4] The Framework Agreement specified that in-franchise customers would compensate for Union for the use of this capacity to continue to support the PDO Reduction.

1.10. Beyond the winter of 2015/16 , it was stipulated that any additional Dawn-Kirkwall turnback would be used to increase the PDO Reduction available. However, what was re-emphasized in the reporting requirements of the Framework Agreement was the principle:[5]

1.10.1. "Parties further agree that ratepayers will be entitled to recover from Union that portion of the costs incurred by Union to manage the Parkway Delivery shortfall to the extent that the cost of the measures used by Union to manage the shortfall are already covered in base rates, Y factors and/or existing deferral or variance accounts."

1.11. Through the course of the Oral Hearing in the Merger proceeding and, in fact in previous proceedings, FRPO strived to get clarity on the evolution of Dawn PDO Reduction mechanism during the IRM which included expansion of the Dawn-Parkway system. An examination of what was learned seen through the Framework Agreement leaves us with the following conclusions:

1.12. <u>The Revenue Requirement for All Existing Dawn-Parkway Assets are in Rates at the Beginning of the IRM Term</u>

1.12.1. The Dawn-Parkway system has been expanded through the IRM term primarily to move gas from Dawn due to the increased sourcing of natural gas from the Appalachian basin. Undertaking Exhibit J2.5[6] provides a summary of increases in demand and capacity during this period. Starting with the Winter of 2013/14, the Exhibit depicts that the system had a surplus capacity of 210 TJ[7]. As provided in Note (3), the costs of all of the capacity were included in base rates by being spread over demands forecasted[8]. While these rebased costs remained fixed in rates including the 210 TJ surplus, increased capital for facility builds throughout the

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[3] EB-2013-0365 Appendix B, page 4, paragraph 2. ii
[4] EB-2013-0365 Appendix B, page 4, paragraph 2. ii & iii
[5] EB-2013-0365 Appendix B, page 6, paragraph 10
[6] EB-2017-0306 Exhibit J2.5
[7] While Note (3) of Exhibit J2.5 indicates the forecast surplus was approved in EB-2010-0210, it was approved as uncontested with no mention of this surplus in the decision.
[8] EB-2017-0306 Transcript, Volume 6, 20180528, page 121, lines 23 to 26 confirm this approach.

term were layered into the Dawn-Parkway revenue requirement prior to allocation to rates.[9] As a result, with each successive build, the original rebased costs of the Dawn-Parkway system were inflated by the average investment of incremental Dawn-Parkway facilities during the IRM period resulting in all of the costs of the system being in rates throughout the IRM term.

1.13. PDO Reduction Costs for Temporarily Available Capacity are Incremental to the Revenue Requirement for the Dawn-Parkway Assets

1.13.1. Given the fact that the revenue requirement for all of the Dawn-Parkway assets were included in rates as described above, the question becomes: What about the revenue requirement associated with PDO Reduction? The first year of introduction of the PDO Reduction into rates was for 2015. A review of Schedule 4[10] provides the calculation of the unit rates of the respective rate classes for Union South. After the revenue requirement for each rate class has been adjusted for the price cap index, including all of the costs of the entire Dawn-parkway system, the requirement is further adjusted by the allocation of costs for the PDO Reduction[11] among other adjustments like DSM.

1.13.2. However, while costs are added for the respective in-franchise rate classes for 2015, there is no corresponding reduction to the revenue requirement to A any rate classes. In other words, the PDO incremental revenue requirement is on top of the costs for Dawn-Parkway assets already fully recovered in the Board-approved revenue requirement for in-franchise and ex-franchise customers at rebasing. Clearly, there is no additional cost that underpins this incremental adjustment and no compensating adjustment to other rates. The rate increases associated with the Temporarily Available Capacity becomes an additional revenue with no costs over and above the revenue requirement already recovered in rates.

1.13.3. This point was confirmed through Union testimony:[12]

> MS. MIKHAILA: Essentially that is the revenue Union has earned from utilizing 146 tJs of temporarily available capacity to facilitate the PDO shift in that winter. That revenue would have also been subject to earnings sharing had we been in earnings sharing that year.

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[9] Schedule 4 from each Union ratemaking proceeding confirms a multiple step process to remove non-base items such as DSM, Capital Pass Throughs and PDO Reduction

[10] EB-2014-0271 Schedule 4

[11] Column (n) of Schedule 4 provides the monetary adjustment which references Schedule 20 for determination.

[12] Transcript Volume 3, 20180514, page 15 lines 13-24.

MR. QUINN: So said differently, what was in rates was the 5,143. The 4,463 in line 19 is only an estimate of what Union believes that has foregone as a result of the PDO shift?

MS. MIKHAILA: No, I would say the 4,500,000 on line 19 is the additional revenue Union received as a result of the PDO agreement. That is because it has sold 146 TJs a day to in-franchise customers to turn their deliveries from Parkway back to Dawn. It was extra -- it was additional revenue Union has earned, but it was as a result of utilizing the 210 TJs a day we had in our cost of service.

MR. QUINN: What was that additional revenue supposed to be used for?

MS. MIKHAILA: It wasn't necessarily to be used for anything. It was incremental revenue to Union as a result of the PDO agreement.

1.13.4. Since those 146 TJ's[13] were part of the 210 TJ's[14] that was surplus and put into rates upon rebasing, Union essentially "sold" to in-franchise customers that 146 TJ's which was already bought and paid for previously in rates. This "sale" results in revenues well above "keeping Union whole" as they were already fully compensated for that capacity in rates.

1.14. Dawn-Kirkwall Turnback Replaced Temporarily Available Capacity Creating Incremental Revenue

1.14.1. In the next year, 123 TJ (146 TJ[15] minus 23 TJ[16]) of the Temporarily Available Capacity was sold and that amount of PDO Reduction was provided for by 139 TJ[17] of Dawn-Kirkwall capacity with equivalency of 123 TJ[18] of Dawn-Parkway capacity. Union has asserted that, as a result, they are foregoing the revenue associated with not being able to re-sell this Dawn-Kirkwall capacity.[19] However, this proposition is clearly incorrect when it is understood that this switching of capacity to facilitate PDO Reduction allowed Union to sell and generate M12 revenues from the 123 TJ of Temporarily Available Capacity. Due to this continued ratepayer compensation for PDO, the 123 TJ that were sold along with 23

[13] EB-2017-0306 Exhibit J2.5 Filed 2018-05-23, Attachment 1, column (b), line 8
[14] EB-2017-0306 Exhibit J2.5 Filed 2018-05-23, Attachment 1, column (a), line 7
[15] EB-2017-0306 Exhibit J2.5 Filed 2018-05-23, Attachment 1, column (b), line 8
[16] EB-2017-0306 Exhibit J2.5 Filed 2018-05-23, Attachment 1, column (c), line 8
[17] EB-2017-0306Exhibit J2.5 Filed 2018-05-23, Attachment 2, column (b), line 1
[18] EB-2017-0306Exhibit J2.5 Filed 2018-05-23, Attachment 1, column (c), line 9
[19] EB-2017-0306Exhibit J2.5 Filed 2018-05-23, Attachment 2, column (b), line 6

TJ of Temporarily Available Capacity still facilitating PDO reduction were still generating incremental revenues above the original revenue requirement already fully recovered in rates.

1.14.2. Over the next couple of years, the rest of the Temporarily Available space was sold being replaced by additional Dawn-Kirkwall turnback "facilitated" an additional increment of PDO reduction. In parallel, Dawn-Parkway capacity was being built incremental to new contracts.

1.15. <u>Framework Settlement Agreement for PDO Explicitly Intended to Keep Union Whole through IRM Period</u>

1.15.1. When ratepayers sought an agreement with Union to address the historic inequity, specific language was added to try to ensure that Union was kept whole in facilitating this rectification while ensuring ratepayers were not harmed. While explicit elsewhere in the agreement, the Annual Reporting section, intended to be the monitoring mechanism, provided this specific language:

Union will include in its annual rate case filings a report on…

(c) The measures that Union used and the costs incurred to manage the Parkway delivery shortfall (described in paragraph B.2) to acquire incremental resources, the costs of which are not already recovered in base rates, Y factors and/or existing deferral and variance accounts.

If the costs incurred to manage the Parkway delivery shortfall component of the PDO reduction in any year are less than the annual demand costs related to the shortfall in that year and actual fuel costs in that year for capacity equal to the shortfall capacity, then the entire amount of such cost savings will accrue to Union.

Conversely, if the actual costs in any year to manage the Parkway Delivery shortfall in that year exceed annual demand costs and actual fuel costs in that year for capacity equal to the shortfall amount, then Union will be entirely responsible for those excess costs.[1] *Parties further agree that ratepayers will be entitled to recover from Union that portion of the costs incurred by Union to manage the Parkway Delivery shortfall to the extent that the cost of the measures used by Union to manage the shortfall are already covered in base rates, Y factors and/or existing deferral or variance accounts.*

1.15.2. In the 2017 Rates proceeding, FRPO requested more fulsome answers to interrogatories seeking information to understand how the PDO Reduction was provided[20]. Some information was provided very late in that process and added to the Settlement Agreement. But the full picture was not clear yet.

1.15.3. The issue was pursued further in the 2018 Rates proceeding but the answers were not clear and have evolved. With more complete information and explanations coming through this Oral Hearing, we can now state as a matter of evidence, that no incremental resources were required[21] and therefore the PDO Reduction has been facilitated by the Dawn Parkway system recovered in base rates at the outset of the IRM term and by Y factors, specifically the capital pass through from incremental builds. As a result, by application of the negotiated settlement ratepayers are entitled to recover from Union those costs.

1.16. <u>Dawn-Parkway Capacity is Surplus to In-Franchise and Ex-franchise Demands</u>

1.16.1. At the outset of the PDO Framework, Union anticipated managing the shift of 212 TJ/day primarily through Temporarily Available or surplus capacity and incremental resources. In spite of having the coldest February in decades, as outlined above, Union did not acquire any incremental resources in the first year.

1.16.2. In the following year, the primary capacity utilized for PDO reduction was Dawn-Kirkwall capacity[22] that was turned back that was "allocated" to the PDO Reduction. But that turned back capacity is just another form of surplus capacity. Union could not sell contracts for all the capacity it had after the 2015 build as evidenced by the fact that while the forecast predicted a shortage, Union testified that there was, in fact, a surplus.[23] Therefore, Union could not sell the capacity even for the winter. More importantly, that Dawn-Kirkwall capacity was provided by assets that were in the original Dawn-Parkway system assets at the outset of rebasing and therefore their costs were recovered in base rates[24].

1.16.3. What is more telling is that, while we do not have a specific figure for the amount of surplus for the winter of 2015/16, it was likely the tightest demand/capacity

[20] EB-2016-0245 Requests for More Fulsome Responses to IR's and Supplemental Information submitted by FRPO, Nov. 13/16
[21] EB-2017-0087, Exhibit B.FRPO.8
[22] EB-2017-0306 Exhibit J2.5 Attachment 1, column (c), line 9
[23] Transcript Volume 3, page 19, line 4 to page 20, line 18
[24] M12 Customers must provide 2 year notice so Dawn-Kirkwall capacity expiring before the winter of 2015/16 would have been part of the capacity on the system in 2013/14

balance of the IRM years. And yet, Union did not even contract for a winter peaking service[25] to ensure it could meet Design Day conditions. A prudent utility would not expose its customers to that level of security of supply risk unless it had confidence in its existing assets to be able to manage almost all extreme conditions.

1.17. Forgone Revenue Presumes Demand for Service that Cannot be Met

1.17.1. Union has recently emphasized this concept of forgone revenue as a result of providing the PDO Reduction.[26] Forgone revenue presumes a refraining from selling the space. To refrain, there would need to be a request that was turned away as a result of insufficient capability. That is clearly not the case in this instance. Given Union's clarification of a surplus position of capacity over demand for the winter of 2015/16[27], it is a matter of evidence that there was a surplus of capacity throughout the entire IRM period. In other words, there was no request for capacity that could not be met by the assets that were in place for each winter. Therefore there was no request for Long-Term service that could not be met and therefore foregone revenue, calculated at the annual M12 rate is not an appropriate measure.

1.17.2. This concept extends to Union's ability to sell services short term. Through inquiry in the 2018 Rates proceeding regarding the appropriateness of PDO with the addition of Dawn-Parkway capacity, Union stated:[28]

> *"The guiding principle of the PDO Settlement Agreement is to keep Union whole rather than enhance or reduce its earnings during the operation of the IRM. Including the PDO costs in 2018 Rates ensures Union is kept whole because the Dawn to Parkway capacity used to facilitate the PDO reduction is capacity that could otherwise be sold in the S&T markets as short term transportation revenue."*

1.17.3. However, it is clear that there was a surplus of capacity that was not sold long-term, Union's preference,[29] and therefore would be available for sale short-term or as Interruptible Transport. FRPO inquired about the sales of short-term and

[25] Where a utility does not have a strong level of certainty to meet Design Day with its own supply and assets, the next logical choice is to enter into a Winter Peaking Service which is contract that provides the utility a call option on a certain quantity of gas at a certain location for a maximum set number of days in the winter period.
[26] EB-2017-0306 Exhibit J2.5 Attachment 1, lines 18-20 and Attachment 2
[27] EB-2017-0306 Transcript Volume 3, page 19, line 4 to page 20, line 18
[28] EB-2017-0087, Exhibit B.FRPO.10
[29] Transcript Volume 3, page 18, lines 18-24

interruptible transport[30]. The response provides that Union sold short-term and IT each and every month of the first 3 years of PDO implementation generating revenue in the tens of millions of dollars. Further, they stated that they did not have to turn away any requests for IT during the last four years.[31]

1.18. In summary, the PDO Reduction has allowed Union to over-earn on its rate of return for the Dawn-Parkway system not including the Short-Term and IT sales by facilitating the PDO Reduction by reselling surplus Dawn-Parkway capacity back to ratepayers since 2015. The costs of that capacity were originally recovered in base rates and have been inflated by the Y factor adjustments of Dawn-Parkway builds over the IRM period.

1.19. <u>Dawn-Parkway M12 Turnback from In-franchise Customers Warrant PDO Reduction Compensation</u>

1.19.1. While FRPO urges the Board to correct the over-earning of PDO Reduction related to surplus capacity, we will acknowledge that, as part of the Reduction Framework Agreement, some customers were allowed to turn M12 capacity in moving their contracted delivery point from Parkway to Dawn. This situation can be differentiated as, in forecasting revenues to meet the revenue requirement in rebasing, this M12 capacity had an expected revenue stream. In accepting the turnback of this capacity, Union was foregoing expected revenue from these customers and holding the capacity as a means to get the gas from Dawn to Parkway. As such, PDO compensation ought to be provided.

1.19.2. This aspect in-franchise turnback of the PDO Reduction highlights the difference between foregone expected revenue from encumbered capacity versus Temporarily Available Capacity for which revenue would be provided throughout the IRM period since the cost of this surplus capacity was included in rates at the time of rebasing.

1.20. <u>Relief Requested</u>

1.20.1. As the PDO Reduction Framework Agreement explicitly establish that the Settlement was not to enhance earnings[32] and ratepayers were entitled to recover

[30] EB-2017-0091, Exhibit B.FRPO.6
[31] EB-2017-0087, Exhibit B.FRPO.11
[32] EB-2013-0365 Appendix B, filed June 3, 2014

costs that were already recovered in base rates and Y factors, FRPO respectfully request the Board order an adjustment to the deferral account dispositions in the amount of $ 5.014M for 2017.

1.20.2. This amount is derived by extracting the demand charges for surplus capacity (either Temporarily Available or Dawn-Kirkwall that replaced it) on a prorate basis from the PDO Demand Charges for 2017. This effectively leaves recovery of the PDO Reduction charges associated with Customer Turnback of M12 -Permanent Capacity[33]. For ease of reference, we provide a snapshot of the referenced table.

					W16/17	W17/18
	PDO Shift					
	Customers without M12 service					
8	Temporarily Available Capacity	-	146	23	13	-
9	Permanent Capacity (from Dawn-Kirkwall Turnback) (5)	-	-	123	133	200
10	Total	-	146 (4)	146	146	200
	Customers with M12 service - Permanent Capacity					
11	All Customers excluding TCE Halton Hills	-	19	19	19	19
12	TCE Halton Hills	-	48	48	48	62
13	Total	-	66	66	66	81
14	Total PDO Shift (line 10 + line 13)	-	212	212	212	280
	PDO Shift cost in Rates		2015 Rates	2016 Rates	2017 Rates	2018 Rates
15	Dawn-Parkway Demand Costs ($000's) (5)		5,143	5,694	6,720	9,726
16	Incremental Compressor Fuel Costs ($000's)		1,900	1,797	1,707	1,705
17	Total		7,043	7,491	8,426	11,431

1.20.3. Given the additional PDO shift as of November 1, 2017 (10 months at one demand rate and 2 months of the next demand rate) and using the columns created for the Winters of 16/17 and 17/18 in the Exhibit, we believe the reduction would be calculated with the following formula:

Reduction= 146(line 10 of W16/17) divided by 212(line 14 of W16/17) times $6,720 times 10/12
Plus 200(line 10 of W17/18) divided by 280(line 14 of W17/18) times $9,726 times 2/12
= $5,014

Whether Union accepts the merits of our exclusion of surplus capacity, to assist the Board in their determinations, we would ask that Union confirm or correct the mathematical calculation of the cost reduction that would be associated with the surplus capacity.

[33] EB-2017-0306 Exhibit J2.5 Attachment 1, line 13

1.21. Further, FRPO would like to bring a concern to the Board's attention. Through several unsuccessful attempts to understand treatment of PDO Reduction costs, we have been unable to receive timely and full disclosure of the information. Drawing from a historic decision from the Board, we respectfully submit that the utility has an obligation to ensure that the Board is provided sound evidence in establishing just and reasonable rates:[34]

> *"The Company has an affirmative obligation to provide the Board with the best possible evidence and it is not incumbent on the intervenors to ensure, through cross examination of the Company's witnesses, that the record is adequate and complete. The Company cannot shirk its responsibilities as a regulated entity by submitting evidence that is vague and incomplete."*

1.22. In our view, the company has not met this obligation in this matter of the PDO reduction costs. There, in the alternative, if the Board is not satisfied that there is sufficient evidentiary basis to remove the PDO Reduction costs associated with surplus capacity, we respectfully request that the Board:

1.22.1. Establish a deferral account and place amount equal to the 2017 PDO Reduction charges in rates

1.22.2. Adjust Union's net disposition in this proceeding by that amount

1.22.3. Order Union to file sufficient evidence detailing the costs and recoveries of the Dawn-Parkway system throughout the IRM period to allow a determination of this issue in the IRM period.

2. Lobo D/Bright C/Dawn H Compressor Project Costs Account (179-144)

2.1. In Union's last Dawn-Parkway capacity expansion (EB-2015-0200), three compressors were installed in 2017. The evidence indicated that as a result of the build, the Dawn-Parkway system would have excess capacity (capability minus demand) of about 30,000 GJ/day or 30 TJ/day. Since you cannot build a fraction of a compressor, the build seemed appropriate.

[34] RP-1999-0001 Decision, paragraph 4.5

2.2. Union offered as part of the settlement that they would “market” the capacity.

2.2.1. *Union does not know how long the Dawn Parkway System will be in a surplus position following the in service date of the Project. As stated in B.TCPL.2 f), Union will actively market the surplus capacity in accordance with the Storage and Transportation Access Rule (“STAR”), starting with a new capacity open season for service commencing November 1, 2018, and the parties agree that the revenues from such marketing will be credited to the proposed Dawn H/Lobo D/Bright C Compressor Project Costs Deferral Account.*[35]

2.2.2. The TCPL IRR TCPL.2f) reads:

2.2.2.1. New capacity through facilities expansions is marketed in accordance with the Storage and Transportation Access Rule (STAR). That is, new capacity is publicly posted and marketed via an open season. Contracted capacity is reported through the monthly Index of Customers for transportation, showing the sale of firm transportation contracts with terms of one month or greater.

2.2.2.2. The surplus following the completion of the 2017 expansion will be marketed on a 15-yearcommitment basis until the time that the proposed 2017 Dawn Parkway Project is placed into service. In addition, Union will include the surplus capacity in any new capacity open seasons conducted prior to the 2017 Dawn Parkway Project being placed into service, including the new capacity open season for service commencing November 1, 2018 planned for fall of 2015.

2.2.2.3. Once the 2017 Dawn Parkway Project is placed into service, any of the 2017 surplus capacity will be marketed for the term that remains available (monthly, seasonally or annually). This may include surplus capacity that was allocated through a new capacity open season conducted prior to the 2017 Dawn Parkway Project in-service date but the transportation service has not commenced (i.e. surplus capacity can be marketed on a short term basis in winter 2017/2018 that was allocated to commence service November 1, 2018).

2.2.2.4. However, if some or all of the surplus capacity is not needed to meet demand in new capacity open seasons held prior to the 2017 Dawn Parkway Project in-service date, then that capacity will be marketed as existing capacity.

[35] EB-2015-0200 DAWN PARKWAY 2017 BUILD SETTLEMENT AGREEMENT, page 8

2.3. To capture revenues that could be generating from marketing the capacity, the settlement agreement called for the revenues associated with potential sale of the 30,393 GJ/day on a firm basis at the then M12 rates amounting to $1.34M.[36] The settlement agreement further stated:

2.3.1. *Variances in the actual revenue generated from the surplus capacity to the $1.34 million will also be recorded in the deferral account, and will be subject to review at the time of disposition of the account. The account is symmetrical, meaning that it will capture both positive and negative variances in actual revenue generated from the surplus capacity relative to the $1.34 million to be included as a credit in the deferral account.*

2.4. As asserted in Union's evidence, Union recognized no revenue on the surplus capacity:[37]

2.4.1. *In the 2017 Dawn Parkway Project Settlement Proposal (EB-2015-0200), Union agreed to record in the deferral account variances in actual revenue generated from forecast surplus capacity of 30,393 GJ/d relative to the maximum annual revenue of $1.34 million that could be realized from the sale of long-term firm surplus capacity effective November 1, 2017. Union's actual Dawn to Parkway surplus for winter 2017/2018 was in excess of 30,393 GJ/d, therefore no long-term Dawn to Parkway revenue was earned from the forecast surplus to apply against the deferral account.*

2.5. Union's insertion of a restriction on sale to long-term is unprecedented and is not supported by the agreement including the interrogatory provided clarifying the marketing of capacity. If Union intended that this surplus capacity would be the very last to be marketed like some kind of First In/First Out policy, the onus would have been on them to clarify that in the agreement. As such, this limitation is not appropriate.

2.6. Union did achieve revenues from the utilization of surplus Dawn-Parkway capacity through short-term firm, C1 and interruptible capacity. Therefore, we respectfully request that the Board order Union to calculate a prorated allocation for revenues attributable to this capacity as a portion of all surplus capacity consistent with Board staff's submission. This revenue should be used to offset costs in the deferral account.

3. OEB Cost Assessment Variance Account (179-151)

3.1. The OEB's Cost Assessment Model (CAM) was updated in 2016 and the Board made provision for a variance account to record any material differences between the revised cost assessments and that currently built into utility rates, effective April 1, 2016. Union has requested disposition of $1.167M, claiming it as material.

[36] EB-2015-0200 DAWN PARKWAY 2017 BUILD SETTLEMENT AGREEMENT, page 24
[37] EB-2018-0105 Ex. A, Tab1, pages 51-52

3.2. FRPO respectfully requests that the Board should deny this request as not material. We support the views of Board staff and others who support the IRM materiality threshold as the appropriate metric and the Filing Guidelines as just that, guidelines.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

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