DR QUINN & ASSOCIATES LTD.

VIA E-MAIL

November 30, 2020

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

RE: EB-2019-0159 – EGI Dawn-Parkway - FRPO Submissions on Final Costs

In accordance with Procedural Order No. 8. FRPO submits the following in support for an award of the balance of our original cast claim.

The cost claim was in an amount of $59,365.68, including HST. The interim award was $30,000.00. The balance is $29,365.68.

The nature and details of the tasks performed on behalf of FRPO are set forth in the original cost claim, along with the time spent in performing each of those tasks. The time spent has been valued in accordance with the OEB's Guidelines on Cost Awards. No further information related to each of these topics is available.

The purpose of performing each of the tasks detailed in the claim was to establish a solid foundation of publicly available facts and data that would compellingly establish the market opportunity that exists to enable EGI serve the incremental demand on which its LTC application was based.

The proposed transmission system was estimated to produce an incremental annual cost to ratepayers of about $20M per year[1], assuming an amortization period of 40 years.

Using an assumption that shippers would make the "commitment" envisaged in the available market-based alternative that FRPO wished to present for the OEB's consideration for an amount about the same as the Parkway Delivery Commitment Credit (PDCI), the annual cost to ratepayers would be about $2M.

For the 5 years that the alternative that we wish to present is likely to prevail, and perhaps longer, the value to ratepayers of costs saved is estimated at about $90 M.

Rather than spend $ 100 M over that 5 years under EGI's proposal, the costs, at $2M per year, would be about $10M producing about $90M of ratepayer savings in that timeframe.

[1] The $20M estimate is a general rule of thumb that estimates the first-year revenue requirement at 10% of the capital cost. We respect that the actual amount, which is not available as it would be the subject of another proceeding, would vary with aspects such as corporate cost allowance and prevailing interest and return rate components but we provide the estimate as an order of magnitude comparison.

This potential $90M ratepayer savings amount is the measure of "value" that should be considered when assessing the extent to which FRPO should recover the costs associated with its effort to achieve this very significant savings outcome prior to EGI's withdrawal of its LTC application.

FRPO recognizes that it has a heavy burden to discharge when the next highest bill from an intervenor proposing to lead evidence in the application is that of Pollution Probe in an amount of $41,429.19. The differential is almost $18,000.00.

The expert evidence being prepared by Pollution Probe was in large measure different in content, scope and purpose from the evidence being prepared by FRPO.

The FRPO evidence is heavily weighted to details of medium term market capability including details of how the market is actually operating and is expected to operate in the medium term future under current and near term expected conditions. The qualifications of the Pollution Probe expert are very different from the qualifications of Mr. Quinn, FRPO's intended witness.

Moreover, the evidence that FRPO needs to marshal to present a compelling case includes information for which EGI is a useful source. The problem invariably encountered in obtaining that kind of information from EGI in a timely manner, is EGI's ingrained resistance to providing information of this nature. EGI strenuously resists efforts by a non-utility intervenor to obtain and present all of the "market" information that is needed to establish the feasibility of such alternatives.

EGI has no appetite to share its market information with an intervenor such as FRPO. As a result, FRPO must engage in more time-consuming research of other information sources to obtain data could be more readily available from EGI were it more co-operative.

Accordingly, when comparing the value of the tasks performed by FRPO's intended witness before EGI withdrew its application and tasks performed by intended witnesses for other parties, the Board needs to be mindful of the different challenges facing each witness.

The attachment to this letter details the nature of the presentation that FRPO was in the midst of preparing when EGI terminated its application. It describes the unique and wide ranging research that had been conducted to the point of EGI's withdrawal.

The attachment attempts to provide sufficient detail to demonstrate to the Board that the market opportunity is real and is feasible.

Compared to the annual costs of the build option, the expected savings to ratepayers are enormous.

The work done to date was performed in good faith and in the belief that it would be useful in the case that EGI decided to discontinue. Cost awards for this unique work should be made now and not later.

The information that has been gathered to date will need to be updated in a subsequent proceeding. But that should not affect the amount to be awarded for costs now. The value of the work done to date should be recoverable from EGI in the case in which the enduring value of the work was actually performed.

For these reasons FRPO respectfully submits that its costs should be awarded in the full amount claimed. EGI should be directed to pay the balance of $29,365.68.

FRPO spent time preparing its comments on EGI's notice of withdrawal. It does not intend to supplement its original claim to cover the value of that work. FRPO's priority is to obtain a reasonable assessment of the extensive work that it performed in preparing to submit compelling evidence related to the market opportunity described in the attachment.

The final assessment of FRPO's cost claim should be in the full amount claimed of $59,365.68.

Respectfully Submitted on Behalf of FRPO,

Digitally signed by R. Dwayne Quinn
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Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

c. A. Stiers, EGIRegulatoryProceedings – EGI
T. Irwin, L. Cooper- FRPO
Interested Parties – EB-2019-0159

Process Description

FRPO strived to develop and document a market-based solution that could be implemented in the short-term that would meet the market demand for at least five years. Given the market nature of the solution and the reality that markets change, this construct would need to be supplemented beyond the initial period to be sustainable. However, in our view, this initial period of time would be in the public interest to determine if targeted conservation or reductions in demand due to aversion to carbon combustion would obviate the need that was proposed to be met with a pipeline that would be in place for generations. Recognizing the potential for our solution to be used in conjunction with demand-side solutions and, in accordance with the Board's expectations, we worked with other parties preparing evidence to not only ensure that there was no conflict but also to explain how our solution could be implemented in conjunction with demand-side solutions.

In support of this approach, FRPO was preparing evidence to inform the Board regarding current conditions in the North American market and regulatory jurisdictions which could harnessed to create secure deliveries to defer or potentially eliminate the need for the proposed pipeline. The evidence outline was constructed to create a sound, logical approach that described elements that were outside of the scope of information provided in the application.

To ensure a foundation of publicly available facts and data required:

1) Researching regulatory cases including submissions and decisions from other jurisdictions e.g., the Federal Energy Regulatory Commission (FERC) and the National Energy Board (NEB)/Canadian Energy Regulator (CER)
2) Extracting data from publicly available sources e.g., CER, EGI and TransCanada Pipelines now TransCanada Energy (TCE)
3) Analyzing the records and data to determine what information would be of assistance to the Board and what evidence and data would be needed through discovery

As result of this process the initial draft outline was supplemented with evidence and references supporting the development of interrogatories constructed in a fashion to reduce the risk of compromising confidentiality considerations.

The efforts described above were greatly enhanced by the addition of our regulatory advisor in mid-March. Once the advisor's understanding of the market information was developed, the advisor developed a reasoned outline to structure the content into a

comprehensible thesis for the benefit of the Board. The advisor drafted, reviewed and refined the evidence outline, interrogatories and submissions to the Board.

The product of these combined efforts was the foundation on which to build a defensible evidentiary submission for non-build solution that would meet and exceed forecast needs underpinning the proposed pipeline at a substantially lower cost. The following is provided to demonstrate that the market opportunity that FRPO wishes to present in evidence is real and is feasible.

Parkway Displacement Deliveries

- Summary

Additional demand cited by EGI can be met and exceeded by using securely contracted deliveries to meet the planned and operational requirements through effective displacement and simple coordination with TCPL. The efficacy of this approach is that a similar arrangement was used a decade ago by TCPL to meet short term needs and the approach emulates the Parkway Delivery Obligation that has served Union Gas customers for decades.

- EGI Demand

Our intended evidence was going to analyze the nature and location of the growth in customer demand underpinning this build. Since the majority of the increased demand was in-franchise and that growth was predominantly in southern Ontario including the Greater Toronto Area (GTA), we would provide a geo-centric breakdown of the need. The location of the need is important as recent changes in the market present opportunity for Ontario customers.

- Market Context

Starting in 2012, Union Gas[1] and Enbridge Gas Distribution[2] applied for and received approval to build a number of projects designed to move additional gas through the Dawn-Parkway system and into and through the GTA respectively. The applications were driven by a desire of these utilities and other stakeholders to access natural gas from the Appalachian region at what was perceived as lower costs than traditional supply carried by TransCanada Pipelines (TCPL) from the Western Canadian Sedimentary Basin . After completion of the initial projects, the expectation of lower

[1] Initially EB-2012-0433 and EB-2013-0074 and subsequently EB-2014-0261 and EB-2015-0200
[2] EB-2012-0451 projects moved gas into the GTA but also provided capacity to TCPL to move gas through the GTA

flow from TCPL into Ontario was realized as more supply was brought through Dawn flowing easterly on the Dawn-Parkway system with its enhanced capacity.

In response to the decreasing flows on the TCPL system, TransCanada worked with producers and marketers to develop a proposal to provide discounted firm transportation to Dawn in exchange for long-term contracting commitments. The resulting offering was called Dawn Long-Term Fixed Price (Dawn LTFP). Starting in late 2017, contracting through Dawn LTFP established 10-year agreements for capacity of 1,500,000 GJ (or 1,500 TJ) per day from Empress, at the Alberta-Saskatchewan border, to Dawn. As committed to the National Energy Board (NEB)[3], half of the capacity would be planned to be delivered to Ontario via the Northern Ontario Line (NOL) through the GTA to Parkway on its way to Dawn. A simple representation of the split in Dawn LTFP flows on a planned basis is shown in Figure 2.

- Operational Opportunity

Market data shows that there is a significant price advantage to sell gas at Dawn as opposed to at Empress[4]. Since shippers who have contracted this capacity pay for it through a daily demand charge, they are incented to maximize their utilization of this purchased capacity. The result is that this capacity is full almost without exception. Therefore, hundreds of thousands of GJ's of gas leave Alberta on the TCPL system daily and are committed to arrive at Dawn where they are transacted.

However, from an operational sense, physical gas flow does not always follow contracted pathways precisely. As the system operator, TCPL determines the quantities scheduled to travel through its pipelines to meet nominated receipts and deliveries by its shippers. This scheduling is coordinated with inter-connected pipelines such as the EGI Dawn-Parkway system to ensure gas flows in an efficient fashion.

In the specific case of Dawn LTFP deliveries, each day TCPL would be expected to deliver hundreds of thousands of GJ's sent through the NOL to Parkway to meet its delivery commitment to Dawn. At the same time, throughout each day of the winter, over a million GJ's are committed to leave Dawn and travel through Parkway to be received by TCPL and the EGD Rate Zone and to be taken to markets beyond. Clearly gas cannot travel in opposite directions at the same time through the same pipe. As a result, through scheduling, deliveries to Dawn from TCPL at Parkway are netted against

[3] Now the Canadian Energy Regulatory (CER)
[4] Market data shows the price of gas at Dawn is higher than the Alberta price almost without exception

deliveries to TCPL at Parkway from EGI. Figure 3 shows the positive flow leaving Parkway for the entire winter of both 2017/18 and 2018/19.

This netting, called displacement[5], serves to reduce the flow requirements in the Dawn-Parkway system. As an example, after most of the Dawn LTFP contracts started flowing in late 2017, northeast North America experienced a severe cold period in late December of 2017 and early January of 2018. Throughput in the Dawn-Parkway system was called on to meet Ontario and US northeast energy needs. The attached Figure 4 shows Dawn-Parkway deliveries during the first ten days of January 2018. During that time, scheduled receipts from TCPL average over 300,000 GJ/day reducing the actual throughput required allowing the utility to provide additional deliveries if requested.

- Contracting for Reliability

The capability of displacement is enjoyed by pipeline planners allowing for optimization of their systems to reduce costs such as fuel gas and increase revenue through interruptible short-term deliveries such as exchanges. However, from a Facilities Planning point of view, displacement cannot be relied upon to reduce the need for peak day asset capabilities. The inability to depend upon these deliveries to reduce asset requirements stems from the fact that while shippers hold a capacity right and will normally follow financial incentives, it is possible that the shipper may not exercise that right and the gas does not flow on the expected path. We understand and respect that limitation.

To overcome this limitation, our solution would propose that EGI develops a request for proposal (RFP) asking shippers on TCPL to commit to exercising their Dawn LTFP capacity right each day of each winter for a five-year term. The proposed Kirkwall to Hamilton project was designed to deliver an additional 92,000 GJ/day to meet forecasted demands. As noted previously, Dawn LTFP capacity was contracted for 1,500,000 GJ/day from approximately 20 different shippers who paid a flat rate of $0.77 /GJ for ten years concluding in late 2027. By executing an RFP process, EGI could benefit from competition of many shippers with combined deliveries of more than 15 times the supply necessary to receive additional compensation for something that almost all are doing every day of the year any way. While it cannot be predicted what the cost would be to secure the necessary amount to defer the proposed build for the term of these deliveries, markets would infer that the cost would be substantially less

[5] Displacement transactions permit the lateral movement of gas through a transportation network. The configuration of many pipelines is such that it may not be apparent whether a given movement of gas is forward or backward from the point of receipt. It can be argued that all transportation service is performed by displacement as the physical delivery of the same molecules of gas is impossible. Source: www.aga.org/natural-gas/glossary

than the $200M for the pipeline build. Using the first full year revenue requirement of the build, one would be able to offer over $1.25/GJ for a shipper commitment to fill their capacity for each day of the winter and would be better off than the annual cost of building the pipeline.

The one notable caveat with this approach would be the need to establish the cooperation of TCPL to commit to flow the committed deliveries on the Northern Ontario Line to Dawn. While we respect that some details would need to be worked out, the data that shows that these deliveries are already occurring without financial commitment providing confidence that an operating agreement could be established. Further confidence is gained from the National Energy Board (NEB) decision in approving the Dawn LTFP service. In its reasons, the NEB made it clear that Dawn LTFP should be used in a way that maximizes the benefit to the Canadian Mainline including flow splits[6].

Further, it is important to point out that the proposed solution is simply a form of relying on contracted deliveries to reduce asset builds. While this approach is different, Union Gas/EGI have relied upon deliveries to Parkway for decades to reduce the need for additional Dawn-Parkway facilities. For economic context, current committed deliveries to Parkway receive approximately $0.145/GJ.

- Benefits in the Public Interest

As described above, the economic benefits of establishing contracted obligations to fill pipeline rights between Empress and Dawn should reduce costs for ratepayers to meet demands forecasted. Further, the approach is scalable to allow for changes to meet a specific demand need that is forecasted. In addition, the approach could provide a window of opportunity to determine if other demand-side initiatives or carbon burning avoidance result in obviating the need to install pipeline facilities that could be stranded in the years to come.

Conclusion

The above summary cannot provide the depth of compelling evidence that we believe warrants the Board's consideration that this solution is ideal for such a time as this. However, it is respectfully provided along with the process to build this evidence that was to have been supplemented and reinforced by interrogatories requested but not obtained.

[6] RH-003-2017 TransCanada – Dawn LTFP – Reasons for Decision, page 30

REFERENCED FIGURES

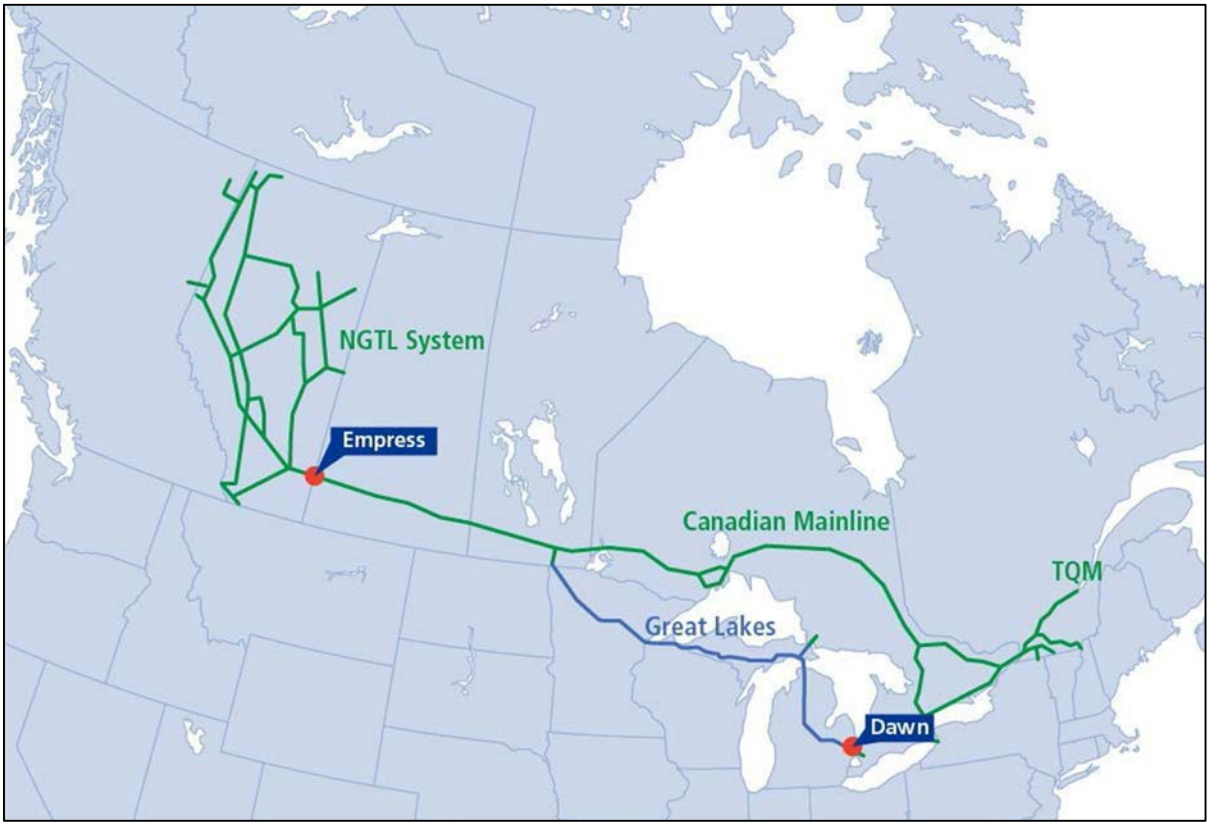


Figure 1: Dawn LTFP and the TransCanada System
With Eastern Ontario Detail (below)

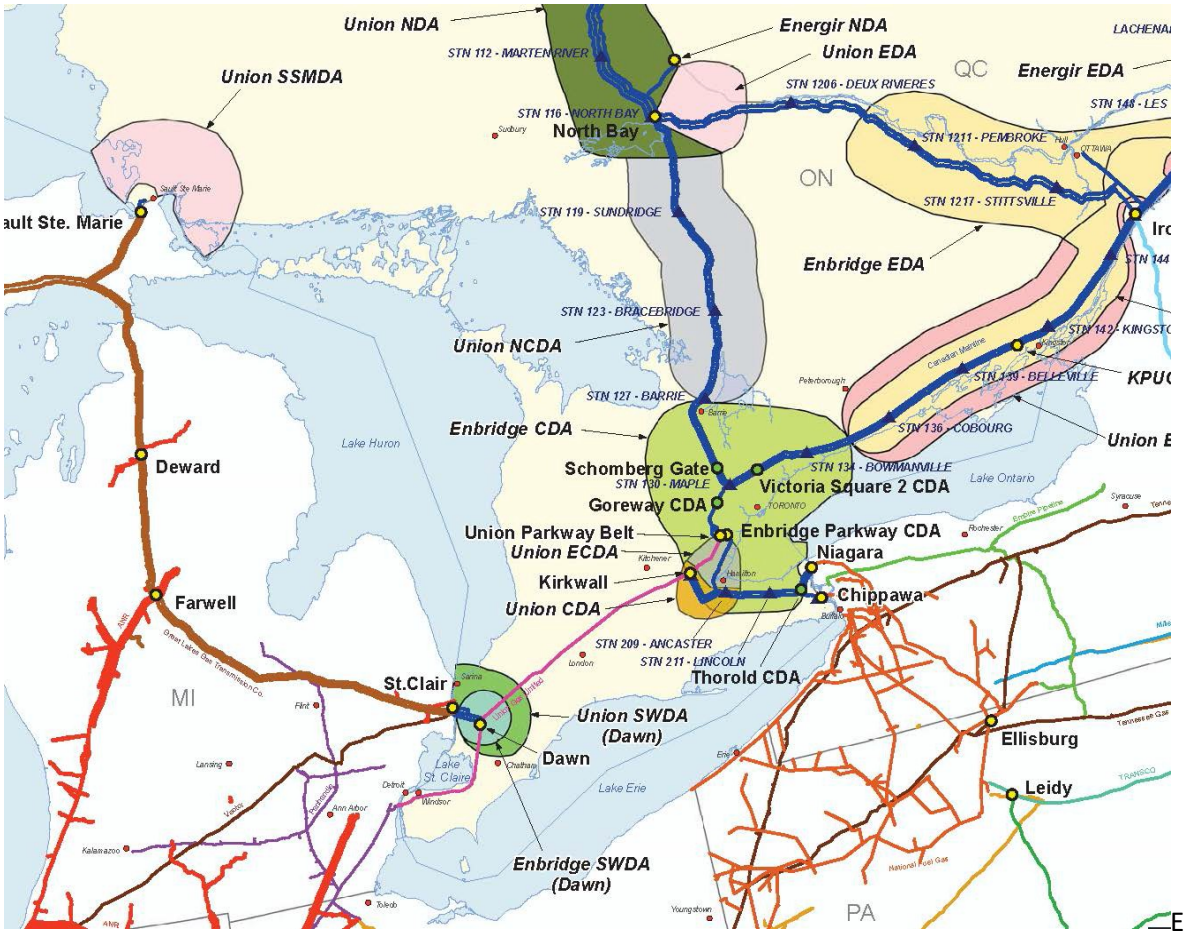


FIGURE 2:TCPL SCHEMATIC SHOWING DAWN LTFP

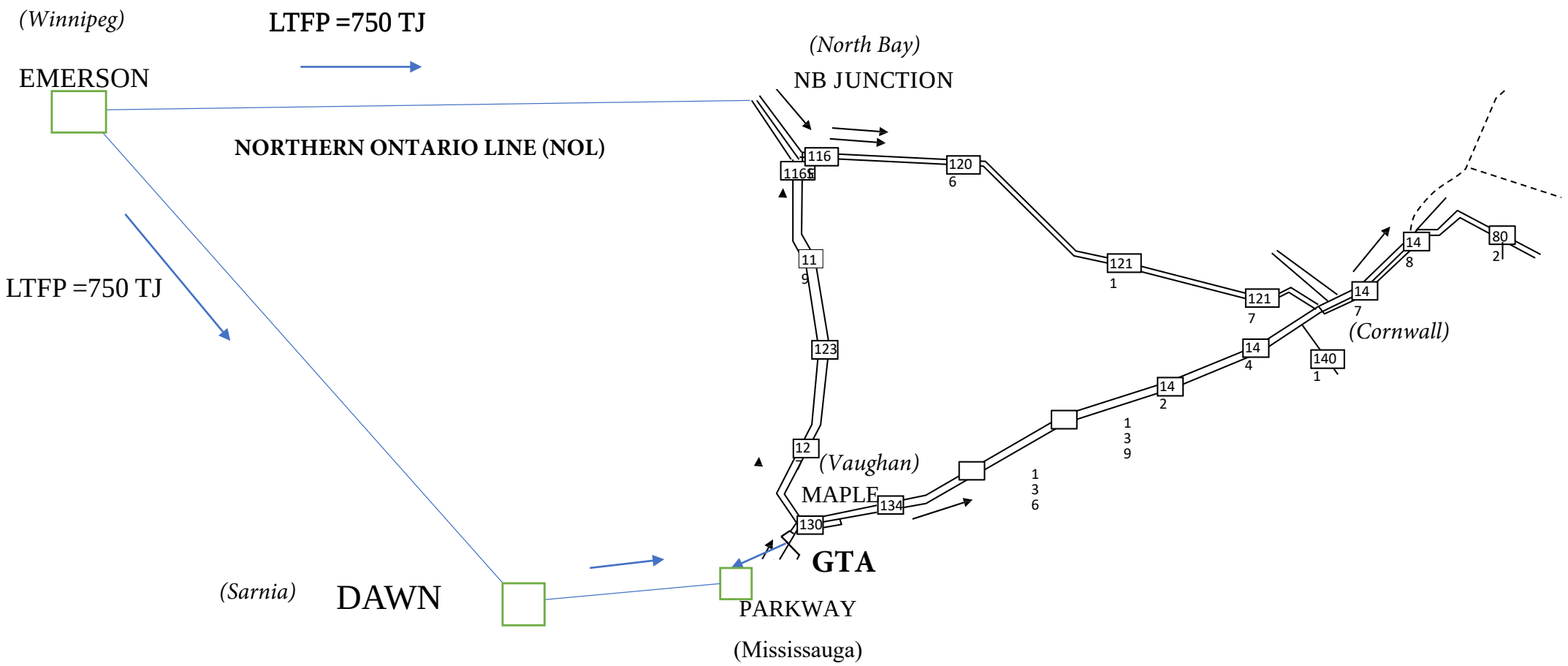
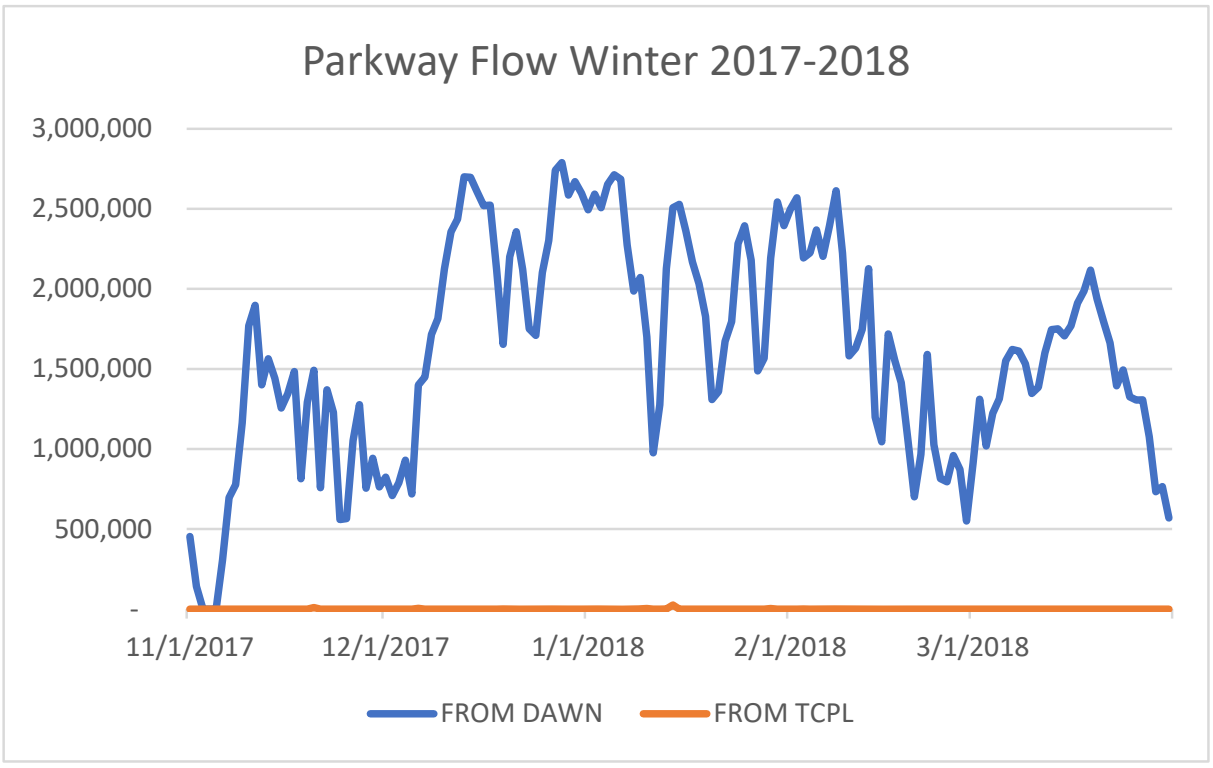
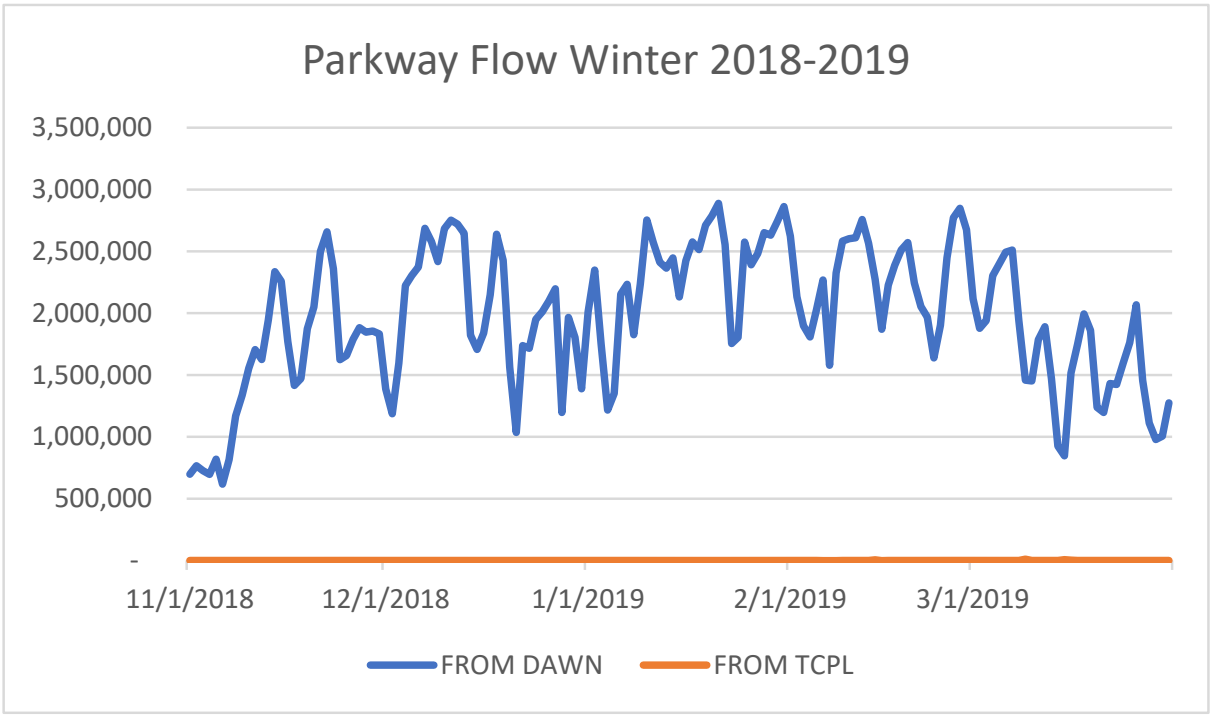


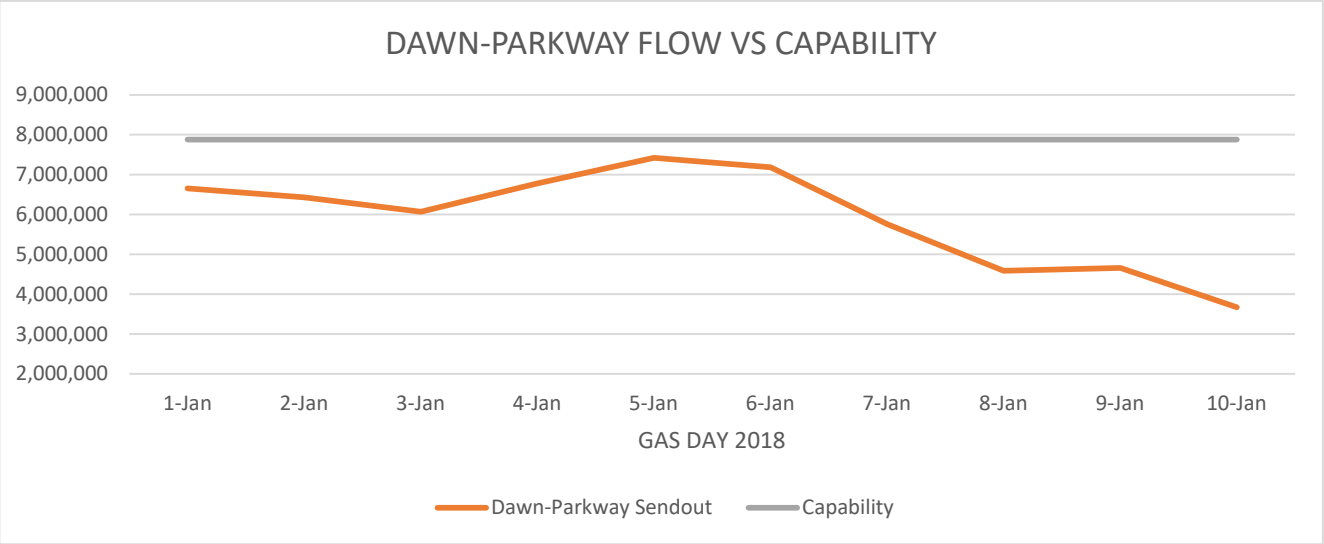
FIGURE 3 : WINTER FLOW AT PARKWAY





Source: http://www.tccustomerexpress.com/gasdaysummaryreport.html

FIGURE 4: DAWN-PARKWAY SENDOUT 2018



Source: https://www.uniongas.com/storage-and-transportation/informational-postings/gas-day-summary