ONTARIO ENERGY BOARD

FILE NO.:	**EB-2017-0306** **EB-2017-0307**	**Enbridge Gas Distribution Inc.** **Union Gas Limited**

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DATE:	**May 14, 2018**	
	Lynne Anderson	**Presiding Member**
	Christine Long	**Vice-Chair and Member**
	Cathy Spoel	**Member**

EB-2017-0306
EB-2017-0307

THE ONTARIO ENERGY BOARD

Enbridge Gas Distribution Inc. and Union Gas Limited.

Enbridge Gas Distribution Inc. and Union Gas Limited Application for Amalgamation and Rate-Setting Mechanism

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Monday, May 14, 2018,
commencing at 9:32 a.m.

VOLUME 3

BEFORE:

LYNNE ANDERSON	Presiding Member
CHRISTINE LONG	Vice-Chair and Member
CATHY SPOEL	Member

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ROBERT WARREN	Municipality of Chatham-Kent
JULIE GIRVAN	Consumers' Council of Canada (CCC)
BRADY YAUCH TOM LADANYI	Energy Probe Research Foundation
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
IAN MONDROW	Industrial Gas Users' Association (IGUA)
JAYA CHATTERJEE	City of Kitchener
RICHARD KING	Kitchener Utilities

A P P E A R A N C E S

MICHAEL BUONAGURO	Ontario Greenhouse Vegetable Growers (OGVG)
JESSICA ANNE BUCHTA ALAN ROSS	Rover Pipeline
JAY SHEPHERD	School Energy Coalition (SEC)
BARRY WADSWORTH	Unifor
MARK GARNER	Vulnerable Energy Consumers' Coalition (VECC)

I N D E X O F P R O C E E D I N G S

E X H I B I T S

U N D E R T A K I N G S

Monday, May 14, 2018

--- On commencing at 9:32 a.m.

MS. ANDERSON: Please be seated.

PROCEDURAL MATTERS:

Good morning, everyone. We are here for Day 3 of the oral hearing on applications filed by Enbridge Gas and Union Gas for leave to amalgamate and also for a rate-setting framework commencing 2019.

So when we left, I guess, a week ago on Friday, we had panel 2 up, which we again have panel 2, which have already been affirmed, and so we will begin the cross-examination there, but before we begin we want to have a little discussion about the additional hearing time that we have scheduled for Friday.

The PO that we sent out said that it was to allow time for cross-examination on the undertakings which we received last week, Friday and Wednesday, I believe, so you all should have copies of those. We also are aware of an e-mail from Mr. Shepherd who asked about additional hearing time for, I guess the no-harm test or areas of the no-harm test, and we wanted to explore that because, of course, the no-harm test is comprehensive really of the entire hearing that we are having, so we wanted to explore whether there are other areas.

We are not going to make a ruling right now. We're going to -- we'd like to hear from parties as to what areas they do wanted additional cross-examination on and then we'll take that under advisement.

The plan is for Friday to have a few hours of oral hearing and then to move into argument in-chief by the applicants.

So I will open it up. If there are -- on the undertakings our hope was that the cross-examination on the undertakings would focus on 2.4, which was the one, I think, that was more extensive, but also wanted to hear if there were other areas as well.

So Mr. Cass, do you have anything to add before we open up?

MR. CASS: Just a couple of things, Madam Chair, first with respect to the more substantive issue about additional cross-examination. Of course, as you've pointed out, to the extent that there is follow-up on undertaking responses, that's appropriate, and we do indeed understand that there may well be follow-up on the response to Undertaking J2.4.

The applicants do have a concern about a re-opening of cross-examination on a larger basis than that. Of course, we did have quite an extensive technical conference. Panel 1 was on the witness stand for, I think, a day and a half.

There does not seem to have been a lack of time or opportunity for questions. I just put that out there, and we'll wait to hear what others may be thinking of in terms of additional cross-examination.

The second point is more of a timing one. Two of the witnesses on panel 1 are out of the country on Friday. In fact, there are witness issues not just with panel 1 but also, I think, panel 3 for the applicants on Friday.

To the extent that panel 1 comes back up to respond to questions on -- answers on undertakings or for anything more than that, it would certainly be desirable from the applicant's point of view that that be achieved tomorrow rather than on Friday and, again, because of generally witness availability issues on Friday of this week for the applicants, the applicant's desire would be to proceed with panels 2 and 3 and 4 as well, and to the extent that panel 1 comes back up, to try get that done within the next two days if that can be achieved, because Friday is going to be a problem for witness availability.

MS. ANDERSON: So three of the panel members are available on Friday; is that...

MR. CASS: Yes, one in particular, Mr. Reinisch, is out of the country, and he's pretty important to things like the response to Undertaking J2.4.

MS. ANDERSON: Okay, yes, and it wasn't the -- the intent wasn't to open it up to re-examine areas that had already been examined; it's to focus on other areas that didn't get examined, and so that's what we would like the focus to be.

Obviously on the undertakings, hopefully the focus was on 2.4 unless there were specific ones, other ones, as well.

So Mr. Shepherd, do you want to get in there?

MR. SHEPHERD: Madam Chair, I'm curious why Mr. Cass wouldn't have told us on Friday that next Friday was not okay so that we could have spent the weekend doing the cross that he now thinks we should do tomorrow, which is a very numbers-driven cross and will take several hours to prepare, and by not telling us on Friday he basically makes it impossible for us to do a proper cross tomorrow, so I object to having panel 1 going ahead tomorrow.

With respect to the scope of cross-examination, I disagree with my friend that there has been enough time. As the Board is well aware, I had to take -- cut out several important areas of my cross-examination of panel 1 because there simply wasn't enough time for it.

I've had to, on the weekend, cut out all of my panel 2 cross and most of my panel 3 cross because there isn't enough time for it.

So to say that there's lots of time is not correct. For -- at the current time, the only thing that I'm planning to cross-examine on is the supposed ratepayer benefit, the $411 million, and whether it's real, what my notes call the "straw man", and I think that is already going to take a couple of hours because, as I say, it is very numbers-driven, so that's all within 2.4.

2.4 is about that, so -- and obviously it will refer to many other things, but 2.4 is really the centrepiece of that. So that's all I want to say.

MS. ANDERSON: Okay. So focus on Undertaking 2.4.

There has been cross-examination on the ratepayer benefit, but you -- so you are going to focus it, not repeating areas that have been done, but on Undertaking

2.4?

MR. SHEPHERD: I'm not going to repeat areas that have been done, no.

MS. ANDERSON: Thank you. Anyone else have comments on the cross for undertakings?

MR. MONDROW: Thank you, Madam Chair, just to support Mr. Shepherd, certainly I and probably a number of us are relying on and looking forward to his work on what I heard were two topics, 2.4 -- sorry, I should flip it around. The $411 million ratepayer benefit seems to me, some of which is captured under 2.4; I'm not sure the entire topic is.

I had thought that following Mr. Shepherd's correspondence, the panel, being sensitive to his concerns, scheduled Friday to deal with inter alia the ratepayer benefit topic. To the extent that that spills beyond to 2.4 certainly from our perspective we'd be supportive of Mr. Shepherd taking the lead on that, as he has indicated he would. It is a critical topic to this proceeding, so I'd be hesitant to see that constrained. Obviously that's in the Panel's hands.

And in terms of scheduling, again, I'm sympathetic to Mr. Shepherd's view. I understand Mr. Cass can't control the availability of his witnesses, who might have had travel plans prior to the Panel's direction, but going tomorrow on that is, in my view, not an adequate solution if there is insufficient preparation time. Thank you.

MS. ANDERSON: Okay, any else? Mr. -- oh, yes, Mr.

Brett.

MR. BRETT: Thanks, Madam Chair, Panel.

I would also support Mr. Shepherd. The understanding we had last week is that last time we were here, I believe, was that these undertakings would be filed Friday, which they were, and the cross-examination on them would be a week Friday.

I have not even read the undertakings at this point. Why should I? I've spent the weekend looking at panels -- earlier panels. But I think -- I agree that the matter's extremely important that they raise, and also, I would say, just as a general point -- and I'm not trying to be pejorative at all here, but I would disagree with Mr. Cass when he said that we've had lots of time to do all this stuff.

I personally have felt somewhat constrained by the pressures of the schedule, and I actually had -- I dropped certain questions on my cross-examination of panel 1 which in retrospect I should not have done, but I had the distinct feeling that I was being urged to move on and we were going to try and shorten this.

This is an extremely important hearing. I'd say it's an order of magnitude more important than the cap-and-trade hearing which we had last week. The cap-and-trade hearing had four days. This is an order of magnitude more important than the cap-and-trade hearing, in terms of its impact on customers, and so on.

So I don't think we've had a lot of time. I think we've tried to -- people tried to shorten and cut things down and when you get to a certain point, that's a very bad thing. You know, the prime objective of these hearings should not be to meet a schedule. The prime objective is to allow people to have their -- to challenge properly and thoroughly the utilities' proposals. And when we get to the point where we're sort of all creatures of -- has to be three days, has to be two days, has to be four days, that's problematic in my view, and it's going to lead to harm to ratepayers. Thank you.

MS. ANDERSON: Mr. Garner?

MR. GARNER: Thank you, Madam Chair. We also would support Mr. Shepherd and reiterate his concerns.

If it's of any benefit, we would tell you we're shortening our other stuff as we look at it, and we've put in some stuff for the latter panels as a placeholder. I don't think we may be needing it, if that's of any comfort to you.

I would agree with Mr. Brett that, in my view, this is -- this will create the largest gas utility -- largest utility in this country. And it seems to me that the Board should take the time it needs to review that evidence and be very comfortable with what it's doing. So I would urge you to do what you can to accommodate people.

That's all I would say. Thank you.

MS. ANDERSON: Thank you. Ms. Girvan?

MS. GIRVAN: I'd like to say that I support the comments made by Mr. Shepherd. I think what we should do is just proceed and as Mr. Garner says, people may well have a lot less than they originally intended, so we may find ourselves with more time and to see how that goes.

MS. ANDERSON: Thank you. I did have a question for Mr. Yauch, which is if for scheduling purposes your panel was moved to Friday, can that be accommodated with your schedules?

MR. YAUCH: Yes. We would prefer to go tomorrow, but if it makes the Panel's life easier, we can go on Friday.

MS. ANDERSON: Thank you. As I said, we're going to take that under advisement and we'll provide some direction later today.

With that, we want -- plan to move to continue with panel 2. Mr. Quinn, I believe you are still in the middle of cross-examination.

ENBRIDGE GAS DISTRIBUTION/UNION GAS - PANEL 2:
STORAGE AND TRANSMISSION, RESUMED
Mark Kitchen,
Dave Charleson,
Amy Mikhaila,
Jim Redford; Previously Affirmed.

CONTINUED CROSS-EXAMINATION BY MR. QUINN:

MR. QUINN: Yes. Good morning and thank you, Madam Chair.

I did submit an additional compendium last evening and I provided copies to Board Staff and utility and those in the room. If we may mark that as an exhibit.

MR. RICHLER: Madam Chair, the FRPO supplemental compendium will be Exhibit K3.1.

EXHIBIT NO. K3.1: FRPO SUPPLEMENTAL COMPENDIUM

MR. QUINN: Thank you. I think the best place to start is the utilities produced an undertaking J2.5 on Friday, and I think that would probably be the best place to start, if we could have that up. Thank you, Ms. Adams.

So starting -- yes, if you could turn to the attachment 1 of that undertaking, please. So we established on May 4th that the Parkway delivery obligation agreement was put in place to mitigate a historical inequity for customers who were obligated to deliver at Parkway and given the opportunity to move to Dawn. Is that correct?

MR. KITCHEN: That's correct.

MR. QUINN: Thank you. So if we can walk through this exhibit to some extent, I just want to make sure we have a clarity of understanding of the evolution of the delivery obligation and its impact on the rates during the IRM period.

So if we could start then on line 5 on column B, which is the winter of 2014-15, the total forecast at Dawn-Parkway capacity is 6,801 tJs per day. Do you see that?

MS. MIKHAILA: Yes, I do.

MR. QUINN: Okay. So the amount that was needed to be satisfied for a peak day for that winter is listed on line 6 as 6,643 tJs, which leaves a surplus of 158.

To be clear, though, even though 158 was excess, the cost of that capacity was included in rates, correct?

MS. MIKHAILA: Yes, it was.
MR. QUINN: Thank you. Now if you move down to line 8, it shows 146 tJs of temporarily available capacity. That 147 tJs was part of the 158 of excess capacity in line 6, is that correct?
MS. MIKHAILA: I'm not sure what you men by part of, but the 146 temporarily available capacity would have reduced the excess from line 7 to 12 tJs a day.
MR. QUINN: So it did form -- the 158 that is excess, 146 of that was contributed to the initial Parkway delivery obligation shift. Is that said better?
MS. MIKHAILA: Yes.
MR. QUINN: Okay. So moving further down, there is M12 customers with permanent capacity. Can you explain that adjustment for the benefit of the Board?
MS. MIKHAILA: There are customers with M12 capacity and as part of the agreement, they agreed to turn back their M12 Dawn to Parkway capacity and shift their delivery obligation point from Parkway to Dawn.
MR. QUINN: Thank you. So that's an additional 66 tJs, as shown in line 13?
MS. MIKHAILA: Yes.
MR. QUINN: Okay. Again, those 66 tJs had been included in the capacity that -- the total capacity that would have been in line 5, is that correct?
MS. MIKHAILA: Yes, the 66 tJs would have been in line 5 and line 6.
MR. QUINN: Okay, thank you. But as a result of the

agreement, that capacity now was going to be used for the purposes of moving gas from Dawn to Parkway?

MS. MIKHAILA: Yes.

MR. QUINN: Thank you. So what we've established is there was 212 of total shift from Dawn to -- sorry, from Parkway back to Dawn that was facilitated by the capacity, and all of that was included in rates at that time?

MS. MIKHAILA: Yes, it was included in rates at that time. But as you can see, in the previous winter, when we had our cost of service rebasing application, there was excess capacity at that time as well. Included in rates was excess capacity of 210 tJs.

MR. KITCHEN: You'll notice that in note 3, that was discussed in the cost of service proceeding for 2013, and it was determined that the treatment of Dawn-Parkway capacity and Dawn-Parkway demands was to be maintained, which means that the demands were used to set rates not to capacity.

MR. QUINN: So said differently, the rate base associated with the assets in line 5 were spread over the forecasted demands in line 6. Is that what you're telling us?

MR. KITCHEN: That's correct.

MR. QUINN: So you are getting full recovery of the 6803 that was in your base rates as of the winter of '13-14?

MR. KITCHEN: We were getting full recovery of the revenue, and we had available capacity.

To the extent we sell that capacity, that is basically shareholder -- or the company that -- the company's risk. And to the extent we are able to sell it, it goes to the earnings-sharing calculation.

MR. QUINN: Is there not a 90/10 split on that?

MR. KITCHEN: No.

MR. QUINN: So it is going straight to the bottom line and available for earnings-sharing?

MR. QUINN: Okay. So --

MR. KITCHEN: We're in 2014 when we had earnings sharing. Customers would have got any benefit from the sale of that capacity.

MR. QUINN: I'm sorry, you trailed off at the end, Mr. Kitchen.

MR. KITCHEN: Oh, sorry. The customers would have got the benefit through earnings sharing.

MR. QUINN: If there was earnings available under the formula.

MR. KITCHEN: Yes.

MR. QUINN: If it was in a deadband there would be no sharing.

MR. KITCHEN: That's correct.

MR. QUINN: Okay. So under the PDO shift cost in rates, which is covered below, Union has calculated the demand for -- demand cost, so that's the cost for the 212 tJs for 365 days a year of utilization, correct?

MS. MIKHAILA: Yes, it is actually not the 212. I should clarify, 48 of that related to TCE Halton Hills, was not flowed through as a demand cost. Their billing units were adjusted to account for their shift, PDO shift. It is just the 146 plus the 19.

MR. QUINN: So approximately 165 then is what you are telling us is the demand cost in line 15?

MS. MIKHAILA: That's correct.

MR. QUINN: Okay. That was one of my questions. Thank you. It didn't seem to work out.

So in addition there's incremental compressor fuel costs that is shown in line 16, and that is for the fuel that would take gas from Dawn to Parkway 365 days a year for the 165 tJs of capacity; is that correct?

MS. MIKHAILA: Yeah, it's related to the incremental fuel required to serve the demands. I don't know the exact underlying relation, but...

MR. QUINN: How was it calculated?

MS. MIKHAILA: It was -- the fuel required to serve the demands was compared against the amount that was in rates, and the difference was added as part of this PDO shift cost.

MR. QUINN: So then the issue is that is it 365 days a year or is it some smaller number? If you are not certain, and I'm respectful of time, as we've discussed this morning, would you be able to undertake to provide the detail on the calculation of 1900?

MS. MIKHAILA: Yes, I can do that.

MR. RICHLER: Madam Chair, that will be Undertaking J3.1, to provide details on that calculation.

UNDERTAKING NO. J3.1: TO PROVIDE DETAILS ON THE CALCULATION OF THE 1900 FIGURE IN EXHIBIT J2.5 ATTACHMENT 1.

MR. QUINN: So walking down a little bit further, we have line 18, "foregone demand revenue". Can you tell me what, one, would that, how is that -- let's say first off, what is that that has been calculated?

MS. MIKHAILA: That's the lost revenue that Union -- that's the revenue Union has lost as a result of the permanent shift or the turn -- the permanent turnback that was used for the PDO shift.

So in 2000 -- or the winter of '14/'15 and 2015 rates, it is only related to the 19 tJs of all customers excluding TC Halton Hills on line 11. That was a permanent turnback that was used to facilitate the PDO shift.

MR. QUINN: So was that added to rates?

MS. MIKHAILA: No, that's not added to rates. That's the lost revenue Union has seen as a result of the PDO.

MR. QUINN: How was that -- I see with the calculation it is 19 times the demand rate, so the underlying premise is that is 19 tJs, 365 days of the year, you have lost the opportunity to sell that?

MS. MIKHAILA: Yes, because we had customers that had M12 capacity, turned it back so that they could deliver at Dawn, and we included that -- the offset of that is included in line 15, the recovery of Dawn to Parkway demand cost.

MR. QUINN: Okay, so then in line 19 you have created something called "demand revenue difference", which is the net of that line 18 from line 15. What is that $4,563 million used for?

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.

MR. QUINN: So said differently, was 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.

MR. QUINN: Thank you, Mr. Kitchen.

MR. KITCHEN: The Parkway delivery obligation and the shift to Dawn was something that customers wanted for quite a long time, and it was something that we worked very hard as a group to facilitate.

But the move was not free. When you move the deliveries from Parkway to Dawn you need facilities equivalent to get that gas back to Parkway because that's where it's needed, and so the costs that were built into rates in '15 and throughout the last term of the IRM were costs associated with facilitating that shift.

So in essence, customers were getting an additional service, and they paid for that service.

MR. QUINN: And Union was to use that revenue if it needed those incremental resources to be able to meet any shortfall at Parkway during the term of the IRM; is that not correct?

MR. KITCHEN: Sorry, you'll have to say that one again for me.

MR. QUINN: Union was to use -- Union was given the opportunity to add additional cost into rates and, to the extent there was a shortfall at Parkway, Union would be at risk to use -- to -- Union would be at risk to make sure that the gas got to Parkway and that incremental revenue would be used to facilitate that delivery, so if Union's costs were greater than 4,000, well, technically -- well, 4,563, if your costs were greater Union would lose, but if there were -- if the costs were less Union would benefit; is that correct?

MS. MIKHAILA: No, I don't agree with that.

Sorry, Mr. Quinn, no, I don't agree with that. The revenue that Union has included in its rates was for the --

essentially the sale of the 146 tJs a day to in-franchise customers.

Because we utilized that capacity to facilitate that shift, we were unable to sell that capacity otherwise into the market.

MR. KITCHEN: If you recall, Mr. Quinn, also, the purpose of the -- or one of the premises of the settlement agreement was that Union would be held whole as a result of the shift and the customers would then get the benefit of moving from Parkway to Dawn, and the benefit of that is lower gas costs.

In fact, customers, as I said, had wanted this for a number of years. And what we did is we facilitated that, and now, to talk about, you know, a settlement that happened back in '14 around something that customers wanted, that kept Union whole, that provides a service, I find it difficult to understand.

MR. QUINN: Well, we're going to walk through that and we may not agree on what the ultimate conclusion would be. But these revenues were in addition to the cost of all those assets already being in rates, correct?

MS. MIKHAILA: Yes, they were. And as I've mentioned, in the 2013 cost of service we had 210 tJs available to sell into the market.

MR. QUINN: And earnings got recovery of those in rates?

MS. MIKHAILA: And that's acknowledged by the Board in its decision in 2013.

MR. QUINN: So then you essentially sold it back to customers again for the purposes of providing this shift?

MS. MIKHAILA: If we hadn't sold it to customers, we would have been able to use that capacity to sell to other customers if we hadn't used it for the PDO shift.

MR. QUINN: So you didn't agree with me that there were -- these revenues were to pay for incremental resources to meet the Parkway demands, is that correct?

MS. MIKHAILA: I agree it was the inclusion of the cost in -- the demand cost in rates was to recognize that the capacity being utilized couldn't otherwise be sold to customers.

MR. QUINN: So, you're saying it's all about a foregone IT opportunity?

MS. MIKHAILA: In long term.

MR. KITCHEN: It is not IT. Maybe to be firm, maybe -- I see Mr. Redford keeps reaching for his mic, so...

MR. REDFORD: That's how it works. Yes, those are volumes that we would have looked to sell on a long-term basis, not just on a short-term basis. So to the extent there is available capacity -- I mean, obviously our preference would be to sell it long-term. That would be our first choice. Beyond that, we'd look to sell it done a short-term basis.

MR. QUINN: Let's walk through that then, Mr. Redford. Over the next three years, Union had open seasons, correct?

MR. REDFORD: In the past, '14, '15, yes, we did.

MR. QUINN: So you had open season. So at that point, you were able to determine what the market wanted in terms of the Dawn to Parkway capacity, correct?

MR. REDFORD: That's correct.

MR. QUINN: And you built assets to meet that demand?

MR. REDFORD: We did build assets to meet that Demand, which in most instances resulted in a shortfall -- excess capacity on the system, pardon me.

MR. QUINN: So you created excess capacity by these builds?

MR. REDFORD: Well, I think in -- I think in each case, there was some excess capacity, that's correct.

MR. QUINN: Well, if we just look at the attachment 1, we can see that there was a short-term shortfall in the winter of '15-16 after the initial build was put in place. But in the next two consecutive years, incremental capacity was created such that there was a surplus now created in Dawn-Parkway capacity, which is showing up in line 7 under columns D and E, correct?

MR. REDFORD: I'll address two items. First is that these are forecast numbers. If you look at line 7, it says "Forecast Dawn-Parkway excess and shortfall" and I can't confirm that we were not in a -- we were not in a shortfall position in '15-16.

Part of that was a change in demands. Part of it was also, once facilities are in place, that they performed differently than were designed. So we indeed had a shortfall or -- pardon me, we did have excess capacity in actuality, in '15-16.

MR. QUINN: Sorry, Mr. Redford, your chart says you are in a shortfall position; you are telling us it was surplus.

Can you briefly describe what happened to create that additional capacity, or that additional excess capacity?

MR. REDFORD: So this -- again, I'll start with these are forecast numbers. So as we put facilities in service, as we look at our demands as we go into the winter, things will change slightly.

I would have to look specifically at what the delta was, but one was a slight change in demand, a slight lowering of demand. The other one was a slight change in the capacity that the facilities provided to us.

MR. QUINN: Okay. Can we suffice to say then you were in a surplus position for each of the final three years?

MR. REDFORD: You mean in actuality?

MR. QUINN: Yes.

MR. REDFORD: In actuality, that's correct.

MR. QUINN: So in each of those years, the build was put into rates through the capital pass-through mechanism, correct?

MS. MIKHAILA: Yes, it was.

MR. QUINN: So starting from the winter of '14-15, Union was able to build additional capacity to meet incremental demands and to cover any shortfall, correct?

MS. MIKHAILA: Through the capital pass-through mechanism, the costs were included in rates. But so were the incremental demands associated with those projects.

MR. QUINN: So the question I asked was: Union was able to build sufficient capacity to meet those demands and any shortfall?

MS. MIKHAILA: I can't speak to the specific...

MR. QUINN: Can I ask Mr. Redford then, because Mr. Redford said they were in surplus position?

MR. REDFORD: I guess I'm not sure we built for any shortfall.

I mean, the second point I wanted to make earlier was the fact is when you're looking at compression in pipelines, they are lumpy builds. So if you had a set of facilities and you had 500 tJs a day of demand, the chances of your facilities coming out exactly at 500 tJs are quite rare.

Ultimately, you would want to build pipelines between valve sides, and I don't want to build any more valve sites on the system. So naturally, we may find ourselves in a surplus or in a short position after a facilities build.

That's not -- that's -- that is -- I'd say that's common, and not just to Union, but any pipeline company.

MR. QUINN: So it is common, but the answer to my question -- I asked: Union was able to build sufficient capacity to meet the demands that were requested by the market, and to cover any shortfall as a result of that build.

MR. KITCHEN: I think what we're struggling with is the shortfall. Our builds are there to support incremental demand.

MR. QUINN: And the lumpy nature that Mr. Redford just said put Union in a position such that there was no shortfall in winter of '15-16, '16-17, or '17-18, correct? That's what you've just told us.

MR. KITCHEN: That's correct.

MR. QUINN: Thank you.

MR. KITCHEN: Mr. Quinn, I just -- I think it's important, because the Parkway delivery obligation is fairly complicated and has a very long, drawn-out history for everyone to understand something, and that is at line 8 where we have the temporarily available capacity of 146.

That was capacity that was available on a temporary basis because it was sold. So part of the agreement was that we would use that capacity for a year to facilitate the shift early even though it was sold, and that we would management shift going forward.

But the shift was always to be facilitated by Kirkwall turnback. It was never to be satisfied with Dawn to Parkway capacity.

MR. QUINN: Let's parse that a little bit. I am conscious of time.

But the 146 was sold. It was committed to customer starting in the winter of '15-16, correct?

MR. REDFORD: Or customers.

MR. QUINN: Customers. So it was committed pipe, but it wasn't sold for the year in which it was used for the Parkway delivery obligation?

MR. KITCHEN: That's correct. That's why we used it, because it was temporarily available and then we would manage the rest of the Parkway delivery obligation shift through turn-back Kirkwall capacity.

MR. QUINN: That's fine. But for the year it was used, it wasn't sold. It was committed to a customer or customers for the following year?

MR. KITCHEN: Yes.

MR. QUINN: All right. So it is now being facilitated in line 9 over time by Dawn to Kirkwall turn back?

MR. KITCHEN: That's correct.

MR. QUINN: As a result of those turnbacks and the builds that Union has put in place, the Parkway delivery obligation increased each year -- sorry, let me say it better. Has there been an increase in shift between '15-16 and the winter of '17-18?

MR. KITCHEN: There has been Dawn turnback -- Dawn to Kirkwall turnback that has facilitated the move from 123 up to 200, yes.

MR. QUINN: But that is a facilitating mechanism. Has there been additional customer -- direct purchase customers shifted from Parkway to Dawn since winter of '15/'16?

MS. MIKHAILA: Yes.

MR. QUINN: Okay. Thank you. So, and that's the 280 that we see in line 14 under column E?

MS. MIKHAILA: Yes.

MR. QUINN: Okay. So over time, Union has then increased the rate associated with the Parkway -- the PDO shift in line 14, so each year it has increased the rates associated with that -- the cost of that shift?

MR. KITCHEN: Right, the rates have increased to reflect the increased use of the facilities to allow us to shift those volumes from Parkway to Dawn.

MS. MIKHAILA: I just want to comment, in 2015 to 2017, the increase in the demand costs on line 15 is just a result of the M12 rate changing, not related to changes in volume. In the 2018 rates you do see the addition of additional PDO shift, which increased the demand cost.

MR. QUINN: Okay, so if we go back to line 7 there is excess capacity of 106, correct?

MS. MIKHAILA: Yes.

MR. KITCHEN: On a forecasted basis.

MR. QUINN: On a forecasted basis. So my question is: Is there any physical reason why that 106 cannot be used to facilitate the Dawn-Parkway turnback?

MR. KITCHEN: We -- again, we can go back to the settlement agreement. The settlement agreement said that we would use -- we would facilitate the shift from Dawn to Parkway -- or, sorry, from Parkway to Dawn, using a capacity that was turned back from Dawn to Kirkwall.

And so that's exactly what we've done. That -- to the extent that there is available capacity, it will be sold in the market on a long-term basis.

MR. QUINN: But I asked, is there any physical reason that capacity cannot be used for Parkway delivery obligation?

[Witness panel confers]

MR. KITCHEN: Well, there are two answers to that. One is, my understanding is that we're basically to the point where customers are no longer looking for us to shift their volumes from Parkway to Dawn. Second, we don't have 106 of the Parkway deliveries to shift. I guess a third one is that, if it was available, it would only be available on a year-to-year basis, which I'm not sure customers would want.

MS. SPOEL: Mr. Quinn, I'm not -- I might be missing something, but I'm not -- and it's probably me, but is this -- all this line of inquiry relevant to the amalgamation or is it relevant to the rate-setting framework or how Union has handled this -- all this in the past -- I'm just sitting here thinking, where are we going? What should I be taking from this cross-examination? Because I'm not quite sure what the relevance of this inquiry is. I don't want to wait until argument to figure out where it is you are going, because right now I'm sitting here going, what should I be listening to?

MR. QUINN: Thank you, Member Spoel --

MS. SPOEL: Could you just give, like, one, like, a sentence explaining what this is all relevant to?

MR. QUINN: Over the term of the IRM period Union has adjusted rates associated with capacity. If they do not rebase those costs would be maintained in rates for the period of ten years.

MS. SPOEL: So this is to do with the rate-setting mechanism.

MR. QUINN: It's in the rate-setting mechanism and the deferred rebasing period. Our premise here is there is excess capacity that the customers have.

MS. SPOEL: Well, that's fine. I don't need to hear your argument now --

MR. QUINN: Okay.

MS. SPOEL: -- I just want to understand why it was -- where this all fits into the picture. Now I understand, so thank you.

MR. KITCHEN: I just wanted to pick up on one thing that Mr. Quinn said, that if we defer rebasing, these will stay in rates for the term of the rebasing period. If we were to rebase, they would be built into rates through cost allocation.

MR. QUINN: Well, we would like to see what that would look like, so since you've led that, Mr. Kitchen, what would the impact be? Can you take an undertaking to demonstrate what you believe the impact would be and how you would allocate those costs, including the 106 of excess capacity that's demonstrated in 2017 and '18?

MR. CASS: Well, my concern, Madam Chair, is Mr. Quinn is now asking for really a cost study that would be done if there was a rebasing. Of course the applicant's proposal is that there be a deferral of rebasing.

MR. QUINN: And Mr. Cass, to be clear, I'm just asking for what the impact would be on the Dawn-Parkway system if Union were to rebase, based upon the assets that are in place in -- at the end of 2018.

[Witness panel confers]

MR. KITCHEN: Mr. Quinn, I am not even sure that's doable without doing a full cost study, because it requires us to -- you can't just look at this one piece of the Dawn-Parkway system. You have to rebalance everything, and I'm just, I'm not sure how we could do it without doing a full cost study.

Second, what should happen, right, is that the costs that show up in column E at line 17 would simply be allocated to in-franchise rate classes because the in-franchise demands, distance-weighted demands, on the Dawn-Trafalgar system would increase for in-franchise rate classes, and they would decrease for others. So I'm just not sure how we could do this.

MS. ANDERSON: So Mr. Kitchen, is there something that you can provide on this matter that doesn't require a full cost study?

MR. KITCHEN: I'll offer this: What we'll do is at lunch we can sit and talk and see what we can provide.

MS. ANDERSON: Okay, thank you.

MR. QUINN: If I may, Madam Chair, I'm going to ask Mr. Kitchen, we're interested in the impact at the margin. Not a full cost study, just what the impact would be at the margin; is that doable?

MR. KITCHEN: That's what we're going to talk about at lunch.

MR. QUINN: Can we have an undertaking to ensure that we can at least have a response?

MS. ANDERSON: Yes.

MR. KITCHEN: Madam Chair, we can call that J3.2, and as I understand it, the undertaking would be to consider this at lunch and report back after lunch on what type of response can be provided.

UNDERTAKING NO. J3.2: TO CONSIDER AT LUNCH AND REPORT BACK ON WHAT ADDITIONAL INFORMATION COULD BE PROVIDED IN RESPECT OF THE PARKWAY DELIVERY OBLIGATION ISSUE.

MR. QUINN: That's helpful, Madam Chair, and I didn't want to spend time on the record, but I won't be here after lunch. I had made a shift in my schedule when this day came so I could be here this morning, but I can't be here this afternoon. I have a prior commitment. Thank you.

MS. ANDERSON: Well, Mr. Quinn, your time is pretty much up, so just, are you wrapping up soon?

MR. QUINN: Actually, no, I had 20 minutes the other day and I had half an hour now, approximately.

MS. ANDERSON: Right.

MR. QUINN: I still have considerably more. I will try to move through it quickly.

Okay. If you can turn to the supplemental compendium. Starting on page 2, FRPO 11, we asked about the availability of IT on Union's system. You confirmed in (g) that interruptible transport was available for every day during the IRM period; is that correct, Mr. Redford?

MR. REDFORD: That's correct.

MR. QUINN: So there was no constraints that would -- system constraints that would make interruptible transport unavailable?

MR. REDFORD: That's correct.

MR. QUINN: Okay. So what capacity did you sell on IT? So if we just use this last winter, what capacity was used to sell interruptible transport? Was it the excess capacity that is shown in line 7 of J2.5, or was it the Dawn-Parkway turnback, which is shown in line 9 and 10 of the PDO shift?

[Witness panel confers]

MR. REDFORD: Well, I'm not sure we parse out specifically what capacity we used. We would have used excess capacity on the day on the system, which would include firm contracts that were not nominated on the timely window as well. So, you know, on any given day, we have operationally available transportation that is published on our website, and we would have used whatever is available on the data cell IT capacity.

MR. QUINN: So there is a term that Union uses periodically. You don't colour-code molecules in the same way you don't colour-code capacity?

MR. REDFORD: Yes, on an operational basis, we would not colour-code the molecules.

MR. QUINN: Or the capacity, in this case?

MR. REDFORD: Yes, I guess we wouldn't colour-code the capacity either.

MR. QUINN: Okay. So, and I'm -- I don't think you need to turn it up, but it is in my previous compendium. On page 11, you confirm that there was no interruptions during the four-year period?

MR. REDFORD: That's correct, that would have been -- it would have been an IR back from EB-2017-0087.

MR. QUINN: It's in my compendium on page 11, yes.

So Union was able to have no interruptions and sell millions of dollars worth of Dawn-Parkway capacity during the years of the IRM period, correct?

MR. REDFORD: Well, again, you know, we would sell capacity available on the day in our system, which would not just include any excess capacity, but would include capacity that was not nominated by firm customers at the timely window.

So to the extent that people aren't using their capacity, then we would look to sell it out into the market.

MR. QUINN: Okay. So I don't know that we need to go through the specific numbers, so I'm going to jump to -- so you've added approximately 20 percent capacity since the initiation of the PDO shift, and that has gone into rates through the capital pass-through, correct?

MR. KITCHEN: That's correct.

MR. QUINN: And the original costs that are in base rates have not been depreciated over the period, correct?

MR. KITCHEN: We are under a price cap, so we apply the price cap to the base.

MR. QUINN: Okay. So as you're considering the undertaking, we would like to understand again what that impact would be of rebasing, including the depreciation that would be seen at that time. So I am just trying to give you that context for the benefit of your consideration.

MR. KITCHEN: I think you'll have to explain this a little bit better for me.

MR. QUINN: The original assets, the 6,800 tJs that were in base rates, have not been depreciated over the five-year period?

MR. KITCHEN: That's correct.

MR. QUINN: They would be depreciated if you were to do a rebasing. That would have a material impact on your results, so I'm just trying to make sure that's not forgotten in your consideration would be what the impact would be on rebasing.

MR. KITCHEN: I think that's one of my challenges in trying to do this cost allocation study that you want us to do for this particular case. It's not a simple matter.

But as I've said, we will undertake to provide -- we'll discuss it and see what we can do.

MS. ANDERSON: Mr. Quinn, I do need to check in on timing, just to make sure everyone is clear. The hearing plan I have in front of me had you at 30 minutes today, because you had the 20 minutes the last time.

MR. QUINN: Madam Chair, I had 90 minutes in my original request; it was cut down to 60 minutes. I've actually worked a fair amount trying to tighten this up over the weekend. Unfortunately, with the addition of J2.5, it gave me a vehicle. But there is information that's on the record now that needs to be clarified, and that is what I was attempting to do.

MS. ANDERSON: How much time are you looking at, because as I said, my hearing plan shows half an hour, which would have been about quarter after.

So I just wanted to get a sense -- with the hearing plan, we are tight to complete the work that we intended today.

MR. QUINN: I understand, and I will try to -- I'll have to cut out things again, so I'll try to be finished in 15 minutes.

MS. ANDERSON: Fifteen? Okay. I think that's a bit of a problem on our schedule for today, unless others are not planning their time with this panel and I'm not hearing anyone saying that.

MR. GARNER: Sorry, Madam Chair. We may be a little bit shorter. I would also point out that I think APPrO was considerably shorter on this panel than their allotted time, so I would just point that out.

MR. QUINN: And that, Madam Chair, was something that I tried to coordinate with Mr. Vellone.

MS. ANDERSON: Okay. Let's try and stick to ten minutes.

MR. QUINN: I will do that. If you can turn to my compendium from last week -- sorry, from May 4th, and turn up page 16.

Now, you don't need to turn this up because I want to save some time. In SEC.2, $1.8 million was listed for dehydration services allocated to non-utility.

We discussed this at the technical conference. Do you remember that, Mr. Kitchen?

MR. QUINN: Yes, I do.

MR. QUINN: So your response to undertaking JT3.8 said that yes, the dehydration facilities were in service in 2007 at the start of NGEIR?

MR. KITCHEN: Yes.

MR. QUINN: Can you point me to any Board approval of the transfer of those revenues from the utility to the non-utility? And by way of undertaking, if you could take an undertaking, I would appreciate it. We are on a tight timeframe.

MR. KITCHEN: I can actually give you the answer. The reason those assets were treated as non-utility or moved to the non-utility business is that they are storage assets and they were used to facilitate dehydration, and that's a storage-related cost.

This was dealt with in the 2008 rates application, which is rates application that initiated -- that came out after NGEIR. And at Exhibit D, tab 1, page 5, we were talking about -- or the prior page. But I believe we were talking about the adjustments that we were making as a result of NGEIR and we said:

"In addition to implementing the changes associated with sharing forecasts and T margin, we will remove from the M12 rate schedule and applicable notes for storage dehydration services. These services are applicable to ex-franchise storage customers, consistent with the NGEIR decision. These services are now unregulated.”

MR. QUINN: I've got the reference, and I'll look it up later.

Can we move to page 18 of the compendium of last May 4th? If you don't mind turning that clockwise, I think it will help.

So these are the continuity charts that were provided in JT3.7, attachment 2. Can you help me understand the transfers in line C?

There's almost $49 -- sorry, $45 million of transfers. You can help me with what would be included in those transfers in the year of 2015?

MS. MIKHAILA: Yes, I can. In 2015, January 30th, 2015, Union purchased the remaining 25 percent of its subsidiary, Huron Tipperary. And on June 1st, 2015, Huron Tipperary Limited Partnership was dissolved and the assets were transferred to Union.

MR. QUINN: When that transfer occurred, was there a commensurate adjustment of allocation of indirect costs associated with the expansion of your storage facility?

If you've increased the capacity of the storage available to the non-utility, should that not bring with it an allocation of cost if you are in a rebasing mode?

MR. KITCHEN: That's just it. We were under a price cap, so we weren't doing cost allocation studies.

MR. QUINN: But your Black & Veatch study provided the initial allocations, and you are saying those were set --

they're going to be set for the entire IRM period, even if you undertake an expansion such as this?

MR. KITCHEN: It wasn't an expansion; it was a transfer of assets.

MR. QUINN: A transfer of assets. Did it increase non-utility storage capacity?

MR. KITCHEN: As I said, under IRM, we don't do cost of service studies. So to the extent that the allocation from -- from utility to non-utility would change, we've not updated for that.

MR. QUINN: If we were -- if the Board were to order a rebasing, those adjustments would be made and there would be an increased allocation to the non-utility; is that correct?

MR. KITCHEN: There would be a number of changes made as a result of a rebasing application.

MR. QUINN: Have you added assets to your utility storage?

MR. KITCHEN: There would be a change in the transfer, yes. Was it material? I don't think so.

MR. QUINN: So to be clear, the utility would not have a material addition?

MR. KITCHEN: What I'm suggesting is that 44,000, a change of $44,000 --

MR. QUINN: 45 million?

MR. KITCHEN: -- $44 million on $336 million would not have a material impact on any transfer.

MR. QUINN: That is greater than 10 percent increase, correct?

MR. KITCHEN: That's right. But there are also a lot of other things that would go around, and so you look at one thing in isolation, yes, it may drive an increase, but there are a number of other things that could have a decrease to offset it. Until you do it you don't know.

MR. QUINN: The last area I will close with is if you could turn to page 23 of that compendium.

Now, clearly, there has been changes at -- actually, sorry, if we can just move to page 24. I will just cut to the chase.

Would you agree with me, Mr. Redford, there's been an increase in transactions at Dawn over the IRM period?

MR. REDFORD: What kind of transactions?

MR. QUINN: Market transactions.

MR. REDFORD: Just in general.

MR. QUINN: Yes. You've done presentations across Canada and I assume in the States that show that there's been an increase in transactions at Dawn over the years?

MR. REDFORD: Yeah, I'd say that Dawn has -- a number of transactions have increased in Dawn over time.

MR. QUINN: Okay. On page 24 I've got a chart that is average winter day and peak winter day, and it differentiates Union system gas from Union direct purchase and Union direct purchase non-obligated, which is the third column, Dawn storage, and EDS -- sorry, Enbridge system gas, Enbridge direct purchase, Enbridge storage, and Dawn output.

By way of undertaking could you populate this table for us to help us see what the evolution is at Dawn and what the impact is of bringing Enbridge together with Union in terms of relying -- in terms of the flows through Dawn on an average winter day and a peak winter day?

MR. REDFORD: You mean just for the utilities?

MR. QUINN: Just for the -- but also the direct purchase, because you are relying on direct purchase on an obligated basis and on the previous page it says on a non-obligated basis also.

[Witness panel confers]

MR. REDFORD: I think most of it -- I mean, Union's system will know -- I think the direct purchase -- you are talking about the obligated --

MR. QUINN: Obligated and non-obligated. On the previous page it says you rely on both?

MR. REDFORD: Got you.

MR. QUINN: The remaining 36 percent of the direct purchase delivers at Dawn a non-obligated delivered on -- by the non-obligated customer to match customer's consumption, on a design day Union assumes non-obligated customers consume, and the corresponding deliveries are made at Dawn.

MR. REDFORD: And this is just strictly for folks that are -- whether it is on an obligated basis or non-obligated basis -- are required to provide us gas at Dawn.

MR. QUINN: Yes, so I am looking for the Dawn output, so you'd be able to populate that table by way of undertaking?

MR. REDFORD: And when you say -- just let me make sure I get everything correct -- peak winter day, are you talking -- is that design day? Is that --

MR. QUINN: Design day, peak winter day, yes.

MR. REDFORD: Yep, that's fair, yep.

MR. QUINN: So you can?

MR. REDFORD: Let me check with Mr. Charleson to make sure we can do that on the Enbridge side.

MR. REDFORD: I think we can put the table together.

MR. QUINN: Thank you, Mr. Redford.

MR. RICHLER: That will be Undertaking J3.3, to populate the table.

UNDERTAKING NO. J3.3: TO POPULATE THE TABLE ON PAGE 24 OF FRPO'S COMPENDIUM DATED MAY 3 2018.

MR. QUINN: Thank you for the indulgence, Madam Chair. I did leave some things out, but I'll respect that everybody has questions. Thank you.

MS. ANDERSON: Thank you. Okay, we are actually going to take our morning break now. So we'll take 20 minutes. Be back -- well, let's say -- let's be back. Well, we'll say 20 minutes. You can do the math.

--- Recess taken at 10:38 a.m.

--- On resuming at 11:10 a.m.

MS. ANDERSON: Thank you. We are back on the air.

PROCEDURAL MATTERS:

The Panel has had the opportunity to discuss the hearing plan to some extent and, as usual, we are trying to balance the efficiency of the hearing with the need to get all the information that we need to make our decision.

In attempting to do that, we are, though, mindful of the concerns that have been raised about the time that we have.

First of all, we've been looking over the hearing plan and want to make sure that we have an accurate allocation, or an accurate plan that allocates the time. And so certainly over the lunch break, we would ask that parties work with Staff to make sure we have an accurate reflection.

To the extent that any intervenor is trading time with another one, we would like that reflected in the plan as well, so that if someone isn't going to take 30 minutes, we know it's not going to take 30 minutes.

We intend to have the expert panels of PEG in here tomorrow; I think that's when they're scheduled. But with the time, it is our expectation that probably Energy Probe would move to Friday. But that depends on where we are with timing.

But witnesses are not available on Friday when we were intending to do the undertakings, and we are not going to inquire the intervenors to do the cross on those tomorrow.

What we are looking at doing in moving Energy Probe to Friday is to -- Mr. Cass would not have your argument in-chief that we would look to schedule another day, and for -- specifically for the undertakings, for cross on the responses to the undertakings, is what we're looking at.

But again, all of this is about making sure that we have the information that we need in order to make our decision.

So I think it would be helpful again over the lunch break if we get an accurate hearing plan so everyone has it, and everyone knows the time that has been allocated because even with the plan, certainly getting all of the cross-examination of the experts tomorrow, we want to make sure that it's an accurate reflection of the of what's been allocated.

MR. SHEPHERD: Madam Chair, may I ask a question? I'm not sure I understood. Is it the Board's intention to proceed with the follow-up cross-examination on the undertakings on Friday, or on a different day?

MS. ANDERSON: On a different day.

MR. SHEPHERD: So we would do Energy Probe on Friday and then, on a different day, we would do that follow-up cross plus argument in-chief?

MS. ANDERSON: So we're asking Staff to try to find a day that is available to do cross on all of the responses to undertakings that is we have.

MR. SHEPHERD: Thank you so much.

MS. ANDERSON: Any other questions on that before we proceed?

MR. YAUCH: I just have one question. I'm assuming Friday morning. It is just that I have -- I have other people that I need to corral, so just so I...

MS. ANDERSON: That was our intention, 9:30 Friday morning.

MR. YAUCH: That's fine.

MS. ANDERSON: Okay. Mr. Cass, any questions?

MR. CASS: Madam Chair, I'm just hoping for some clarity around the additional day you were talking about. I assume that would be panel 1 that would be expected on that day?

MS. ANDERSON: I think we'll have to look at that Tuesday. We can let you know. I think it would be broader. I think it would be on any undertakings that we have, given that we want to make sure that we have all the answers we need. So we would be looking for a day when you have all of your panel members available, other than -- we'll see whether or not we need that for NERA or PEG.

That's perhaps not likely, but -- okay. And now, I think we're moving on to -- with no further questions just before we leave this, we are manufacturing on to Energy Probe.

CROSS-EXAMINATION BY DR. HIGGIN:

DR. HIGGIN: Good morning, Madam Chair and Panel. Rodger Higgin for Energy Probe.

I have a compendium. There was a bit of confusion about the compendium, but the copy that we should be using today is dated May 4th. The reason is I was expecting to go on May the 4th, so that's the copy that is correct.

I will have to update for the applicant the actual copy. There is very little difference between the two, but the one we should be using is a clean copy dated May the

4th.

And could I have an exhibit for that, please?

MR. MILLAR: Madam Chair, it is Michael Millar. I am just speaking with our friends from the utilities. They don't have an electronic version of the May 4th compendium, so I'm not sure if there are hard copies that could be looked at or if there is an older version that is close enough that we could fumble along on the screens.

But we do not -- pardon me, they do not have a copy of the...

DR. HIGGIN: As far as I know, Mr. Millar, there isn't any content changes; the references are the same. There might be one page that slipped over between the two versions, but that's it.

MR. MILLAR: Why don't we stumble along with what we have?

DR. HIGGIN: I think if you are using the references that would be appropriate. There isn't any issue.

MR. MILLAR: We'll do our best.

MR. RICHLER: Madam Chair, we can mark the Energy Probe compendium K4.2. And for clarity, that's the May 4th version.

EXHIBIT NO. K3.2: ENERGY PROBE CROSS-EXAMINATION COMPENDIUM DATED MAY 4, 2018

DR. HIGGIN: Thank you, Mr. Millar. So as I said, page 2 of the compendium does have the references I'll be using, or most of them. I may skip some for time.

So what I would like to do then is turn to page 2 of the compendium and start there.

Good morning, panel. I'm Rodger Higgin for Energy Probe.

So on page 2 we see a response to Energy Probe interrogatory EP3, and my main topic here is dealing with the rationalization of the transmission and distribution, but also storage. This particular response only addresses transmission and distribution. Was that an omission? Why did you not include the storage in the response?

MR. KITCHEN: I think, Mr. Higgin, it was probably just a bit of an oversight on our part. I wonder if -- Bonnie, if you could just go a bit higher. There we go.

In terms of the no-harm test, we don't see any reason to think that amalgamation will in any way affect the rational development of storage.

To the extent that there are opportunities to invest in storage, those opportunities would be there whether it was EGD and Union as separate entities or as Amalco, and we'll continue to do that.

DR. HIGGIN: Thank you. You are just going to answer my cross right there, thank you.

So if we go to the no-harm test, look at page 3, please, of the compendium.

So this is an undertaking, technical conference JT1.8, and attachment 3 on page 3. And basically we'd like to just understand again why the utility investments don't include storage.

I think you just answered that. So storage is, in our view, part of the Board's mandate and the objects. Would you agree that the objects that are in the act, storage?

MR. KITCHEN: I would tend to agree with that.

DR. HIGGIN: Thank you. So we just need to perhaps move on quickly now and explore some of those things about storage, and I'm just going to go now to page 4 of the compendium.

This is an interrogatory response to Board Staff, and I've highlighted the particular area I would just like to ask about. So just to paraphrase the response, "From a practical perspective, EGD transportation contract should not cease...," and so on. And that's what you are saying, that basically things should stay the same as they are right now, if I would paraphrase; is that correct?

MR. REDFORD: That's correct. I think the point is, is that Amalco can't contract with itself, so while the contract sees the commitments that are in those contracts will continue on.

DR. HIGGIN: Thank you.

So, the other thing then that is an issue for us, but you may not agree, if we turn to page 5 and look at the highlighted portion of that. So just to say what the response says, you're saying:

> "Converting a portion of non-regulated rate-regulated storage to rate-regulated to meet the needs -- very important -- of EGD zone customers is not being proposed."

Is that correct?

MR. KITCHEN: That's correct.

DR. HIGGIN: Thank you.

So can we go to page 6 of the compendium. So I'd like to proceed now on two fronts here, on storage, just on storage. One is, there are two aspects, a rationalization of regulated storage that is the result of NGEIR, and then I would like to talk a bit about market storage. So going to proceed on two fronts.

So first let's deal with regulated storage. We now have in this highlighted area, we have the question that I think is arising from the amalgamation. That is, does Enbridge have access to any storage beyond its allocation under NGEIR.

So let's say this: Confirm first that in winter two-17/'18 Union did not use and sold to market, including to EGD, 6.7 pJs of its storage. Am I correct?

[Witness panel confers]

MR. REDFORD: Sorry, I can confirm -- I think it was 6.8, actually, was --

DR. HIGGIN: Oh, well, we won't argue --

MR. RIETDYK: Won't quibble, yeah --

DR. HIGGIN: Thank you.

MR. RIETDYK: -- 6.8 pJs of excess utility storage. So in other words, we did not use the full 100 pJs that was set aside in NGEIR for Union's in-franchise customers, but we did not sell any of the 6.8 pJs to Enbridge. That would be sold on a short-term basis.

DR. HIGGIN: Okay.

MR. REDFORD: We would have sold -- any storage we sell to Enbridge would be in our non-utility capacity.

DR. HIGGIN: Right, so I'm going to go there. That's the second piece of my discussion. We are talking about regulated storage for the moment. So are there any obstacles for why the EGD rate zone post-amalgamation couldn't use that 6.7. pJs of regulated storage, particularly for the winter that's coming up for two-18 and 2019?

[Witness panel confers]

MR. KITCHEN: I'll start, and then my panel members can add from their own experience on the market side.

But first, from my perspective, I'll start by answering the question which is: There's no impediment of any kind, except for what Mr. Charleson may talk about in a second.

But from our perspective it would be inconsistent with the NGEIR decision. The NGEIR decision set aside 100 pJs of storage for Union South and Union North customers. Currently they are using around 93 pJs, but over the term of the deferred rebasing period, I would expect that that requirement would grow and in-franchise customers in Union South and Union North would require some of that space, if not all of it.

And to the extent that it was used to -- was used for EGD, then that capacity wouldn't be available, and the Union South and north customers would go -- have to go to market and, in my view, that would create harm for them.

DR. HIGGIN: So just to clarify, post-amalgamation EGD becomes an in-franchise storage customer, correct?

MR. KITCHEN: That's correct.

DR. HIGGIN: Thank you.

So confirm in round numbers, I think it would -- Mr. Redford, the approximate price for regulated and unregulated storage, just approximately in dollars per pJ or per gJ, what's the difference between the price? I think it's something like .63 and .34, if I do my research; am I correct? So .34 for regulated and .6-something for market-based? Am I correct? I only need the order of magnitude, but I'd like to just have it on the record, approximately. I think there is an IR somewhere that has it. Board Staff, I think, asked the question.

MR. REDFORD: Yeah, I think there's an undertaking from the technical conference that covered that, which was -- I believe it was JT2.11 and JT2.12.

DR. HIGGIN: Yeah, if you look at page 6 of my compendium, I think that's where I have a replication of JT2.12.

MR. REDFORD: That's correct.

DR. HIGGIN: Perhaps you could just point out to us what the difference would be, perhaps using these data.

MR. REDFORD: So the difference on a unit basis over that period, there was another -- there was another undertaking or IR that actually provided that. I'd have to calculate it.

DR. HIGGIN: Would you like to just check and just confirm that. We could have an undertaking just to put the numbers on the record if that would be helpful. I have time constraints while we wait.

MR. REDFORD: Yeah, it might be, sir -- Mr. Kitchen said it might be included in Staff 10.

MR. KITCHEN: Staff 10.

MR. CHARLESON: Perhaps while we're looking for that, I did want to follow up on that --

DR. HIGGIN: Yes, I understand you --

MR. CHARLESON: -- Mr. Kitchen said earlier --

DR. HIGGIN: -- more -- to this --

MR. CHARLESON: -- around the --

[--- Reporter appeals.]

DR. HIGGIN: Could we just have a -- do you have a marker?

MR. KITCHEN: Staff 10 --

DR. HIGGIN: Yes.

MR. KITCHEN: -- part (c).

DR. HIGGIN: And what does it say, please?

MR. KITCHEN: It says -- this is for EGD's -- it is basically their average cost is 68 cents.

DR. HIGGIN: 68? Yeah.

MR. KITCHEN: And the cost is 34.

DR. HIGGIN: Thank you. So those were about half, the difference for -- between the two. So regulated storage is half. Okay.

MR. REDFORD: For 2018.

DR. HIGGIN: For 2018 --

MR. REDFORD: For 2018 -- that market-based price will change as market conditions change, but for 2018 that was the number.

DR. HIGGIN: So would you like to add your points before we move on --

MR. CHARLESON: -- to the question around the --

[--- Reporter appeals.]

MR. CHARLESON: This is going back to the point around the ability for EGD to use the Union excess storage capacity in 2018, 2019. There would be the other limitation, in that EGD has already contracted for storage capacity for the year, to the extent that there was no incremental or limited incremental storage requirements. We already have contracts in place, so we would want to -- we need to honour those contracts.

DR. HIGGIN: Thank you for that clarification. We'll talk about that in a minute, please.

So could you turn to page 8 of our compendium. And this is a response to JT3.6, and I'd just like to highlight the response. It says here, as you have said, at the time of NGEIR and it gives the quantities, how much storage to total you had. And then it said lower down "EGD has increased non-utility storage since that time."

So, do I understand this? EGD has an allocation under NGEIR of 98.4 pJs of storage, is that correct?

MR. CHARLESON: That's correct, subject to the conversion of BCF versus pJs, but we won't worry about that.

DR. HIGGIN: So the point is they've already developed storage and that's being sold to market, correct?

MR. CHARLESON: That's correct, Enbridge Gas Distribution has invested in developing non-utility storage on the expectation they would be able to sell it at market rates.

DR. HIGGIN: Right. Now, if you read -- so let's just move on down to the bottom here, and the last two lines in part (d). Look at part (d), please.

So part (d), this seems to indicate what Enbridge's -- well, Union's requirements are and what Enbridge's requirements are for the winter of 2018-19, correct.

And it says Union needs 93.2 for its in-franchise currently, and Enbridge needs 25.8 pJs for its in-franchise, correct?

MR. CHARLESON: 125.8.

DR. HIGGIN: 125.8. So post amalgamation now, let's look forward. That's the winter coming up, 2018-19. So where is Enbridge going to get the rest?

So they're going to contract with themselves for that extra bit, or are they going to buy it from Union or its affiliates? They need 19.7 pJs to make the balance, right? Am I correct?

Even if they got access -- no, if they got access to your unregulated, regulated storage, they would still need about that much, right?

MR. CHARLESON: That's correct. Because the total contracted capacity for Enbridge is about 26.4, so when you remove the 6.8, it brings it down into that range.

DR. HIGGIN: Okay. So just to put the whole thing into consideration here, let's look at page 10 of our compendium.

I would just want to, first of all, highlight briefly parts (e) and (f). I will come back to them in a minute. But then I want to move directly to table 1, please, and table 1 is now on page 11.

So coming back to your point about contracts, this lists the contracts for EGD, correct? Table 1 lists those contracts?

MR. CHARLESON: That's correct.

DR. HIGGIN: How many of these are with Union or its affiliates? If you don't know, please take an undertaking to tell us.

MR. CHARLESON: I believe there is already an IR or an undertaking response that has that. I'm just going to quickly look for that.

DR. HIGGIN: While you are looking for that, my question is about the expiry. You talked about existing contracts and their expiry. So when you when you are looking for that, I'm not only interested in how many are with you, but when do they expire. When does EGD's contracts expire?

That's the fundamental question and it shows the expiry date, so I want to match the two up.

So this is with Union. This is the expiry date. This is with -- et cetera. So perhaps we should have an undertaking to provide that information. Could we do that, please? Yes, okay?

MR. CHARLESON: Yes.

DR. HIGGIN: Undertaking.

MR. RICHLER: Madam Chair, that is undertaking JT2.4.

UNDERTAKING NO. J3.4: TO IDENTIFY THE CONTRACTS WITH UNION AND AFFILIATES AND WHEN THEY EXPIRE

MR. CHARLESON: Getting back to your earlier question, it is in response to Energy Probe 6, part (d), that we indicate there is 19.5 pJs of capacity that's currently contracted with Union.

DR. HIGGIN: Yes, and that's included in this table, correct? And I was just asking which contracts and when do they expire, so I'd like to get that clarified on the record.

What I would ask is if you could add another column, or something that says this is with Union. In other words, the contract ceased or something. I don't know what (c), (e), (g) and those things are, because perhaps there's confidential issues here.

But perhaps you could clarify that for us, especially those for -- those between you and EGD. That's the whole thing here.

MR. CHARLESON: Sorry, perhaps you can just clarify. You are asking for us to just add another column onto this table?

DR. HIGGIN: Yes, just this (d) -- well, let's look at one that expires. (c), that's that much -- that (c) means it's with Union or it's whatever, just to --

MR. CHARLESON: Whether it is Union or another party?

DR. HIGGIN: Yes, thank you. So you will be glad to see I'm finished with storage for now.

MS. LONG: Yes, Dr. Higgin, are you asking the witness to identify another party, other than Union? I'm assuming it's just Union --

DR. HIGGIN: Only Union.

MS. LONG: -- or another party, and that's sufficient. You are clear on that?

DR. HIGGIN: You could say it's Union or other, yes, correct.

MS. GIRVAN: Could I ask a clarification question? Sorry. I thought that the undertaking earlier said -- or the interrogatory response said that all contracts will cease upon amalgamation.

So that's all the contracts between Union and Enbridge?

MR. REDFORD: So as I said previously, the contracts, and we're taking that word literally, will cease because it would be a contract between Amalco and Amalco.

However, the commitments under those contracts will continue on. They just would be done through a term sheet or some identification of what those terms are. But it wouldn't be necessarily a formal contract.

So we would expect Enbridge will still retain the capacity that they had on the transportation -- the transportation system, as well as our storage.

MS. GIRVAN: Okay, thanks.

DR. HIGGIN: Thank you. So that brings us to page 12, please, and now I'm moving on to transmission.

So you see the highlighted part and just as an introduction here, I have two areas again to explore. The first is the allocation of the existing transportation capacity, post amalgamation.

Two, in-franchise and ex-franchise customers and the associated rate considerations of the switching there. And the other one is allocation of new incremental transportation capacity. And I will tend to focus on Dawn to Parkway as being a good example that we can talk about.

So confirm that as the response indicates in parts (a) and (b), the highlighted area, EGD can shift from an ex-franchise customer of M12 services to an in franchise, and the EGD rate zone will be treated in a similar way to the treatment when Centra and Union join together, similar to Union North.

That's what the response indicates, so what I'd like to have you clarify at a very high-level, what does this mean for the allocation of existing transmission costs and transmission rates. Could you summarize what the impacts of that would be, just in general high-level terms?

MS. MIKHAILA: Sure. Union allocates the Dawn-Parkway demand cost in proportion to the distance weighted design day demands, and because EGD is at the end of the system, there would be no difference in allocation of costs as an in-franchise customer, versus the M12 rate that we're proposing that they continue to pay.

DR. HIGGIN: So that would only be for Dawn. What about other -- you have other transmission as well?

MS. MIKHAILA: Yes, we do.

DR. HIGGIN: And that would be -- how would that be treated?

MS. MIKHAILA: Dawn to Kirkwall contracts?

DR. HIGGIN: Yes, for example.

MS. MIKHAILA: It would be similar, so the Dawn to Kirkwall, as well, is on a distance-weighted.

DR. HIGGIN: But your assets, you are talking correctly, because I perhaps said that, Dawn -- the system Dawn to Parkway, but you have other transmission lines that pass through or close to EGD service territory, correct?

MR. KITCHEN: But those aren't used to serve EGD.

DR. HIGGIN: No, none of them currently?

MR. KITCHEN: That's correct.

DR. HIGGIN: Okay. All right.

MR. KITCHEN: It's actually -- that's when -- the comment when it says "very similar to the north and", et cetera -- sorry, Union North and Union South, it is a very similar treatment there. The southern distribution and other transmission assets are used to serve the south and they are not used to serve the north. So they're not allocated those costs.

DR. HIGGIN: Can we turn now to page -- the next page -- well, so let's just stop at the bottom here. In our response to your -- the question (c) you referred us to

TCPL 3, and so the next thing is to go and have a look at TCPL 3. That starts on page 13 of the compendium. And really the area to -- I'd like to question on is the highlighted area there. This is about incremental additions to transmission capacity.

So we are going to deal with two things, the existing storage -- sorry, transportation and what happens when contracts expire or there's turnback and how will that be dealt with, what are the rules, how does that -- under Amalco, how does that work? What are the rules for how that capacity is to be allocated, okay? So let's say another shipper turns back capacity. How will it be done?

MR. REDFORD: Sorry, Mr. Higgin, are you talking about existing capacity, if somebody turns existing capacity back --

DR. HIGGIN: Yes, exactly, just starting with the existing, then we'll talk a bit about incremental as a...

MR. REDFORD: Sure. And we do talk about that in the TCPL IR responses.

Existing capacity is really served on a first come, first base -- first come, first served basis, so it is really the first party to speak for that capacity that secures that capacity, so -- and so that's the way it works today.

So going forward, same thing. If somebody turns back capacity, you would see that. October 31st is usually the turnback date on transportation. In the index of customers on November 1st if their end date of their contract says two years from that November 1st, then you know that person has turned back capacity, that becomes part of our available capacity to sell, and we would do that on a first come, first served basis.

DR. HIGGIN: How does it work for Amalco? If Amalco wants additional capacity that's turned back, how does that work in this, quote, is there an option? How does it work? Isn't Amalco in sort of an inside seat when it comes to this reallocation?

MR. REDFORD: No, not really. I mean, it's -- the index is posted. It's transparent. People can tell what we have contracted on our system. To the extent that Amalco determines that it needs capacity and to the extent that there is capacity there, then we would expect Amalco, and it would be the gas supply group to speak --

DR. HIGGIN: So it's not a bid, not an auction; it is first come first served, just to repeat what you said.

MR. REDFORD: That's correct. If you look under STAR, existing capacity does not necessarily need --

DR. HIGGIN: Right.

MR. REDFORD: -- to be offered through an open season.

DR. HIGGIN: The question I'm going to raise to you: Should there be some consideration of the rules under STAR because of the position that Amalco will now be in?

MR. REDFORD: I don't think it's any different than the position we're in today. I mean, Union can speak up for capacity today on its own system.

DR. HIGGIN: Yes.

MR. REDFORD: Even before Amalco, so -- and again, it is on a first come, first served basis, so when our sales group receives a request from a third party or a request from our gas supply group to fill capacity, they'll look at whether that capacity is available, and to the extent that a third party speaks up before Amalco, my view is it's the third party's capacity. If they are the first one to come and request the capacity, then it is theirs to contract.

DR. HIGGIN: You manage the capacity. Amalco manages the capacity. And therefore, as I use my phrase, you are in the driver's seat, you understand when it's coming free, you know all of those things. You are in the driver's seat.

MR. REDFORD: We generally get our turnback on October 31st, and the next day it's posted, so it's basically available to the market at the same time, and that would assume that we have a need for capacity on October 31st, which would be quite coincidental. It would really come as we do our gas supply planning.

DR. HIGGIN: Yes.

MR. REDFORD: And that's really when we would know whether we think we need further capacity, so I don't think we have any greater insight into what capacity is coming available. I don't know that -- and frankly, it really depends on whether our gas supply group requires that capacity. It's managed separately within our shop, and that's really a sales function, not a gas supply function.

DR. HIGGIN: Thank you. So let's just move now to the highlighted area, and this deals with, TCPL was asking about the incremental capacity and how things would work with regard to adding capacity to -- let's just talk about, you know, Dawn to Parkway.

So could you just clarify what you say here, particularly it says here, this phrase:

"Amalco's needs would not be subject to pro-rating, as outlined in Union's M12 tariff."

Could you just clarify what that means, please?

MR. REDFORD: I can, and it really is fundamental to the mechanics of Dawn-Parkway capacity, so parties will bid for capacity. They will bid on the basis of term, almost entirely term, because on the same path, on Dawn-Parkway, it is the same rate, it is a regulated rate. So "term" tends to be the differentiator.

For us, our view is that our commitment is a long-term commitment to capacity, which would automatically, on a net present value basis, which is how we -- how we analyze the bids, the longer the term, the higher the net present value it would be placed in the order, so we say we would pro-rate our needs first on that basis, that when we speak for capacity we assume we are speaking for it on a long-term basis, not 15 years, but longer.

DR. HIGGIN: So you would pro-rate yours on that basis?

MR. REDFORD: Yeah, we --

DR. HIGGIN: Okay. Thank you.

MR. REDFORD: -- would. We've never had to do that.

That's a -- I mean, I guess it's a -- at this point it's really a theoretical exercise. We've always built, even when we were building back in the 2006 to 2018 period, as well as 2015 to 2017, we built enough capacity to serve all the needs of the market.

DR. HIGGIN: So looking at the existing capacity in part (e) -- and it's at the bottom of page 14, so just to clarify that this shows that of the existing capacity on Dawn to Parkway Amalco would hold 65 points. So two-thirds of the capacity there would be held by Amalco, is that correct?

MR. REDFORD: That's correct, about two-thirds -- About two-thirds of the capacity would be held for the utility.

DR. HIGGIN: So is this -- do you think this is a concern for other shippers like TCPL, Gaz Métro, and so on, that you will hold that capacity and so on?

MR. REDFORD: Well, we hold it today. That is not a change to the capacity that's held today between Union and EGD. That's -- that's what our capacity needs are today.

I don't think M12 shippers are harmed out of the amalgamation. They have the same contract rates they do today. We've built our system based on the contractual needs of the M12 shippers, the firm needs of the M12 shippers.

So the capacity is there today for M12 shippers that have firm contracts to access their capacity.

And they're on a -- if you look at the priority of service, in-franchise needs and M12 firm needs are at the same priority level. There is no -- operationally, there is no difference between the two of them.

DR. HIGGIN: That's the existing capacity and the operation of that; that's no question.

I can tell you what our concern is. Let's just put it out, and you can comment or not. It is probably a matter for argument.

We're concerned about concentration of storage and transportation capacity post amalgamation. We are concerned about it. And so do you have a comment?

[Witness panel confers]

MR. REDFORD: I would agree. I think we've talked about transportation. The capacity that EGD and Union hold today will continue past amalgamation.

I don't -- again, M12 shippers have the same rates today as they do post-amalgamation, and the capacity has been built for M12 shippers, firm M12 shippers to utilize.

I would say on the transportation side, again we've never -- I don't think we've ever -- not to my knowledge, have prorated capacity when we've needed to build. When people ask for capacity, we've been able to build it.

So I don't see that concentration as a significant issue. I mean, we use our capacity to serve our customers and that's what we do. We don't -- you know, I don't know that M12 shippers are harmed in any way in that regard.

With respect to storage, when you look at the concentration of EGD and Union, I think you've got to separate the regulated storage from the unregulated storage. And really what it boils down to is somewhere around 19 pJs of capacity that EGD holds would now be combined with Union's assets and offered to the market through one entity.

I think ICF's report is pretty clear that in the market that we compete in, that we do not have -- we do not have a high market concentration, specifically in the merchant storage market. Bringing those two together, I think is -- does not cause a concentration, or a significant concentration in the unregulated storage market.

DR. HIGGIN: A final question then. What about the fact that Enbridge is still paying, after amalgamation, market-based rates for a significant portion of its 125 point, whatever, pJs of storage? Shouldn't there be a rationalization as per the storage?

You talk about the Enbridge zone post-amalgamation, to clarify.

MR. REDFORD: I think what you are suggesting is, you know, should there be a clawback of capacity, of unregulated capacity to suit the regulated business. And I would suggest no, there should not be, and that's why we haven't proposed to do that.

It is inconsistent with the NGEIR decision and in fact, in the NGEIR decision, I think I read this in a technical conference, the Board had said in the NGEIR decision to retain in a perpetual column all of Union's current capacity for future in-franchise needs is not consistent with forbearance, and I would agree with that.

We have spent and Enbridge has spent considerable money to invest in new storage development. We have done that on the basis of the risks associated with market-based rates and storage, and the rewards that come with that through market-based rates.

To claw that back at this point would be -- again it is inconsistent with NGEIR and, in my view, it is unfair to us as main investments.

DR. HIGGIN: I think, as I've said, this is a matter for argument, Madam Chair, and those are my questions. Thank you very much for your attention.

MS. ANDERSON: Thank you. I believe, Mr. Brett, you are next. My current draft of the hearing plan shows 20 minutes.

MR. BRETT: Thirty minutes I have.

MS. ANDERSON: The draft shows 20 minutes.

MR. BRETT: I was given a draft by Board Staff at the beginning of the hearing, which I have here in front of me. And this was the second time this has happened, but my -- the draft I was given by Board Staff shows 30 minutes for BOMA.

I probably won't be 30 minutes, but I'd like...

MS. ANDERSON: And this is the kind of thing that we're hoping to resolve over the lunch break, a hearing plan that everybody has a copy of. But I will allow the 30 minutes.

MR. BRETT: Maybe we could get the latest copy because this has happened twice now and, you know, it's a difficult way to start your cross-examination.

CROSS-EXAMINATION BY MR. BRETT:

Okay. I will just summarize initially what I've heard in terms of the numbers, and I would just like you to say at the end of it whether I'm roughly right. I don't want to get into a detailed discussion because you've had a very good clear discussion with Dr. Higgin.

The way I understand it, you were -- Union was assigned 100 pJs of regulated storage at NGEIR. It has roughly 80.9 pJs of unregulated storage, and it has currently about 7 pJs of currently excess capacity of regulated storage.

Now that's Union; I'll move on to EGD. EGD was assigned roughly 99.4 pJs of regulated storage for its own customers at NGEIR. NGEIR, by the way, as we all know, was in 2005, 12 years ago. That amount -- so EGD has to purchase or does purchase about 19.5 pJs from Union and 6.9 pJs from other suppliers, for a total of 26.4 pJs approximately at market-based prices. Is that fair?

MR. CHARLESON: Yes.

MR. BRETT: Now, just a follow-up question on the costs. You had stated that you had answered Rodger -- Dr. Higgin to the effect that on the cost -- the cost of regulated storage and the cost of market-based storage and I think the numbers -- you said for 2018, the numbers were roughly -- I emphasize roughly, and all I need are rough orders of magnitude -- roughly 63 cents for market, 34 cents for regulated.

My only question here is if we step back maybe a year or two, say two-17, two-16, two-15, would that 63 cents still be a reasonable number? Let me put it another -- let me add to that: In any of those years, would it be any less than 63 cents? I don't need a -- you know, if there is a problem and you need to do some checking, we could take an undertaking. But my sense of it is that it's hardly ever less than 63 cents, that that's a historically fairly low number.

[Witness panel confers]

MR. BRETT: I guess all I'm really trying to get at here: Is that number likely to be less than 63 cents over the last two or three years or not? I mean, maybe we can take an undertaking, because we're tight here for time.

MR. CHARLESON: Yeah, if we look at the average cost of what was contracted for storage, I would agree that it hasn't been below that level.

MR. BRETT: All right. Thank you.

Now, the -- what we have then if we look at the post-merger, assuming you merge and Amalco comes into existence, we now have one -- one company, one single business, correct? We don't have two companies, we have -- two businesses, we have one company and one business.

MR. KITCHEN: That's correct.

MR. BRETT: And so we don't have any more Union ratepayers and Enbridge ratepayers, we have rate zones, but we just have ratepayers. Amalco has ratepayers.

MR. KITCHEN: I would agree with that.

MR. BRETT: And so we have a situation that was just described, I think -- I think we -- I think it was -- would you agree with me that basically what we've got now -- or if merger goes through, we have got a situation where one group of customers, one group of Amalco customers, or ratepayers, is paying a different price for storage in its rates than another group of Amalco customers? I think that you touched on this, Mr. Redford, back in the technical conference, and you -- I believe you essentially agreed that that would be the case, there would be -- there would be -- there would be -- that the two sets of -- the two groups of customers would be paying -- would not be paying the same price for storage, as part of your bundled rates; is that fair?

MR. KITCHEN: That's correct.

MR. BRETT: Okay, and the question I'm going to ask -- the question I really have is, does that -- given that they're both customers of Amalco, does that make any real sense any more? I mean, why should that be? It's one company, one business, two groups of ratepayers. Why should they be paying different prices?

MR. KITCHEN: Well, Mr. Brett, as you know, as part of this application, we're not proposing any harmonization of rates. We are going to look at harmonization of rates over the deferred rebasing period, and to the extent that we can harmonize rates we'll bring forward a proposal, but at this point we're not proposing any harmonization of rates.

In terms of, you know, how -- when your question is how can that be right, the customers will continue to pay rates that are consistent with the rates they pay today, except they'll be adjusted through a price cap mechanism, and from my perspective that means, you know, if the Board is accepting our pricing mechanism and accepting our proposals around rate harmonization, they are not any worse off than they otherwise would have been. So they continue to get the service, and, yes, is there a different rate, that's very much the case, but there is also today without the amalgamation different rates between Union South and Union North.

MR. BRETT: That was a long time ago, though, and I think in that case did Union not -- Union, I believe, did undertake to rationalize those rates at the time of that decision, as I understand it, but didn't do so.

MR. KITCHEN: We have -- we have harmonized rate structures to a certain extent, but the pricing in each zone reflects the cost to serve that zone.

MR. BRETT: Well, the question -- all right. Let's move on to -- you also had talked about, I think, the NGEIR decision, that this would be -- doing this would be -- well, let me step back.

If -- there are sort of two proposals on the table, it seems, that people have suggested as to how you might change the storage. One is that -- one is that you would make available Union's 7 pJs of regulated storage to

Enbridge so that Enbridge would then have to purchase less of its storage on the market.

So this is one group of -- you are back in -- you are in one company and one solution has been proposed is that if you are one company and one business then you should be pooling -- effectively pooling your regulated storage capacity to benefit all of the customers. And I believe your answer to that is that, well, one of the problems would be it is inconsistent with NGEIR; right?

MR. KITCHEN: It is inconsistent with NGEIR, and the 100 pJs was set aside for Union South and Union North. There's also -- one thing that I didn't point to Mr. Higgin is that Union's current rates include around $2.5 million associated with the sale of that storage, and to the extent --

MR. BRETT: Sorry, the sale of --

MR. KITCHEN: The sale of that short-term storage, and to the extent that we sell in excess of $2.5 million, that is shared 90/10 with ratepayers, so it is not just -- it is not just the NGEIR decision. There is this financial impact directly on Union South and Union North customers as well.

MR. BRETT: The -- you would agree with me that NGEIR took place in 2005 and that NGEIR -- the time NGEIR happened, this merger was not contemplated by anybody. Do you agree with that?

MR. KITCHEN: I agree with the timing and the fact that the merger was not contemplated, but I don't think that, in any way, changes the Board's decision around the decision to forbear or the competitive nature of the market.

MR. BRETT: Well, there has been a -- there will be a merger if you are successful, and you then have a different -- you'd agree with me that the impact of the merger has a significant -- is a significant change. In other words, if you go back and look at the NGEIR decision there was a lot of discussion in that decision about making sure that there was no differentiation or discrimination in prices between the price that, for example, Union would charge Enbridge versus -- versus Kingston, versus Kitchener, and there was a lot of discussion about allocation of storage of the two businesses.

Those are factors that have now changed. Now you have -- you agree with me you now have one business, and that because of that, part of what was -- part of the rationale for the decision in NGEIR may not be there, as it was 12 years ago. In other words, maybe it's time that NGEIR needs to be reviewed.

MR. KITCHEN: I don't agree with that. And I don't agree because --

MR. BRETT: You did agree or you don't --

MR. KITCHEN: I don't agree.

MR. BRETT: Okay. Sorry, I didn't quite get that.

MR. KITCHEN: That would be an odd day, wouldn't it?

No, so I don't agree with that. I think that the amalgamation will bring together Union and Enbridge, but it has no impact on the degree of competition in storage or doesn't necessitate any reopening of NGEIR.

MR. BRETT: If you turn up the -- J2.12. I think that was discussed a little bit earlier, but this is an IR -- sorry, this is an undertaking that you gave to Board Staff. And you -- JT2.12 on page 1.

Okay, on page 1 you say there in the second paragraph -- I think you said this in your evidence a couple times -- this, by the way, was, as I understand it, was a request for Mr. Gluck to effectively compare -- to take the scenario of a transfer of the 7 pJs of regulated storage from Union over to Enbridge so that Enbridge would have to pay 7 -- purchase 7 pJs less of the higher-priced market storage.

And what the question was seeking to get answered was: What is the overall benefit or cost of doing this to both groups of ratepayers? And so there's two things I want to the ask about this: The first is in your second paragraph you say, well, if we did this, rate -- EGD rate zone customers are better off, and Union rate zone customers are worse off. So we can't do this because if we did that, we wouldn't pass the no-harm test.

And that's -- I mean that, to me, is a -- that's essentially what's driving this whole construct, right? You are trying to shoe-horn yourself into the no-harm test. You realize that if you move this storage over, all of a sudden someone will pop up and say, well, Union customers are harmed, therefore we can't do it. That's right, isn't it?

MR. KITCHEN: I don't accept the characterization that we are trying to shoe-horn anything in anywhere.

What we are trying to point out through the undertaking is that if you simply take that 6 pJs or 7 pJs of excess utility space and turn it over, there's an impact. And it is an impact that would have to be dealt with somehow in order to ensure no harm.

MR. BRETT: Well, there is an impact, and -- but let me go ahead to the next page, page 2, please.

What this -- look at this table. I just would like you to look at the number in line 5. Line 5 shows the potential net benefit to Enbridge customers -- and I would like to say the Amalco customers, former Enbridge customers that are now customers of Amalco; same corporation. And it shows that they benefit, or would have benefited by those amounts in the years 2013 through 2037, and you can see the amounts vary from 3.7 million to 1.5 million.

Then if you go down to line 9, the Union customer benefit -- and this is again the Union customer -- sorry, foregone net benefit. So this is the Union loss in your terms, and it shows numbers of 1.37 to 8.14.

Now, you say in your response here that the -- that there is a loss to Union in every year effectively, and a benefit to EGD in every year.

But if you look at those numbers and you can see that in certain years, there's a -- in certain years, let's take the year 2013, there is a benefit to Enbridge of

3.7 million and a loss to Union of 1377.

In at least three of these cases, in certain of these years, you take a look at 2015, there is a -- there's a larger loss to Union than there is gain to benefit. But if you take all five years, the benefit to Union -- sorry, the loss to Union is less than the gain to Enbridge by transferring these, and it's less by approximately $500,000.

Will you take that, subject to check? It is just the arithmetic.

MR. KITCHEN: Just to understand what you've done, you've added up all the numbers in line 5 and compared that to the addition of all of the numbers in line 9?

MR. BRETT: Yes, 470,000 actually, more than 500,000.

MR. KITCHEN: Actually, that's not correct. Ms. Mikhaila actually has the numbers.

MS. MIKHAILA: I've calculated it as approximately 2.3 million.

MR. BRETT: You calculated the net benefit?

MS. MIKHAILA: Yes.

MR. BRETT: There is something -- that's over the five-year period?

MS. MIKHAILA: Over the five-year period.

MR. BRETT: I was giving you the one year, the average annual benefit. So that's about in the -- that's the same.

So on a net basis, I guess if you looked at it maybe in economic terms, there's a net gain to the combined company in the sense of a lower -- an overall lower storage cost than you had before. Is that not the case?

MR. KITCHEN: No, that's not correct. The customers -- what this shows is that customers in EGD would pay, as you said, in some years -- let's say it another way. It's a comparison of the benefit between EGD customers and the foregone benefit that's there for Union customers. It's not -- it is not about the company having a lower storage cost. What it is is that there's a difference in price that would be paid between the -- between what EGD is paying now for that storage and what they would pay if they were to use the excess utility space.

MR. BRETT: All right.

MR. KITCHEN: But that's not without a cost, and that cost is to the Union ratepayer.

MR. BRETT: I take your point.

MR. KITCHEN: I'm not disagreeing with your math in terms of the net benefit overall. But as you note, it changes from year to year as well.

MR. BRETT: It does. But on average, it's -- there is a benefit, right?

MR. KITCHEN: Yes.

MR. REDFORD: There is. I would just point out that for Union North and Union South customers, one thing that is missing from the look backwards on this is that to the extent there's additional storage capacity required by the Union North and Union South customers, that now would have to -- if the 6.8 pJs is given to Enbridge, EGD zone, Union North and Union South customers would have to go out and secure that capacity on the market, at market rates.

That's not -- that's not reflected here because it wasn't part of the construct. But going forward, that's something to keep in mind, that Union North and Union South would have to buy their storage at market rates, if it was -- if that excess capacity was provided to EGD's zone.

MR. BRETT: I think it is something to keep in mind. But I think your evidence has been, certainly in the NGEIR case, the evidence was, was it not, that your storage -- that Union's need for regulated storage was growing at a very, very slow rate. I think it was something in the order of .45 percent and NGEIR commented that it would be a long, long time before Union got to the 100 pJ limit.

So do you have a number or evidence on the rate at which Union's storage requirement has been increasing over -- is increasing, say from '17 to '18, or '18 to '19?

MR. REDFORD: It's increased at a slow rate, but keep in mind that's, I'd say, largely under consistent gas supply planning.

If there becomes a need in the future for to us rely on our storage more for Union North and Union South going forward, then that would have to be done at market-based rates in the scenario we just talked about.

MR. BRETT: You are going to move to -- you are moving to a single gas plan over the years, are you? Are you going to -- how soon -- you are doing have an integrated gas plan, I assume, within the next year or two as part of being one business?

MR. REDFORD: I think it will be longer that on a year or two. I mean, we have some fundamental differences, and I'll say this.

At a high level, there is some alignment in the planning principles. I think, though, when you get to the details around design day and things like that, that there are differences between Enbridge and Union that will take some time to work through, to get to the point where you have -- I mean, integrated is probably not the word; harmonized is maybe a better word for it.

An integrated plan can be taking the plan for Union North and Union South today and the Union and EGD plan and putting them together. But the fundamentals behind it, I think you are talking about bringing those together, that's a different story. There is much more...

MR. BRETT: Presumably, you are bringing those together. I mean, you have one business now. You are not going to carry on with two different gas plans indefinitely as you are proposing to carry on with two different rate plans indefinitely.

I mean, these are conceits, aren't they? You've got a single business.

MR. REDFORD: I think it would have to be a measured approach, though. Some of the differences between EGD and Union, if you chose one versus the other, is going to result in either more cost to one of the parties or potentially more risk. And I think as we move the gas supply plans forward, we need to do that on a measured approach to make sure that there's balance.

MR. BRETT: Yes, I understand your need to sort of, you know -- what's the right word? Sort of move yourself through this no-harm test. But you are going to have a -- let me ask you this. This is maybe my last -- I think it's my last question and it's -- you have a -- you make a --let me put it this way: You've now got a -- you've got a single business here, one company, all -- you are all customers of Amalco now; you are not Union customers or Enbridge customers. You've preserved -- you've used this harmonization -- this maintenance of separate rate zones as a sort of a -- as a way of -- as a way of, as you see it, passing a no-harm test, but the fact remains that we've got two types of storage out there. The new company Amalco has got a certain amount of market-based storage, let's say a hundred and -- what is it, 105 or something like that, and it's got a certain amount of regulated storage, the same company. It's got regulated storage and unregulated storage, all in the same company.

Now, what's to stop you, in some manner, shape, or form, of arriving at some kind of a blended price for storage that everybody gets as an alternative, and therefore, you know, it would have the effect of increasing slightly the market -- the market-based -- the cost-based price of the regulated storage, and I guess it would -- it would have the impact of -- it would have -- it would have some impact, but it would leave everybody in more or less the same position? I haven't worked all this through, because I'm not a storage executive, but why -- it's -- it just seems to me odd that you're going to have this long-range -- perpetuation of this rather, you know, arcane structure that was set up 12 years ago. I mean, maybe it had sense 12 years ago, but you had two companies 12 years ago, so I'm not really critical -- I'm not saying -- I'm not saying the Board necessarily made errors 12 years ago, but you've had a merger now; you only have one company. If you were writing NGEIR today it would be very different.

So why can't you have some sort of a blended price for -- for the regulated storage that incorporates, effectively, some small amount of the -- of the price -- sorry, of the cost, of what it costs you to put in place market-based unregulated storage? Because you've been saying -- you've been saying, as I understand it, throughout this case, and in the evidence, that, well, it cost us a lot of money; we were told back in NGEIR that we could do this, and we did it, and it cost us a lot more money to do it than this old depreciated storage of 35 cents, and, you know, I have some sympathy with that, but why can't you blend that together in a manner that would allow regulated storage to perhaps increase a little, but would do away with this, what I consider to be really nonsense of Enbridge, at one of the same time, saying, well, you know, we have to go out and buy 26 pJs of market-based storage, at the same time we -- same time Amalco is selling 105 pJs of market-based storage into the market, so you're buying and selling all in the same business.

As you say, you're contracting with yourself notionally. So have you considered this, and if not, why wouldn't this have been an option?

MR. REDFORD: So there's a lot in there, and I'm going to try and -- I'll try and address it as I go.

So what you're talking about is some sort of blended rate amongst market-based rates and cost-of-service rates, and I'd suggest that that's what happens today, so EGD or Amalco in the future requires additional storage, they go to the market, they bid that out to the market, and, based on the price and the terms, attributes of the storage they get back, they choose -- they choose suppliers, which may or may not be Amalco.

So for me, I think that's a very efficient way for Amalco to get the storage that it requires, is to go to the market and bid it. And if Amalco is not successful at bidding on its own storage, then that would mean that there was a better price or a better set of terms that came with the price that's paid, and that to me makes sense for ratepayers.

MR. BRETT: Why shouldn't bundled customers who cannot, by your own words, cannot contract for their own storage, residential and small-business customers, why should they not be entitled to have their total storage requirement in the form of regulated storage, because they are -- storage is part of the bundled service that the customer gets. You know, he gets cost-based distribution. He gets cost-based transmission. But he has to get market-based for part of the storage. How does that make sense? How is that consistent with the concept of a bundled rate?

MR. KITCHEN: Mr. Brett, essentially you are rearguing NGEIR.

MR. BRETT: Sorry?

MR. KITCHEN: You are rearguing NGEIR, I think. It is because we have NGEIR. It is because the storage was set aside for Union's in-franchise customers of 100 pJs. It was set aside, a different amount for EGD, and we are following NGEIR, and under NGEIR, which we think still applies today, just as it did before -- in fact, Mr. Redford has already spoken about the fact that storage is actually more competitive now than it was back in the -- when the Board decided on NGEIR. So --

MR. BRETT: It's more competitive, but it's more expensive. Sorry, it is more competitive, but it is pricier than cost-based storage.

MR. KITCHEN: More than cost, yes. I'm not disagreeing with that. All I'm saying is that we have a situation where we have NGEIR, and customers in each rate zone will continue to pay a rate that's commensurate with the service they get.

MR. BRETT: Those are my questions.

MR. REDFORD: Actually, just, I'd like to answer.

MR. BRETT: Sorry, go -- apologize --

MR. REDFORD: If you turn up the ICF report, and --

MR. BRETT: I don't think I have it in front of me. I thought it was confidential.

MR. REDFORD: No, I don't believe the ICF report is.

If you look at the ICF report, right in the executive summary at page (vii). There's a graph that looks at the average value -- price of storage, merchant storage contracts in Ontario. It starts at January of 2009 and -- no. It starts at -- I'll keep going -- it starts in 2009 and extends until today, and to suggest that because the market price of storage is higher than cost-based service is a bad thing or reason to change NGEIR, look at what the rates were at the time of NGEIR. At the time of NGEIR, the rates for market storage were much higher than they are now, and I'd say almost double.

The price of market storage in the past number of years has dropped, particularly as you have the shale revolution happening and an abundancy of gas in North America. Storage prices have actually dropped; they have not increased for market-based.

So I don't know that the, you know, the fact that they're double today really has an impact on NGEIR. I think that the fundamentals of NGEIR are the same as they are today.

Whether we're amalgamated or not, I don't think, in my view, the amalgamation doesn't really have a lot of impact. We're taking 17 -- or, sorry, 19 pJs of merchant storage that EGD had, and it will be combined with what Union had.

And if you look at ICF's report, it is a small drop in the bucket compared to the market in which we compete. So I don't buy your premise, and I think it's an important point that the fundamentals today are -- I mean, in dollar values, the price of storage was a lot higher at the time of NGEIR than it is today.

MR. BRETT: I don't dispute that it was higher, and I think that was the point I was trying to make earlier. I just --

MS. ANDERSON: Mr. Brett, we seem to be evolving into a bit of argument here, and --

MR. BRETT: Yeah, no, all right, I'm going to finish up. I just -- my only question was going to be that you agree that they could move higher? There is nothing to say that the price of storage will stay at 66 cents over the next five years?

MR. REDFORD: I would say that prices could move lower or higher.

MR. BRETT: All right.

MR. REDFORD: They could stay the same, for that matter, too, so, I mean, it really depends -- the price of storage is largely follows the spread, the summer-winter gas spread. And to the extent that that spread changes over time, storage rates will trend in that same direction.

MR. BRETT: Well, we agree on that. Thanks. Those are my questions.

MS. ANDERSON: Thank you. We will take our lunch break. I am just going to look over at Staff.

Do you need more than an hour, given what we've asked you to do?

MR. RICHLER: No, Madam Chair.

MS. ANDERSON: Okay, we will take an hour then. Thank you.

--- Luncheon recess at 12:32 p.m.

--- On resuming at 1:40 p.m.

MS. ANDERSON: We're back on the air. While I haven't seen -- I believe there is a revised hearing plan that is being printed, but I'm assuming that next up is Ms. Girvan anyway, so we might as well proceed. Thank you.

MR. MONDROW: Sorry, Madam Chair, to interrupt. I would ask Ms. Girvan if I might jump in, and if the companies are ready, IGUA has been historically interested in this Parkway delivery obligation issue, and I believe the witnesses were going to consult over lunch and advise in respect of an undertaking that Mr. Quinn asked for as a placeholder.

I ask that because I am not on the order for this panel, which may be fine, but given the examination that occurred before lunch I would be very interested in the company's response so that I could consider that before this panel is released. So I --

MS. ANDERSON: That's fine.

MR. MONDROW: -- don't know if they have comments, but they may.

MS. ANDERSON: Are you ready to provide a response?

MS. MIKHAILA: Yes, I think Mr. Quinn was interested in the Parkway delivery obligation shift cost we have in rates currently and what would have happened upon rebasing, and we don't have the information to do anything for 2019, but what I was thinking we could do instead is look at the distance-weighted design day demands on Dawn-Parkway in 2013 as if that shift had occurred at that time and show the shift in costs and how it would have been paid for at that time.

MS. ANDERSON: Could you just help me reiterate what you mean by "that time"? I'm just looking back at the --

MS. MIKHAILA: Sorry, in 2013 at our last cost of service and the last time we completed a cost study, if I looked at the distance-weighted design day demands of the Dawn-Parkway system as if the PDO shift had happened prior to that time and show the incremental costs that would have been borne by Union South in-franchise customers as part of that cost study and the decrease in cost to the M12.

MS. ANDERSON: And have there been material shifts in allocations since then?

MS. MIKHAILA: There have been as a result of the PDO shift we were discussing this morning, and the PDO settlement was meant to capture the shift in costs for that.

MR. KITCHEN: I think, just it might be helpful, I think the way the undertaking came up was because I talked about the fact that had we rebased these costs would no longer be -- and in addition they would be part of cost allocation. So I think what Ms. Mikhaila is trying to do is to show how that would manifest itself in cost allocation when the only Board-approved cost that we have is 2013, so it would give an order of magnitude, but not an exact number.

MS. ANDERSON: Okay. Any comments from anyone else? We'll give that an undertaking.

MR. RICHLER: Madam Chair, we can give that Undertaking No. J3.5.

UNDERTAKING NO. J3.5: TO PROVIDE COMMENTS ON THE PARKWAY DELIVERY OBLIGATION ISSUE

MS. ANDERSON: Okay, thank you.

Ms. Girvan.

CROSS-EXAMINATION BY MS. GIRVAN:

MS. GIRVAN: So panel, I just -- I'm not referring to any of the evidence other than what you've said earlier. I just need some clarification, really.

So you said -- and I need my glasses, sorry. You said that the underlying contracts for Union and -- between Union and Enbridge will cease to exist once you amalgamate; correct?

MR. REDFORD: That's correct; the contracts will cease to exist. The commitments in those contracts, though, we will -- it will -- they will continue on, and --

MS. GIRVAN: And so you haven't really completely figured out how you are going to do that. You talked about maybe a term sheet. What -- have you thought of any other ways that you are going to keep those commitments?

MR. REDFORD: Yeah, I think the form of it would be something that summarizes the terms of the contracts, so capacity, whether it's firm, the ability use. I'm thinking in terms of transportation, it would be firm capacity, it would be -- I'm not sure there would be a term associated with it at that point. I think the term would disappear, but we would expect that it would be held long-term, as I said, around our allocation and new capacity, we expect to hold our capacity for a long-term, which is why we would allocate to ourselves first.

On the storage side, storage side, I think there's more parameters to it, so there's a withdrawal capabilities, there may be ratchets in those contracts. We would assume all of that continues forward, and pricing.

MS. GIRVAN: But it would be an arrangement with -- effectively with yourself.

MR. KITCHEN: I'm not sure I would call it an arrangement. I think we've talked about term sheet. It is really documenting the contracts so that we continue to provide the same level of service that we're providing now.

MS. GIRVAN: Okay. So that's one case. It's when you amalgamate. There is another case where the existing contracts effectively expire. And that's that -- that's going to happen as well, right?

MR. REDFORD: So storage contracts are generally finite. They are for a specific term. There is usually no rollover provision associated. Transportation contracts are -- after the initial term, they are renewable on an ongoing basis with two years' advance notice.

So there is a provision for the transportation contracts to continue on.

MS. GIRVAN: Okay. So how will -- I'm just struggling with this, and maybe it is a legal question, but how will the Enbridge side of the business then go out and get new storage or transportation to replace those contracts?

[Witness panel confers]

MR. CHARLESON: So in relation to transportation, it would really be looking at our transportation portfolio as part of our gas supply planning, in terms of what's needed to move the molecules, whether it be from, you know, from Dawn to the CDA or how we get the gas that we need in the, say, in the EGD-zone delivery areas.

You know, to the extent they continue to rely on the Dawn to Parkway system then you're going to -- like Mr. Redford indicated, you would do the same as rolling those contracts over where it would be similar to exercising the renewal provisions.

On the storage side of things, that's where we would rely on the blind RFP process that we've described in some of our IR responses and talked quite a bit about at the technical conference as well.

MS. GIRVAN: So Enbridge may enter into new arrangements under new terms and conditions with the Union side of the business?

MR. REDFORD: Yes.

MS. GIRVAN: Okay. And from a -- I guess in that context you are not technically --

MR. REDFORD: Could you ask that again --

MS. GIRVAN: Sorry. So --

MR. REDFORD: -- I want to make sure.

MS. GIRVAN: -- Union, that the Enbridge side of the business would effectively enter into new arrangements with the Union side of the business?

MR. REDFORD: Well, I guess -- I guess to Mr. Brett's point earlier, it would all be Amalco, so effectively you would have a gas supply group that would enter into an arrangement with our sales group, so very similar to how Union does it today. Union would identify its capacity needs on an annual basis, and that forms part of our planning for the year.

So Union goes through this process now where we are -- we effectively are reserving capacity on our own system to serve our in-franchise customers, and not just in Union South, but Union North.

MS. GIRVAN: So given the fact that you're not -- you won't technically be affiliates, you will be a consolidated company, how do the -- can the ratepayers be assured that those arrangements are fair to ratepayers? What would be guiding those arrangements with -- because it will no longer be an affiliate code?

MR. REDFORD: So I'll start with respect to capacity, and then maybe Mr. Kitchen can talk about more regulatory matters. With respect to capacity, in TCPL 3 we did say that we would show the in-franchise requirements on an annual basis in our index of customers, basically that this is -- here's the capacity that the utility has reserved for its own use.

Today we show that for Union. Obviously Enbridge is included in the customer list. We would make sure that we would continue to be transparent about how much capacity the utility holds.

And even on the day of, so on operationally available transportation, we declare that on a daily basis. One of the changes we're going to make is to make sure that it's crystal clear that the scheduled quantities include the in-franchise needs. They do today; it's just not -- it's just not explicit on our page, so we will include those.

So that -- I mean, that's how -- that's how folks can understand how much capacity is being held on the transport side.

To finish on the capacity side with respect to storage, even though they aren't contracts per se, the commitments that are made between Amalco unregulated and Amalco regulated, we would still post those on our index of customers. So to the extent that the regulated portion of the business was looking for more storage and the unregulated portion was successful in bidding for some or all of that storage, the unregulated business would actually post that on its index of customers, and the price paid or the costs incurred every six months would be included in the semi-annual trans-- or the semi-annual storage report as well.

So the same transparencies that exist today between Enbridge and Union, we would expect to continue.

MS. GIRVAN: So this is what I'm thinking about this. How, from a ratepayer perspective, would we know that the

Enbridge customers are getting the most cost effective arrangements? Because wouldn't there be an incentive on the part of Enbridge to purchase services from Union versus someone else?

[Witness panel confers]

MR. CHARLESON: So in relation to storage, the cost through that would be done, as we've talked about, through a blind RFP process. And the cost recovery, all of our gas costs are reviewed through various processes, whether it be through the regular QRAM reviews, there is the gas supply planning framework that the Board now has out for comment and through those vehicles, there is an opportunity for intervenors to request information, to get the details regarding the processes that may have been used, and any information that may be relevant to help demonstrate the prudence of the costs.

MS. GIRVAN: But would you agree with me that there might be an incentive for the Enbridge side of the business to purchase from Union?

MR. CHARLESON: No, I wouldn't, because again what we have to be look at is we have to be able to demonstrate the prudence of our cost. If we were to imprudently go and say -- we feel incented to go and purchase from, say, the unregulated part of Amalco, we run the risk of cost disallowance. So we need to make sure that we are exercising those processes in a prudent way where we've got the -- where we know there is visibility and transparency that can be put on to those transactions.

MS. GIRVAN: So through the QRAM process, through the approval of your cost consequences and, I guess, of your gas supply arrangements, you think those processes are sufficient to test whether these arrangements are fair?

MR. CHARLESON: Yes, I believe they provide appropriate mechanisms for the Board to have visibility to that.

MR. KITCHEN: I think it is really important to remember, too, that Union North and South go through this now, right? We have to figure out how much -- not on the storage side, because we are using cost-based storage because it is within the 100 pJs.

But on the transport side, the north has to figure out through the gas supply plan how much capacity on the Dawn Trafalgar they need, and that is taken into account through the gas supply plan.

In a way, it is just -- to me, it's not any different between when you add EGD.

MS. GIRVAN: Thank you.

MR. REDFORD: I think when you also look -- and there has been lots of discussion about the blind RFP process, Enbridge instituted that when they were looking at bidding for RFP storage and the unregulated portion of Enbridge's business bidding on that -- bidding for that storage. And if we've committed to continue with that process, so that bids go in on a -- into a third-party, the material information is stripped out in terms of identifiers of parties, and then it's presented.

So it's another way of staying arm's length in that regard.

MS. GIRVAN: So can you remind me, in the context of this ten-year plan, what your proposals are with respect to approval of your gas supply plans, the consequences of gas supply cost consequences? Can you remind me what forms those are going to be considered in?

MR. KITCHEN: We've -- right now, we are in this gas distributor -- or I guess gas distributor, gas supply framework process which the Board will complete and we'll comply with. So there's that review of the gas supply plan. We will continue to have the QRAM.

So I think that the mechanisms are there already.

MS. GIRVAN: So you --

MS. LONG: I'm sorry, can I ask just ask a question her? Is that a comprehensive list of those two things, Mr. Kitchen, that you are looking at, the QRAM ramp and the gas supply planning process?

MR. KITCHEN: I'm trying to think -- there might, as part of the annual rate-setting process, there may be some review of certain items as well. But to be honest, we haven't put that application together, but...

MS. LONG: I know that this is -- I know that the gas supply planning is a work in progress.

MR. KITCHEN: Yes.

MS. LONG: But was it your understanding that the Board would be looking at drilling down so deeply as to look into alternative costing on contracts? Is that...

MR. KITCHEN: As parts of our annual deferral account disposition proceeding, at least Union files its re-contracting. So there is some examination of it there, although it's not Board-approved. So there is an opportunity to review it.

We provide a comparison to other paths so that parties can see it, but it's not -- it's not approved by the Board at all.

MS. LONG: Thank you.

MS. GIRVAN: Okay, thank you.

Now, just with respect to the NGEIR decision, you were discussing this in part with a few of the earlier questioners and how your in-franchise customers are allocated a 100 pJs of cost-based storage at Union and 99.4 at Enbridge.

Is it your view that this decision and these numbers remain in perpetuity?

MR. KITCHEN: Yes.

MS. GIRVAN: So at no point there would be a need to revisit that decision?

MR. KITCHEN: We don't see any reason to revisit it now, no.

MS. GIRVAN: Okay. Now, under your plan, because you've said that you plan to operate storage and transportation separately, is there anything preventing you from rationalizing your storage and transportation services and taking a different, sort of holistic approach? Would you be able to do that in the context of this plan?

MR. KITCHEN: I guess I'm not sure what you mean by that.

MS. GIRVAN: Let me give you an example. So if you started to operate your storage services together, and there could be very different cost implications for customers under that type of rationalization, do you feel you would be able to do that under this plan?

[Witness panel confers]

MR. KITCHEN: I think as part of the amalgamation, we will be harmonizing storage operations. As we move through the deferred rebasing period, there may be some opportunities for optimizing storage differently as we go through that process, which may lead to amounts in deferral accounts for disposition to ratepayers.

But you know, again I don't think our in-franchise storage needs, I don't think they're going to be impacted by that harmonization.

MS. GIRVAN: Potentially harmonizing the Union and Enbridge storage services in-franchise, wouldn't that effectively change the cost base for some of the customers?

MR. KITCHEN: Maybe I'm not following.

MS. GIRVAN: So the Enbridge rates are based on what's in place today. The Union rates are based on what's in place today. If you consolidated and potentially harmonized the way you operated storage, then it would be different than today.

MR. KITCHEN: It could be different, but we are actually applying to be under a price cap, which means there is a disconnection between cost and rates. We'd be inflating rates over the term of the IRM.

MS. GIRVAN: Okay, so -- so --

MR. KITCHEN: That disconnect is now for Union. To the extent that we change operations to do anything that allows for greater optimization, then that's the same today for Union under the price cap.

MS. GIRVAN: Okay, and the customers may not benefit from that until you rebase?

MR. KITCHEN: That's correct.

MS. GIRVAN: Okay. And do you feel that under your proposed plan you could come and apply to the Board to fundamentally change the way you provided storage and transportation services? Would that be some kind of Z factor or...

MR. KITCHEN: I don't think it would be a Z factor. I'm not sure what we would -- I can't imagine what we'd be changing that we would have to apply to the Board for anything.

MS. GIRVAN: Okay, all right. Those are my questions. Thank you.

MS. ANDERSON: Thank you.

Mr. Garner, I think you're next.

CROSS-EXAMINATION BY MR. GARNER:

MR. GARNER: Thank you, Madam Chair.

Good afternoon, panel. I will try and be -- meet my commitment to the Chair and get through these as quickly as possible.

I've given you a compendium and I wonder if Board Staff could give it an exhibit number.

MR. RICHLER: VECC's compendium for Panel 2 will be K3.3.

EXHIBIT NO. K3.3: VECC CROSS-EXAMINATION COMPENDIUM FOR PANEL 2.

MR. GARNER: Thank you.

Now, I don't intend to go into this in -- some of these in detail, but they go to the issue I'm trying to address, and I think I'll follow up, and at tab 1 is a number of interrogatories that go to the issues that you both talked with Ms. Girvan just now and with Mr. Brett earlier.

And without treading too much old ground, what I'm -- I want to understand clearly under these new arrangements, is what you're saying that the Enbridge unit will operate as if it were a third party inside of Amalco for the purpose of transportation and storage arrangements?

MR. REDFORD: I think the way it would operate is if -- operate -- Enbridge would -- EGD would operate as a separate zone, but they would -- but on the transportation side they would be an in-franchise customer, I guess to the extent the regulated storage portion would operate as an in-franchise customer as well.

MR. GARNER: The regulated storage part would -- although Amalco will actually have a combined sum storage that is larger than each one of their current ones because they are summing together two regulated numbers, right, of storage, so it sounds to me, though, you are not dealing with that as a single asset; you are dealing with that as a separate asset between two parties within the company, one being Enbridge and one being Union, the old Union and the old Enbridge?

MR. REDFORD: So on the unregulated side they would be -- so any Amalco needs on the -- through the unregulated side of the business would be treated like a third party. So they would be treated similar to any other storage customer.

Again, with respect to transportation and regulated storage, I guess, as we talked, they would be treated as a -- it would be an in-franchise customer, and we would operate, you know, operate under that premise.

MR. GARNER: Where I'm going with this, I look at the northern region or the old Centra Gas thing, to use an example, and is the treatment of storage that you are proposing -- i.e., to keep, in a sense, the assets as separate, Union's storage and then, as I understand it, maintain the -- maintain selling the non-used, unregulated storage among other things -- is that how you also treat Centra -- or the northern region of Union Gas?

MR. KITCHEN: Well, the north is encompassed within the 100 pJs, so it is in-franchise. It gets in-franchise storage as it needs it. There are separate services that we have to purchase from TransCanada or others to facilitate the use of that storage. But in terms of the allocation of transportation capacity, they're a Dawn-to-

Parkway user just like Enbridge. In fact, when we amalgamated, they had a contract, and what we did is the same thing we're looking at here, is you -- the contract ceases to have force, but they maintain the use of that capacity because they needed it.

MR. GARNER: Right.

MR. KITCHEN: And their costs are the same because, as Ms. Mikhaila said earlier, they are travelling the full distance of the Dawn-Parkway system.

MR. GARNER: Sure. I want to stick to storage just for a minute, because your answer, it seemed to me, was actually no to my answer, right now, what happened with Centra Union when they complained, the storage pool became a pool. They are all within the same pool.

So that would not be what's happening now. You are not suggesting that type of treatment in this merger. You are saying the pools will stay separate because that 8 pJ that's being utilized right now in the Union franchise will for the ten years be still available under the same circumstances, so to speak.

[Witness panel confers]

MR. KITCHEN: I want to go back to the Centra example, since I was there, and was in cost allocation at the time.

So a couple of things are a bit different. One, it was pre-NGEIR, so everything was under cost-based storage. Two, Centra came with its own storage assets that were then merged into the greater -- eventually merged into the larger Union storage, which then was the subject of the

NGEIR proceeding.

So in terms of the Amalco and Union EGD, I see it happening in a similar way. You know, as we transition -- as we transition through the deferred rebasing period we will be able to bring those pools and their operations together.

On Day 1, just as we did in the Centra case, we kept things separate so that we could ensure that we were basically having the right assets to serve the north at the time.

For Amalco we'll be doing something very similar. We know what the contractual needs are now, and we'll maintain those -- that same level of service, but we're not going to be keeping the storage pool separate. They will eventually come together into one Amalco asset.

MR. GARNER: Right. So I just want to separate two concepts you are raising to me, it seems to me, in one answer, which is the concept of how one operates the pools and then the concepts of how the costs of those pools are utilized, because they seem to be a little bit different. There is an operational issue, clearly, as you go together to operate a singular pool, but I'm really just talking about right now, the rate area, and maybe to ask the point right now, or to make that point, is -- and maybe ask Ms. Mikhaila this -- the way your cost allocation works right now is the margins that are anticipated from the storage sale and other balancing sales in Union, those margins, in part, go to the benefit of the current Union ratepayers, right? Is that the way it works?

MS. MIKHAILA: Yes, to the extent there is any margin on storage or transportation services they do go to the benefit of Union in-franchise customers.

MR. GARNER: Right. And I think we heard Mr. Redford. I think it seems pretty clear to me, but you tell me if I'm wrong, is it seems to be pretty clear to me that regulated storage has a value because it is underpriced compared to the competitive market and it is continually underpriced compared to the competitive market, so it generally has a positive value; is that correct?

MR. REDFORD: I don't know if I would call it underpriced. There are two different ways to derive a price. One is based on cost and the other is based on the market, so -- and they have two different -- two different means of coming up with a price. I don't know if --

MR. GARNER: Sure, but --

MR. REDFORD: -- I'd say that cost-based is underpriced.

MR. GARNER: I'm not trying to dance around the words. I am actually just trying to point out that -- and I think I'm asking you if you'd agree that regulated storage has a value, vis-a-vis the competitive market, because it generally is priced underneath the -- whatever the competitive price is out there.

And that's in fact how -- if I can say it, that's how the $4.5 million in margin exists right now inside of Union. I mean, that's why it's there. That's why it's put in that process to capture those values. Am I wrong in some sense there?

MR. KITCHEN: No, I think you are correct. That's the reason that there is that $4.5 million in rates is that we have the ability to optimize storage and to sell some short-term storage that we can then refund to customers.

MR. GARNER: So one question I have -- you know, you have been talking about the no-harm test. But it seems to me sometimes, Mr. Kitchen, you talk about the no-harm test in relationship to the merger as if it were in relationship to the rates. And the rate test that I am using in my head is just and reasonable and I'm an Enbridge customer and you may buy gas from Union.

So I guess the question is if those margins are built in, when you become Amalco, why is it reasonable for me to pay you a margin under the same company? Why is that a reasonable thing for me to be doing when it's one company, even if the Board approves it?

MR. REDFORD: I'm going to go back to the NGEIR decision, and I think this is something that the Board contemplated as part of NGEIR.

And they talked about the fact that any new storage developed by utilities will be included as part of the competitive market. Utilities will bear the risk of the investments, not the ratepayers. The Board will not regulate rates, nor approve the contracts arising from the investments.

If the utilities provide storage to their regulated business through these investments, the rate-making implications in that approach should be considered in the context of a rates proceeding.

I think at the time of NGEIR, the Board recognized that it's possible that the regulated portion of the entity could get storage service from the unregulated portion of its entity.

I think the means upon which it gets that storage is really open to the scrutiny of the Board.

MR. GARNER: I don't want to interrupt you, Mr. Redford, but I don't think we are getting to the same place and I have limited time here.

I'm not talking about the competitive end and NGEIR and whatever. I'm talking about as part of NGEIR, a certain amount of storage was set aside as regulated storage. That has not changed.

As the companies combine themselves, my question is is: Why is it reasonable for a combined company, now with a larger amount of regulated storage, for me as one ratepayer in that company to subsidize another set of ratepayers in that company who are all using the same asset.

I am indifferent to all of the new storage and all of that. I'm talking about the stuff the Board set aside in NGEIR. That doesn't change.

MR. KITCHEN: Right, and there is available excess utility capacity of around 7 pJs. And that 7 pJs, if we look at J2.12, has $2.5 million of revenue associated with it.

None of that is coming from Enbridge. It is all short-term -- short-term storage deals, whereas the Enbridge deals are long-term, unregulated storage.

So when I'm talking about the harm, the harm I'm talking about is the fact that there's amounts in rates to the south customers that would have to be adjusted or dealt with if you were to use that capacity.

MS. ANDERSON: Mr. Kitchen, the transcript shows you as saying J2.2 undertaking. Did you mean JT 2.12?

MR. KITCHEN: Yes, sorry.

MR. PARIS: Thank you, Madam Chair. Let me just change the topic a little bit here.

When you have this -- not contracting, but term sheets or other methods of dealing with the transportation and storage, I am a little fuzzy on how that works in this sense. Usually in a contract, if a party doesn't perform, there is a penalty or there's a -- something happens.

How does, in this circumstance, that exist when it's the same party? How is there any sanction? How does one enforce, in a sense, a contract or an agreement with themselves?

MR. KITCHEN: That's just it. There is no agreement with ourselves. The agreements fall away, and what happens is we manage the capacity that the EGD rate zone will require, just as we do today with managing Union North's requirement or Union South's requirement.

It becomes part of the gas supply plan, and there is no need for penalties or what have you.

MR. GARNER: Could I ask you to take a look at tab 2?

There are two things in tab 2, a response to Schools Interrogatory No.3, and then a letter from the Competition Bureau.

I was a little -- I'm confused. So if you look at the interrogatory response at page 11, it has, at the third paragraph down in the response:

> "The fact that the bureau issued a no action letter..."

Is this the no action letter that I've attached here, that you've provided as the undertaking JT 3.11? Is that the letter you were referring to?

MR. REDFORD: That's correct.

MR. GARNER: Can we look at that letter? I'm not a lawyer; maybe somebody in the room can help me, maybe I've missed this.

But as I read that letter, the first paragraph says in addressing, I think, your need, they are talking about the issuance of an advance ruling certificate which, I take it, is much like what you're looking at, or a no action letter, they're saying. They say in the first paragraph that you've asked for one or two of these things.

But as I read the second paragraph, it says, "Based on this, it would not be appropriate for us to issue that," so I'm confused.

You say you were given a no action letter. But this actually, it seems to me, says we are not going to give you a no action letter. In fact, the next paragraph says we reserve the right to come back and look at this later, if we want, basically. I mean, that's shorthand for what I'm reading.

MR. REDFORD: No, that's not correct. So the advance ruling certificate is issued by the Competition Bureau in cases where you might have two businesses that come together that don't have overlaps today, that might be a smaller amalgamation of companies.

A merger the size of Enbridge and Spectra, which would, you know, create the largest infrastructure in North America, generally would not get an advance ruling certificate. It's almost -- it really is a lighter review of, I'll say, a...

MR. GARNER: No, I understand. If you're saying --and I don't want to cut you off. But if you're saying this letter says it wouldn't give you the arc, it definitely says it wouldn't give you the arc.

But I read it to say we're giving you neither of those, if you read those two paragraphs in conjunction with each other.

That's the way I read the letter, and I think you're saying is you read it differently. You read the letter as saying we're not giving the arc, but we are giving you the -- what you were looking for, the no action letter. And you are saying this is the no action letter.

I was reading this as saying we'll give you neither because when I read the first paragraph, "Please note that section 97 provides a one-year period following the completion of the transaction, during which the Commissioner may bring something to the tribunal."

So I just want to know if we're reading this Differently. Is that what's happening?

MR. REDFORD: Yes, it's really in the second paragraph, where it says:

> "However, the Commission of Competition does not at this time intend to make an application under section 92 of the Act in respect of the transaction.”

And then:

> "Please note that section 97 provides one year in which the Commissioner may bring an application to the competition tribunal."

That sentence starts with "However" and guess down to "transaction” is the no action.

MR. GARNER: Like I said, I'm no lawyer; we'll let lawyers argue about that.

I just wanted to be clear. I just wanted to understand how you read the letter, thank you, so that's very helpful.

The next -- and you don't have to bring it up. In tab 3, I just actually put an interrogatory related to the storage that was changes in that, and there's already been a discussion about NGEIR and the revisiting of NGEIR.

As I understand what you were saying is you don't believe that the transaction which combines the storage operation of the two utilities in and of itself is sufficiently different to trigger any review of the Board's NGEIR decision. Is that right?

MR. REDFORD: That's correct. I think when you look at in totality, since NGEIR, Union and Enbridge have added about 35 pJs of storage capacity in a market that is much, much larger, you know, closer to a TCF.

And, you know, ICF when they did the work to support the submissions to the Competition Bureau came up with the same conclusion, that we were a small part of the merchant storage market.

MR. GARNER: Right. And if the Board were inclined to disagree with you and say there were some differences about that, but also that there may be other differences, are there other differences? I mean, well, you described them. There are quite a lot of changes in NGEIR, especially coming out of the shale regions of the United States, and when the pipelines are being built. There has been a lot of change going on in the gas business in the northeast, right? I mean, that's basically what were you saying?

MR. REDFORD: And it's been positive change. You know, at the time of NGEIR the Marcellus and Utica were not being developed, not -- certainly not to the extent they are today. There might have been wells drilled in it, but with the shale revolution and the advent of the technology, the largest producing region in North America now sits just on the other side of Lake Erie from Ontario, and Lake Ontario, as well. So that did not exist at the time of

NGEIR.

We have the reversal of flow from New York into Ontario at Kirkwall, which puts that storage, actually, upstream of Ontario and between the producing region, and the Marcellus/Utica producing region in Ontario. We've got pipelines like Rover and Nexus that have been built. TransCanada just recently applied to have a physical reversal of the connection at Waddington, which is in eastern Ontario. There are a number of positive changes to the market happening since NGEIR. We have storage growth in other regions, not just in Ontario, but in other regions as well.

MR. GARNER: But I'd like to talk about -- you tell me about one more just quickly, because it was in my tab; I am not going to pull it up.

Can you describe to me what synthetic storage is as part of that?

MR. REDFORD: Yeah, synthetic storage is -- I guess it's a loose term. It is really storage that's offered by parties that don't hold -- that are not physical storage operators, is really how it's -- I guess the term has morphed, so when NGEIR was reviewed -- and same in the ICF report -- that was filed through the Competition Bureau, synthetic storage is one of the alternatives to storage, to physical storage, but it's not included in the numbers that are assessed. And, you know, you've got marketers that buy our storage, buy the storage of other people, hold pipeline assets, that compete with us. Our own customers compete with us to -- for the storage market, and, you know, that would largely be considered synthetic storage.

MR. GARNER: Right.

MR. REDFORD: And in fact -- sorry, and in fact, marketers don't even have to hold storage, any physical capacity, to offer that service. I mean, storage ultimately is a delivery, re-delivery product. Somebody gives you -- you give somebody gas at some time, they give gas back. They don't have to hold storage assets to do that; they can buy gas in the market to do that, move it in on pipeline assets that they have, and basically compete against physical storage operators.

MR. GARNER: Right, and thank you, because you answered the other part of it. It wasn't part of NGEIR. NGEIR didn't anticipate that as a concept either, as you're saying. No one was talking about synthetic in that sense. So --

MR. REDFORD: No, NGEIR --

MR. GARNER: Okay.

MR. REDFORD: -- contemplated it, absolutely. It's clearly shown as one of the alternatives. The difficulty is when you look at market concentration, very difficult to put a number around how much synthetic storage is being offered in the market --

MR. GARNER: Right. So --

MR. REDFORD: -- so --

MR. GARNER: -- go ahead.

MR. REDFORD: -- I'd suggest, you know, I'd suggest that the NGEIR analysis, as well as ICF's analysis, is conservative because of that, so not all of the alternatives are considered in those market concentration numbers.

MR. GARNER: Right. so that's what begged the question to me -- and maybe I was thinking about it differently than you are about a review of NGEIR. I mean, it sounds to me like one might argue, even yourselves, as the utility, that, in fact, we need less regulated storage right now, and we should release off some of that unregulated storage back into the market because of the way the market is working, because you are describing this, you know, market that is growing, et cetera. Why wouldn't it as part of this, therefore, just be important for the Board as part of this to look at that, given all of these changes we're talking about.

And, like, where I'm going -- I'm not trying to be clever -- where I'm -- and I couldn't be, but where I'm going is that it seems to me that as part of this, if the Board has some concerns, it might -- we might argue to say, maybe we should look at all of this and see how storage looks after this amalgamation.

MR. REDFORD: Well, again, the Board set aside, we'll say 200 pJs as a rough number in total, between Enbridge and Union at the time of NGEIR, under -- and basically that was to serve the in-franchise customers. That was to serve the regulated customers. Beyond that, if there was a need for additional storage it would come from the market. And, you know, again, I discussed, you know, my views of clawback with Mr. Higgin. And I think, you know, it is the wrong thing to do.

When I look at our investments -- and this would be both EGD and Union -- at the time of NGEIR, the investments that happened post-NGEIR would not have happened in a cost-of-service-based environment. We would have -- we needed market-based rates to be able to make those investments.

MR. GARNER: Right, but I was actually suggesting you might be making the opposite. I mean, people might say the opposite, which is we should actually decrease regulated assets and increase those into market assets, because the market is working so well, and I know your speaking is to protect the amount that's already in there you, but I was actually wondering about looking at it the other way, but that's not a question, that's comment, so I won't take any more time on it.

If you could look at tab 4. And Mr. Brett went through this same table with you just earlier. I'm -- I am trying to put this table together, and I don't know if it is Ms. Mikhaila or you, Mr. Redford, or someone. I'm trying to put this table together with the $4.5 million that is built into the rate systems of Union in order to anticipate the margins that may be made from storage.

So is this -- if this table is using that same concept of your estimate -- or the actuals during that period that you sold of that asset; is that right, Ms. Mikhaila? That's how you got to the table?

MS. MIKHAILA: Yes, lines 6 to 9 reflect the actual activity in each of those years, and to your question on the 2.3 -- well, 2.3 million related to short-term peak storage that we have built into rates, to the extent the amount at line 9 is greater than 2.3 million, customers received a refund through the deferral account, and to the extent the amount at line 9 is less than the 2.3 million built-in rates, we collected from customers through the deferral account.

MR. GARNER: Okay, thank you.

And I'm trying to understand, using this table, if the Board were inclined to agree with an argument that says there is a singular pool of assets in storage for this utility and therefore you will have to make an adjustment so that all of your customers -- and when I say "all of your customers" I think -- I concluded, Ms. Mikhaila, that at JT3.13, that was where Mr. Aiken had asked you, could you break down the -- how that margin is shared with the classes of Union Gas, and you have, so how that -- if they were to say, well, that has to change because you are going to be a set of singular customers, how would one use this table, if I could say, is how does one look at this table and say, well, how is that done, and because you do the cost allocation, how could one do that? Does one sort of say, well, I would take the margins and now I would spread them back over to Enbridge people? How would you do that if the Board were to say you need to find a methodology in order to share equally what is a -- clearly this table seems to me to show an ongoing benefit of the regulated storage. Is there a way you could help me do that, or we were inclined to say that should be done?

MS. MIKHAILA: I think the structure of the arrangement if this storage were to be offered to EGD zone customers would be something to be determined. I think there's questions in my mind of whether they get it at the cost currently or should they -- if EGD's own customers received the excess utility storage at cost, then we would annually be collecting through a deferral account the 2.3 million that is built in rates from Union customers.

I think there is an alternative where EGD's own could pay the cost plus the 2.3 million that already exists in Union's zones and keep Union whole and allow that to them or some other arrangement. I'm not sure of the exact arrangement, but there's different ways it could be structured.

MR. GARNER: Okay. Thank you, Ms. Mikhaila. Thank you. Those are my questions.

MS. ANDERSON: Thank you, Mr. Garner. Mr. Richler, I believe you are up next.

MR. MONDROW: Madam Chair, just before Mr. Richler starts, if I could have 30 seconds?

I am not on the list for this panel and having asked Ms. Mikhaila and Mr. Kitchen to describe what they are going to do in response to that undertaking on PDO, that's helpful. But I think there is some information not on the record that may be helpful for the panel; certainly it would be helpful for me in respect of that topic.

The issue is what happens with costs being recovered on account of the Parkway delivery obligation now in moving from 2018 to 2019 rates.

So as I say, I'm not on the list for this panel. If it's any consolation, I've given up some time for the subsequent two panels. But I would request an opportunity to have five minutes just to run through a few questions with the panel.

I am happy to go after Board Staff, but I wanted to alert you to it and Mr. Richler to it now. And obviously that's with the indulgence of the Panel and your permission.

MS. ANDERSON: To the extent that Staff don't cover those issues, five minutes.

CROSS-EXAMINATION BY MR. RICHLER:

MR. RICHLER: Thank you, Madam Chair. And for the benefit of Mr. Mondrow, I don't intend to cover those issues, so prepare accordingly.

Many of Staff's questions for this panel have been asked and answered already, so I'll just focus on one theme, and this is the theme that was raised by Ms. Girvan and Mr. Garner about how Amalco will deal with the situation where, in essence, it will be buying storage services from itself.

So I would like to ask you to turn to page 7 of Staff's compendium, which was previously marked as Exhibit K1.6.

This is the response to OGVG 4, and it is something that Mr. Garner took you to just a few moments ago.

MR. REDFORD: Were you referring to the interrogatory response to OGVG 4?

MR. RICHLER: Yes. If we look at the end of the first paragraph, it says:

> "To ensure an unbiased storage procurement process, gas supply personnel will conduct a blind request for proposal RFP through an independent third party for storage capacity. EGD has recently utilized this process to secure storage services with Deloitte & Touche acting as the independent third party."

Just a few questions on this RFP process.

First of all, you explained at the technical conference that this blind RFP process has been used by Enbridge once so far, right?

MR. CHARLESON: That's correct.

MR. RICHLER: And that Union was one of the successful bidders?

MR. CHARLESON: That's correct.

MR. RICHLER: Now, do I understand correctly that Deloitte's role as the independent third-party was really an administrative one. It helps collate and anonymize the bids for Enbridge, but ultimately it's Enbridge's gas supply folks who decide which bids to accept?

MR. CHARLESON: Yes, that's correct.

MR. RICHLER: And of course, once the merger is complete, there will be no such thing as Enbridge gas supply folks; there will only be Amalco gas supply folks.

So aside from this blind RFP process, what else will be done to wall off the Amalco team reviewing the bids from the Amalco team who prepared the bids?

MR. CHARLESON: I think, as Mr. Redford has described through other responses today, even today within Union there is a sales team which is operated very separately from the gas supply team.

So you would continue to have that structural separation of the resources that work on gas by planning, reviewing these types of RFP responses from individuals that would be submitting bids.

Similarly, today within EGD, the -- or prior to, as transferring the kind of the administration of our unregulated storage to Union, we had very separate groups that managed kind of the marketing and sale of our unregulated storage from our gas supply planning group.

MR. RICHLER: I guess what I'm getting at is whether the separation will be formalized, whether there be some sort of formal protocol, or a standing set of instructions to people to make sure they don't speak to each other in the hallway, so to speak.

MR. CHARLESON: We would expect that to be the case.

MR. RICHLER: Okay.

MR. REDFORD: I also think that we are also subject, as we are today, to the protocol to limit non-public information as well.

I think it says non-public transportation information, but we see it is transportation or storage.

MR. RICHLER: Now, in the technical conference, you were asked to provide a sample of the matrix you would use to evaluate bids under this blind RFP process, and you did. So let's turn to that, which is at tab 8 of Staff's compendium. It is your response to JT3.16.

If we start on the first page of the matrix, we see a row called "Inject withdrawal location." Do you see that?

MR. CHARLESON: Yes.

MR. RICHLER: In that row, under "Company A, company B", it says Union-Dawn, while some other bidders are shown simply as Dawn.

So my question is: Does Union Dawn mean something different than Dawn, and if so, would that allow Enbridge or in future, Amalco, to infer who the bidder is?

MR. CHARLESON: We would view those as being the same.

MR. RICHLER: I'm sorry, I --

MR. CHARLESON: We would view them as being the same.

MR. RICHLER: In the same row, company G is the only bidder with the location other than Dawn or Union Dawn. Rather, there is a reference to the Vector Rover or Nexus pipelines.

This is on page 6 of 6, on the far right side.

Would that cell allow Amalco to infer who the bidder is?

MR. CHARLESON: No, it wouldn't.

MR. RICHLER: All right. On the first row of the table, we can see that some companies put in more than one bid. Would that knowledge allow Amalco to infer who the bidders might be?

MR. CHARLESON: No.

MR. RICHLER: I'm not going to do this for every row, but you can see where I'm going. And some of this has been blacked out, so let me just put it to you more generally.

For someone experienced in gas supply procurement, are there any -- is there anything in this matrix that would give some hint as to who the bidder is, or is this truly a blind process?

MR. CHARLESON: There is nothing in the information that would definitively say who the bidder is.

You may be able to infer which assets you believe may be underpinning the bid. But as Mr. Redford has indicated in earlier responses today, in some cases Union is competing against parties that hold Union Gas storage, that then bid that into RFPs.

So while you may be able to infer the physical assets that may be putting that, you wouldn't know who submitted that bid.

MR. RICHLER: Now, just a few minutes ago, Ms. Girvan asked you whether ratepayers needed some sort of additional protection in this type of scenario. And as I understood the answer, it was that the current mechanisms are sufficient.

And so just to follow-up on that very briefly, just so I understand what those mechanisms may include, am I correct that today, if Enbridge selects a bid that was made by Union, that contract would have to be publicly reported by Union on its website in accordance with STAR?

MR. REDFORD: That's correct. We would propose going forward and as well that if we -- if Amalco won its own regulated businesses' storage, that that also would be publicly posted as well.

MR. RICHLER: Right. And this additional information wouldn't provide any -- or would it include something about why the particular bid was selected over other bids?

MR. REDFORD: I would say definitely not, because it would be the party providing the storage that posts versus the party that takes the storage, that purchases the storage. We would have no -- we couldn't, because --

MR. RICHLER: Right.

MR. REDFORD: -- we would have no view to what happens behind the curtain.

MR. RICHLER: Sorry, so let me put it another way: Today Enbridge the buyer doesn't have to post any information about the contract or why it selected Union over other bidders.

MR. CHARLESON: No, we don't have to post it, but all of our gas supply costs are subject to review.

MR. RICHLER: All right, finally, just a quick question on another topic, and it's really just to complete the record and to provide some context for some of the issues we've been discussing more broadly in this proceeding. It is really question for Union.

Can you tell us what proportion of Union's regulated revenues come from storage and transmission activities?

MR. RICHLER: We don't know that off the top of our heads, but we could find out.

MR. RICHLER: All right. And while you are providing the undertaking, would it -- if it's not too much trouble, could you provide that for each year of the most recent IRM term?

MR. RICHLER: Yes.

MR. KITCHEN: Yes.

MR. RICHLER: Thank you. We'll give that Undertaking No. J3.6.

UNDERTAKING NO. J3.6: TO PROVIDE THE PROPORTION OF UNION'S REGULATED REVENUES THAT CAME FROM STORAGE AND TRANSPORTATION IN EACH YEAR OF THE IRM TERM.

MR. RICHLER: And those are all my questions for this panel, thank you.

MS. ANDERSON: Thank you.

Mr. Mondrow.

CROSS-EXAMINATION BY MR. MONDROW:

MR. MONDROW: Thank you very much, Madam Chair.

And through e-mail I asked if Ms. Adams could put up on the screen -- and I'm sure Mr. Kitchen, Ms. Mikhaila will be familiar with this -- the decision and order of the Board in EB-2013-0365, dated June 16th, 2014, so this is the decision and order on the Parkway delivery obligation, which I'm sure you will recall fondly.

And 'd like to start at PDF page 23 of this document, which is Appendix B to the decision. And Appendix B is the actual -- it's called the settlement framework reached between Union and interested parties, which gave rise to the current treatment of the Parkway delivery obligation, correct, Mr. Kitchen?

MR. KITCHEN: That's correct.

MR. MONDROW: And this settlement framework was accepted by the Board in the decision, the cover page for which we were just looking at?

MR. KITCHEN: That's correct.

MR. MONDROW: Thank you.

I'd like to go to -- start just on the same page, so I'm going to refer to the page numbers of this appendix for ease, and on this page 1 of the appendix, point number 3 -- and I think you've been taken to this -- I'm not sure if it was in this proceeding, probably, but certainly a number of times since the date of this settlement, and just read this in. It says:

> "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 to December 31st, 2018."

And I believe you gave that evidence to that effect earlier today when Mr. Quinn was asking you questions about this.

MR. KITCHEN: That's correct.

MR. MONDROW: Right. If we could then move on to page 2 of 7. I'm looking under part (b) of the settlement agreement which sets out the terms of the Parkway delivery obligation reduction proposal. This part of the settlement excludes TransCanada Energy.

Just at a very high level, the settlement allowed parties obligated to deliver gas to Parkway to move those deliveries to Dawn; is that correct?

MR. KITCHEN: That's correct.

MR. MONDROW: But in order to manage its system, Union then had to get gas to replace those moved deliveries at Parkway; is that correct?

MR. KITCHEN: That's correct.

MR. MONDROW: Okay, and it's the costs associated with that that are subject of the settlement agreement that I just want to spend a couple of minutes and ask you about.

So if we look at part 1(d) on this page -- it is the second page of the settlement agreement -- I'm just going to read this in. It says:

> "The annual demand costs of the currently unutilized capacity..."

And I emphasize the word "currently":

> "...between Dawn and Parkway to be used to provide the 146 TJ per day of PDO relief and the additional 18 TJ per day of capacity to be realized by the turnback of M12 capacity held by PDO DP customers, excluding TCE, will be determined by applying the 2014 proposed M12 rate

for Dawn to Parkway transportation at 100 percent load factor excluding fuel."

It then gives a unit rate and total annual demand costs of about $4.763 million.

And then in the next paragraph it says:

"Consistent with Union's evidence, the annual demand costs of 4.763 million will be recovered through a deferral account and thereafter in the delivery rates of in-franchise customers."

So when we talk about PDO costs, those costs include the recovery by Union of these funds on account of capacity being used or notionally being used to move gas from Dawn to Parkway; is that correct?

MR. KITCHEN: That's correct.

MR. MONDROW: All right. And you spoke about a temporary shortfall. So just to draw out this point, I'd like to go a little further down on this page 3 of the settlement agreement to point number 2, which says:

"Between April 1st, 2014 and October 31st, 2018, there will be a temporary shortfall in the Dawn to Parkway capacity needed to support the PDO reduction."

Now, Mr. Kitchen, earlier you referred to Dawn-Kirkwall capacity, and my understanding of the agreement was that Union agreed to use temporarily excess Dawn-Kirkwall capacity resulting from Dawn-Kirkwall turnback, to move that gas that it had to get from Dawn, given the relief of customers, back to Parkway, or notionally do so, at least, and you would recover the costs associated with that capacity through this mechanism that we've been talking about; that your understanding?

MS. MIKHAILA: Initially the cost of the temporary capacity was included in rates and recovered by Union, as you had mentioned, the unutilized capacity, in the previous paragraph you had spoke about.

MR. MONDROW: Right.

MS. MIKHAILA: And then as Dawn to Kirkwall turnback occurred over time, rather than the unutilized capacity, was to replace the revenue of the turnback.

MR. MONDROW: Right, so -- but there is a step in between, so just before you get there, if we could go to page 4, and I'm looking at II, bullet number 2 at the top, and this talks about what's going to happen in the interim, so it said:

> "Effective November 1st, 2015, the temporarily available Dawn-Parkway capacity..."

So this is the Dawn-Kirkwall turnback we've been talking about, correct?

MS. MIKHAILA: No, this is the excess capacity on the Dawn-Parkway system. The temporarily available was just excess capacity on the Dawn-Parkway system, it did not relate to turnback.

MR. KITCHEN: And it was temporary because it was going to be sold to other parties.

MR. MONDROW: But it did not relate to Dawn-Kirkwall.

MR. KITCHEN: That's correct.

MR. MONDROW: But it was Dawn-Kirkwall that was earmarked to give permanent relief to --

MR. KITCHEN: Correct.

MR. MONDROW: -- (inaudible) delivery obligation. Great. Thank you.

So:

"The temporarily available Dawn to Parkway capacity will be used for other purposes, leaving Parkway in a delivery shortfall position. The demand costs associated with the temporarily unavailable capacity..."

So that is pending the Dawn-Kirkwall turnback again; is that correct?

MS. MIKHAILA: Well, at November 2013, as can be seen in Exhibit J2.5, there was, of the 146 temporarily available capacity, there was only 23 remaining as of November 1st, 2015.

MR. MONDROW: Okay. Fair enough:

"The demand costs associated with the temporarily unavailable capacity as described above will nevertheless remain in delivery rates to be used by Union to manage the Parkway delivery shortfall through the acquisition of incremental resources, the costs of which are not already covered by base rates, Y factors, and/or deferral and variance accounts, and subject to the reporting and risk allocation measures described in paragraph B.10(c) below."

Which I will go to in just a minute.

And then point 3 goes on:

"Any Dawn to Kirkwall M12 capacity turnback to Union by ex-franchise shippers will be used first to reduce the Parkway shortfall and secondly to further reduce the PDO."

So this is where we see what capacity was earmarked for further Parkway delivery obligation relief. It was the Dawn-Kirkwall capacity that you expected to be turned back, correct?

MR. KITCHEN: Correct.

MR. MONDROW: Okay.

And then finally if we can go down to page 5 of the settlement agreement, right at the bottom of that page as part of sub (c). The second paragraph there says:

"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."

And here's the important part, from my perspective:

"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."

So if we look at all of those passages that I've taken you through together, the idea was that if Union incurs costs to made good its part of the bargain, it should be kept whole. But it shouldn't over-recover on account of this settlement relative to its standard revenue requirement cost of service. Is that a fair reading? Except in -- there was agreement that you would keep that amount regardless of how you managed the shortfall.

MR. KITCHEN: That's correct.

MR. MONDROW: But the idea was not to enhance your recoveries nor to penalize...

MR. KITCHEN: Nor to penalize; it was to keep us whole.

MR. MONDROW: Fair enough. So moving to 2018, in 2018 -- and Mr. Quinn took you to this before -- there was excess Dawn-Parkway capacity on your system, correct?

MS. MIKHAILA: Yes, there was.

MR. MONDROW: And the costs of that excess capacity were included -- are included in 2018 rates?

MS. MIKHAILA: Yes, they are.

MR. MONDROW: And we saw from -- and you referred me, Ms. Mikhaila, a second ago to an undertaking response. I think it is Exhibit J2.5, and Mr. Quinn had you looking at this table earlier today.

And if we just look in the winter of '17-18 column at line 7, Union is recovering a total of $11.431 million on account of PDO costs in this year?

MS. MIKHAILA: That's correct. And that 11.4 million is related to the M12 turn back that we've experienced in order to facilitate the PDO shift. So we've had a reduction in our revenue because of turn back, and this is to replace that revenue.

MR. MONDROW: Right. And are these PDO recoveries reconciled in some way with your recovery of your Dawn-Parkway capacity costs? Are they an offset of some sort, or are you recovering both the Dawn-Kirkwall capacity costs and the excess costs of the Dawn-Parkway?

MS. MIKHAILA: No, the Dawn to Kirkwall capacity costs that were used to facilitate the products shift we are not recovering, because those contracts have been turned back. So we have lost that revenue.

MR. MONDROW: Sorry, but you're getting that revenue through the PDO recoveries?

MS. MIKHAILA: We are getting that revenue through the inclusion of these PDO shift costs in rates. It is meant to be a replacement.

As you can see from this exhibit on line 19, it hasn't been an exact replacement. But that was the intent of the PDO settlement agreement, was that it would be a replacement of the revenue from the M -- from the Dawn to Kirkwall turnback.

MR. MONDROW: And you say it hasn't been an exact replacement. There's been a shortfall to Union, using the winter 2017-18 as an example. Is that what that 2.2 million is?

MS. MIKHAILA: Yes, that calculation reflects the revenue associated with the turn back contracts, because it was a Dawn to Kirkwall contract that was turned back replaced with Dawn to Parkway capacity and there's some equivalency differences.

MR. KITCHEN: Conversion factor.

MR. MONDROW: All right. So just to conclude then, you're recovering Dawn Kirkwall capacity costs, which you are using for PDO relief. And in addition, you are recovering -- and I'm not suggesting there is anything untoward about this. But just to be clear on the record, you are recovering your full Dawn-Parkway costs, including the costs of the currently excess Dawn-Parkway capacity in both in-franchise and ex-franchise rates?

MS. MIKHAILA: No, I don't think that's a fair way of putting it.

MR. MONDROW: Okay.

MS. MIKHAILA: In included in our 2013 rates was the full cost of the system, and we've also built in the cost of the capital pass-through project since that time.

In 2013, some of those costs were allocated to the Dawn to Kirkwall path. So that was the recovery of -- that was the recovery of those costs.

Since that time, we've had that turn back, so we are no longer recovering those costs.

MR. MONDROW: Through the PDO?

MS. MIKHAILA: Yes. So I wouldn't say there's -- in the way you've worded it, it sounded like we were recovering the full cost of the system plus this cost; this is a replacement.

MR. MONDROW: Okay. And that treatment is proposed to continue in 2019, and then throughout your rate plan period that you've proposed in this proceeding.

MS. MIKHAILA: Yes, the guiding principle of the PDO was to keep Union whole, and to continue to include these costs in rates will keep Union whole.

MR. MONDROW: And any excess Dawn-Parkway, or Dawn Kirkwall capacity, for that matter -- that is resold, will that be subject to continued sharing, or is that -- as under your current IRM, or is that sharing coming to an end? Quite apart from PDO, this is just...

MS. MIKHAILA: The excess Dawn to Parkway capacity to the extent it's sold?

MR. MONDROW: Yes.

MS. MIKHAILA: Currently, it's subject to earnings-sharing and going forward, in the first five years of the deferred rebasing period there, won't be earnings-sharing. But beyond that, it would be.

MR. MONDROW: It will be. I appreciate your clarifications. Thank you very much. I hope that was helpful. It will be for me, ultimately. So thank you for your indulgence, Madam Chair.

MS. ANDERSON: Thank you. Mr. Cass, do you have anything else?

MR. CASS: I have no re-examination, Madam Chair. Thank you.

MS. ANDERSON: Okay. With that, I believe we are concluding with panel 2, and we will take a 20 minute break while we get set up for panel 3.

--- Recess taken at 2:58 p.m.

--- Upon resuming at 3:21 p.m.

MS. ANDERSON: Mr. Cass, would you like to introduce panel 3 for us, please.

MR. CASS: Yes, thank you, Madam Chair. We have the applicant's third panel of witnesses ready to testify. This panel will be addressing, generally speaking, accounting matters, rates, and deferral and variance accounts.

As the Board Panel will see, we have three returning witnesses in the middle of the panel. They've already been affirmed, of course, Ms. Mikhaila, Mr. Kitchen, and Mr. Culbert. We have two new witnesses whom I believe have not been affirmed. Closest to me is Anton Kacicnik, from Enbridge Gas Distribution. He is manager of rates at Enbridge. At the other end of the panel is Greg Tetreault, who is manager, regulatory accounting at Union Gas. And both of them need to be affirmed.

Thank you.

ENBRIDGE GAS DISTRIBUTION/UNION GAS - PANEL 3: DVA, ACCOUNTING, RATE HARMONIZATION

Mark Kitchen,

Amy Mikhaila,

Kevin Culbert, Previously Affirmed;

Anton Kacicnik,

Greg Tetreault; Affirmed.

Examination-In-Chief by Mr. Cass:

MR. CASS: And again, Madam Chair, to keep things moving, I will pick on one witness to adopt the evidence on behalf of the entire panel. I will ask Mr. Culbert to do that.

Mr. Culbert, can you confirm, please, that this witness panel is responsible for the applicant's evidence, generally dealing with the deferral and variance accounts, rate matters, and accounting matters?

MR. CULBERT: Yes, I can, yes.

MR. CASS: And was the evidence in those areas prepared by the members of the panel or under your direction and control?

MR. CULBERT: Yes, it was.

MR. CASS: And can you please confirm that the evidence including answers given at the technical conference is accurate to the best of the knowledge or belief of the members of the panel?

MR. CULBERT: That's correct.

MR. CASS: Thank you, Madam Chair. That's the examination-in-chief.

MS. ANDERSON: Thank you. I believe OEB Staff is first up.

CROSS-EXAMINATION BY MR. RICHLER:

MR. RICHLER: Thank you, Madam Chair. Good afternoon, witnesses. Just a few questions for this witness panel. First, on the normalized average consumption, or NAC, in the average use, or AU, deferral accounts, these are accounts that came up briefly and -- with a panel -- witness panel 1, and as I understand, Union and Enbridge each currently have an approved account which allows them to true-up any variances between forecast and actual consumption. Union calls it the -- Union calls it NAC and Enbridge calls it AU; is that right?

MR. CULBERT: Yes, that's correct.

MR. RICHLER: You've requested continuation of these accounts as part of rate-setting framework?

MR. CULBERT: That's correct.

MR. RICHLER: Am I correct that these deferral accounts capture any decline in average use as a result of DSM activities, and so you do not need to -- you do not need to claim a separate LRAM for the general service rate classes?

MR. CULBERT: Purely for the general service categories, we don't record any amounts with respect to rate 6 -- or Rate 1 or Rate 6. However, there are inclusions in the LRAM for contract-related customers in the lost revenue adjustment mechanism.

MR. RICHLER: All right. Now, we are interested in teasing out the DSM impacts from any other impacts on average use. If you had had a separate LRAM, what would have been the estimated lost revenues for the years 2014 to 2018 for each of Union and Enbridge?

And if you aren't able to provide an estimate now, I might ask for an undertaking.

MR. CULBERT: Let me just confer with a couple of the witnesses.

[Witness panel confers]

MR. RICHLER: I'm sorry, and before you answer, I think I misspoke. I said 2014 to 2018, but of course I meant 2014 to 2017, since we are still in 2018.

MR. CULBERT: Yeah, I just was checking to see if we had provided any response of that nature on the record, and we haven't, so we would have to provide an undertaking to provide that information.

MR. RICHLER: Thank you. That will be Undertaking J3.7.

UNDERTAKING NO. J3.7: TO PROVIDE THE ESTIMATED LOST REVENUES FOR THE YEARS 2014-2017, FOR EACH OF UNION AND ENBRIGE, IF THERE WAS A SEPARATE LRAM.

MR. RICHLER: Still on this question of the NAC/AU, could I ask you to turn to your application in EB-2017-0307 at Exhibit B, tab 1, page 31 of 31, which is now up on the screen.

This is where you discuss how Amalco will address OEB directions given to Union or Enbridge in prior proceedings or commitments made by either utility in prior proceedings.

And here on the middle of the page you explain that in the EB-2016-0118 proceeding Union:

"...greed to file a study assessing the continuing appropriateness of its methodology for determining the NAC. Union will continue to review NAC as a part of Amalco. Changes to NAC, if appropriate, will be considered as part of a future rate proceeding."

I just want to understand what exactly you are committing to here. Will Amalco file a formal study on the NAC methodology, and would it be at the time of your next rebasing or some time before that?

MR. KITCHEN: It could be some time before that. One of the reasons that we're deferring this is that we think it is important to look at the NAC methodology in the context of Amalco and not to look at Union EGD. We want to look at both, and we think we can do that better after the amalgamation, so the plan is -- at this point is that we will look at it and, you know, if we think a study is warranted to bring forward, we will bring one forward, otherwise it will be at rebasing.

MR. RICHLER: And I gather that in Enbridge's last application concerning deferral and variance accounts, EB-2017-0102, it emerged that Enbridge's AU forecast for 2016 turned out to be significantly off and that actual average use was much lower than expected; is that right?

MR. CULBERT: I'm not sure about the specific. Your average use is typically different than actuals versus forecast, so it has been over the past number of years. What we agreed to in our last settlement was to look at other jurisdictions and best practices with respect to the true-up side of the equation and provide information about that.

Again, that was -- we agreed to that as part of rebasing, which we're not proposing. To Mr. Kitchen's point, what we're looking to do is, we think it's best looked at as Amalco in terms of what average use or normalized average consumption should be and perhaps what the formula may need to evolve into, but we're not proposing to make a change in that regard until rebasing, and proposing to look at it over the interim and consult with intervenors when we reach any conclusion as to things we think might be better served in a different methodology or a combined methodology, I'll put it that way.

MR. RICHLER: Final question on the NAC and AU, and this is a question of principle, I suppose. Now, electricity utilities in Ontario don't have this kind of true-up mechanism available to them. Why should Amalco?

MR. CULBERT: If I can get Ms. Adams to bring up response to VECC 27. Essentially in paragraph 2 of part (a), you are quite correct. Our understanding is that electrics don't have this type of mechanism. However, what we do know is that the electric LDCs are moving towards a full fixed recovery of their distribution revenues, which eliminates any impact of average use changes for them, so we feel it's appropriate that we continue with the average use elements that's embedded in our base rates and that which a price cap will inflate over the ten-year term.

MR. RICHLER: Next I wanted to clarify something concerning the unaccounted for gas or UFG volume variance accounts.

Both Union and Enbridge currently have such accounts, and I gather that Union's is subject to a symmetrical deadband of $5 million, but Enbridge has no deadband; is that right?

MR. TETREAULT: That's correct.

MR. RICHLER: In this application, you have requested to continue the UFG accounts. So just so I understand, is the idea that there will continue to be two separate UFG accounts, one for the former Union area and one for the former Enbridge area?

MR. TETREAULT: Yes, that's correct.

MR. RICHLER: And the former Union account would be subject to the $5 million deadband, but Enbridge's would not?

MR. TETREAULT: That's correct, that's our proposal.

MR. RICHLER: Is that also the case for all the other deferral and variance accounts that will be continued during the rebasing period, that they will not be combined or harmonized, that they will be subject to the same treatment as they currently are or -- in other words, the status quo will continue during the deferral period?

MR. CULBERT: We've made some proposals. I think it was in response to Schools 45 with respect to how we were looking to treat deferral variance accounts going forward.

There were a couple that we looked to -- I'll use the term harmonize, for lack of a better term -- align probably is a better term, during the period. One was the pension account and another which escapes me. But for the most part, yes, our proposal is to continue the treatment of deferral and variance accounts as they are established for each of the entities.

That's what aligns with the rate mechanism and prices that will be escalated by Union. They were at a price cap where they negotiated a percentage of inflation, and ours was a custom IR application. So the deferral and variance accounts are, in our opinion, properly aligned with those rates that will be ongoing and inflated by a price cap going forward.

MR. RICHLER: Thank you, Madam Chair, those are all our questions for this witness panel.

MS. ANDERSON: You caught me off guard, not looking at my schedule for who is next. Ah, Energy Probe.

DR. HIGGIN: Thank you, Madam Chair. I'll be using our compendium that was filed this morning, the May 4th, and we'll start at page 15 of that with panel 3 on my cross-examination based on that compendium. So if you could turn up to that, please, you will have that.

CROSS-EXAMINATION BY DR. HIGGIN:

Thank you. Good afternoon panel; Rodger Higgin for

Energy Probe.

So I'd like to turn to page 15 of the compendium and ask some questions. So I'm going to go through that we should understand the background to the settlement agreements on normalized average use, as Mr. Richler discussed with you, to understand the background to that and then to go from there.

So first of all, this is an extract and I didn't put the docket but he mentioned it. It is EB-2016-0118 -- 0018, paragraph 12. And this is for, of course, Union Gas.

So, here is, as was discussed, the proposed settlement that was agreed to and approved by the Board in that proceeding. Okay? So that's the first piece.

The next piece on the next page has the other settlement agreement and this is EB-2017-102, and it is Exhibit N 1, tab 1, schedule 1, page 8, and this is Enbridge Gas Distribution. And you will see down there the highlighted piece for Enbridge Gas Distribution.

It says, "Also agrees that if it requests an average use true-up mechanism in its next rebasing case...," which Mr. Culbert mentioned, then they will do the study, et cetera.

Now, because rebasing is being deferred, the position of the companies is this is no longer required. That is where we start from.

So what I would like to discuss with you is are you going to make -- are you going to implement these settlement agreements and how. Please clarify what will be done and when for Union Gas, EGD and Amalco.

MR. KITCHEN: First of all, Mr. Higgin, I think in your question you've suggested that because we are proposing to defer rebasing, we're not going to look at NAC. We are going to look at NAC and the AU calculation for the Enbridge rate zone.

To my point earlier, we believe that it's better to look at that in the context of Amalco, rather than looking at it as individual companies.

And so what we are planning to do is to, as we said, we'll look at it over the deferred rebasing term and we will bring forward a study, proposal, whatever is required to meet the commitment. But right now, I don't have a timeline because we need to get to the point where we're actually operating as Amalco, so that we can understand the calculations and what methodology makes sense.

I think if you'll remember, at least on the Union side, our commitment came out of a fairly volatile NAC treatment.

Now, last time, we went from a large debit and we're back to a credit. So that still exists and we need to address that, and we will. But I can't give a time until we are actually Amalco.

DR. HIGGIN: Does Enbridge have any response to their undertaking as per the settlement?

MR. CULBERT: As you would you have heard in my response to Mr. Richler, we are pretty much in the same boat. We view this is being something that would be better served once we know what the amalgamated entity looks like.

Our commitment was to look at best practices in terms of a true-up mechanism, best practices out there in various jurisdictions, and that will obviously be part of the analysis that we do going forward.

But until we are in that amalgamated state, we are not proposing to change average use or anything at this point in time.

So to Mr. Kitchen's point, we will look to provide information to the intervenor group as we move forward with this, once we get into that amalgamated state. But until we're there, we can't necessarily speak to the timelines.

Perhaps it could happen as early as year 3, but there is no point in me trying to make a commitment at this point in time until we know where we're at.

MR. KITCHEN: And, Mr. Higgin, as you know, we will be filing annual deferral account disposition proceedings, at which point both of these accounts will be reviewed and there will be ample opportunity to discuss what potential modifications might happen over the term.

DR. HIGGIN: So as you say, that's all because you're requesting to continue the two separate true-up accounts, okay.

Now, what are the main things that drive the balances that come out into those accounts? What are the two big factors? I suggest they would be weather and other technology issues, such as DSM, to deal with the question of the difference between your forecast and the actuals.

MR. TETREAULT: Just to be clear, Dr. Higgin...

DR. HIGGIN: Weather is actually normalized in the account.

MR. TETREAULT: That's correct. I should clarify on weather. Both utilities have weather risk.

The NAC deferral account for Union and the AU equivalent for Enbridge do not deal with the annual weather risk that we face.

What they do, though, in terms of determining what the actual NAC it for any given year and actual AU is for any year is they use the best available normalized weather for that particular year.

So to your question on the drivers, certainly on the Union side, where you have a NAC account that combines DSM and the natural trends and average use DSM is a primary driver, as well as I'll say customer behaviour, changes in building codes, standards, those type of -- those type of things.

DR. HIGGIN: So the fact is, though, that there is also the weather risk issue, and that's integral to this question of forecasting because, as you know, there has been numerous debates about the weather methodologies that you -- companies have used over the years, so we would suggest to you that you can't disassociate the weather risk from the use of the account. It all ties together, because the difference between the forecast even on a, in quotes, "normalized", implies that the normalized forecast is correct and that there is no -- and you said you take weather risk; is that correct?

MR. CULBERT: That's correct.

DR. HIGGIN: Yeah?

MR. KITCHEN: There is no deferral account for weather.

DR. HIGGIN: No. On the other hand, so you forecast based on your approved weather methodologies, correct?

MR. CULBERT: Yes, we forecast on the Board's approved degree-day forecast methodology for each of the two --

DR. HIGGIN: And that is another set of issues that is peripheral to the continue of the account and the methodology of forecasting. Am I correct?

MR. CULBERT: There would be some link between the two, but only to the extent that you are normalizing the average use for normalized average consumption deferral or variance accounts which, on the variance accounts, that's one of the reasons we're proposing to continue those, is there are items that are happening now, cap-and-trade, et cetera, that we do not have the trend line for at this point in time. We had discussion about that in our last proceeding, as you are aware, Mr. Higgin, and we've suggested that until we know better what the impacts of cap-and-trade are going forward, that the variance accounts, in our opinion, are appropriate for both the ratepayers and the companies.

DR. HIGGIN: Okay, so we will leave that issue and move to the next issue.

If you could please turn to page 20 of our -- so this is an extract from a response to Board Staff, and it's to do with the question of the appropriate materiality threshold for Z factors, and that is an issue here.

So you have a response there that clearly says what the status quo is as per the electric rate -- the utility rate handbook, and it says "200 million for", et cetera, so you outline what is in place, thank you, so you don't disagree that's the status quo, that's what it says in the rate book, okay? Okay.

So the question for this case is, well, is that appropriate? So, for example, can you tell us or indicate what you think are appropriate indicators of such a threshold for Z factors? I think in the case here Dr. Lawrie mentioned this and addressed this in his testimony.

So, for example, there are other places as well as here. They say rate base is an indicator, revenue requirement is an indicator; do you disagree with that?

MR. CULBERT: That other jurisdictions have different determinants, allocators? No, I don't disagree with that.

DR. HIGGIN: Okay, so the question is, if we just use that premise, that those are indicators -- just an appropriate threshold, so can you tell us or you do an undertaking to show how big is Amalco post and how big is the biggest electric distributor in the province, Hydro One Distribution? What are the thresholds then that you would estimate for those? I think that's very important to assist people to understand where a threshold perhaps should be or not, if that's -- I would like to see -- that would be, I think, useful to have on the record, a comparison.

MR. KITCHEN: I guess, Mr. Higgin, I'm not sure what that has to do with what we're asking. We are essentially applying the -- what's set out in the handbook. It's a very simplistic approach, I know, but Amalco is a big company and we're applying that threshold. It doesn't mean that there is not the other criteria that we have to go through in order to get the Z factor approved.

So -- and quite frankly, I'm not sure what us giving rate base or what-have-you in this case -- we can get the rate base easy enough for Amalco. It is actually in FRPO 1 and a couple other places as well. We can get that, but I'm not sure why going to get Hydro One's is helpful.

DR. HIGGIN: Okay, so if you decline that -- I had to ask. We will do the math and we will provide the information as part of argument. I thought it would be a better way to have it on the record, Madam Chair, but if they decline that's fine.

Okay. That's fine. So --

MS. ANDERSON: Yeah, and certainly the Panel understands that there are normal statistical yearbooks that have information on the -- both the gas and the electricity sector, and so I'm trying to understand what we would need the applicant to do.

DR. HIGGIN: What I would ask them to do is straightforwardly, is to produce the two-18 and then for Amalco post-amalgamation the rate base, compare it to Hydro

One Distribution and the revenue requirement of each, because those are two criteria that are often used in regulatory purposes to determine what an appropriate threshold should be.

In fact, as an aside, this debate has gone on and is going on in Quebec at the same time, so -- and I think Dr. Lawrie -- I'll ask him his opinion tomorrow, just to get some input as well, so that was the purpose.

MS. ANDERSON: Okay, I'm not understanding how having them do a calculation of Hydro One's information is helpful, because then it's Hydro One's information. I'm not sure it is readily available to have a rate base information for Hydro One or not. I don't know. We do know assets, we know number of customers, we know those are things all on the record.

DR. HIGGIN: I believe those are filed, at least proposed in the EB-2017-0049, but that's another question, so...

MS. ANDERSON: Yeah, I guess our view would be that it's publicly available information in yearbooks, and that --

DR. HIGGIN: We will put it together if we -- when we make our argument regarding threshold. Thank you, that's fine.

So I'd like to come finally to the two other areas, deferral accounts. Could you please look up page 21.

So I couldn't file, Madam Chair, the response here to our Interrogatory C.EP.25, because we asked about deferral accounts and the applicants provided us a very extensive ten-page review of the proposed Amalco deferral accounts, so I'll leave it for parties to look at that and determine whether some information -- just out to the outcome of that, it ended up with 54 deferral accounts as being the number for Amalco. They are mostly the existing ones continued, as he said, as was said by the witnesses.

So I had just two questions on two specific ones of these, and the -- and if you went to that exhibit, EP.25, and you looked at section 4-4, capital-related, and it says --

MS. ANDERSON: Sorry, can we get that pulled up? Just, is that --

DR. HIGGIN: That whole -- if you wish. I thought it was too onerous to start and go through that here, Madam Chair.

And I'm looking at 4.4, section 4.4, the discussion, please. I don't have it in front of me. I was going to just use an extract, and was given to, subject to check, that that's what it says, Madam Chair. Is that okay?

MS. ANDERSON: I'm trying to understand what the question is.

DR. HIGGIN: I haven't asked the question yet, Madam Chair.

MS. ANDERSON: Okay.

DR. HIGGIN: I'm trying to ask the question.

MS. ANDERSON: Okay, so --

DR. HIGGIN: I'm trying to put forward the evidence reference, and I've just told everybody it's C.EP.25, and it's section 4.4 of that response, which is a ten-page response of -- and review of the deferral accounts. Okay?

All right. So I'll ask the question. It says:

"EGD and Union defer variances on capital investments approved by the OEB for rate recovery beyond what can be funded by existing rates. The investment subject to deferral depends on the circumstances of the utility. No changes are proposed as a result of the amalgamation."

And it says:

"EGD's account will not continue at the expiry of the term of the custom incentive regulation period. Union's account will continue during the deferred rebasing period to capture the impact of changes to income tax timing differences."

So can you just clarify now that these accounts refer to past capital projects that are completed and we would have thought, you know, in-the-can sort of thing, and why do we need to continue the accounts and so on.

That would be the question.

MR. CULBERT: Yes, in looking at the chart, I believe what the context of the comment about EGD was with respect to was two accounts that we had approved for our custom IR term, which were relocation mains and replacement main variance accounts.

The company did not come forward and seek a variance account to be established by the Board in the interim period, in the five-year period. Therefore, we don't need the account going forward because we didn't make a request for any amounts to go into that account.

DR. HIGGIN: That's for EGD. What about Union and its large blessed investment of a billion dollars in capital projects that are now completed?

MR. TETREAULT: For Union, Dr. Higgin, you are referring to -- there's five listed here, but there's actually six capital pass-through projects and deferral accounts that have been approved as part of our 2014 to 2018 IRM. And as you noted, our intent is to continue to true those up through the deferral -- the deferred rebasing period.

We have an amount -- a cost in rates associated with those projects, based on the original forecasted costs that were approved in the leave to construct and section 36 applications for those various projects over the last several years.

There will continue to be differences between those forecasted costs in rates, which will be the 2018 costs, and the actual revenue requirement associated with those projects, largely due to tax timing differences, as you know.

So in our view, it was appropriate to continue to true-up the forecast cost to actual costs consistent with what we did during the five-year IRM term.

DR. HIGGIN: So just to clarify, for the period 2019 to 2028, you are going to continue to do that?

MR. TETREAULT: That's correct.
DR. HIGGIN: For those accounts -- for those accounts relating to those projects, as I said, are in the can already.
MR. TETREAULT: If not in the can, they are close. I think in the case of some of those projects, there may be some minor spending. But yes, we're very close.
DR. HIGGIN: So the other question I had...
MS. ANDERSON: Sorry, can I just interrupt? Were –out of these capital pass-throughs, were some of them under spent and some overspent, or were they all overspent?
MR. TETREAULT: I believe, Madam Chair -- stretching my memory a bit, we are about to file 17 deferrals.
I believe in most cases -- likely not all, but I believe in most cases, we've actually under spent the capital. So as you would imagine, at least at the current time, that's driving fairly significant credits or payables in the deferral accounts.
So as I mentioned, we want to continue to make sure we are truing-up to actual costs, credit or debit, to recognize that that was really the regulatory construct we had in place for those projects and the related deferral accounts for IRM.
MS. ANDERSON: Sorry, Mr. Higgin.
DR. HIGGIN: That's okay. Just as a follow-up -- follow-up question, will you be doing, as you have in the past, in the DA proceeding, be doing the true-ups and the rebates, et cetera, under the current rate plan?

MR. KITCHEN: Sorry, Mr. Higgin, I'm not sure -- I heard part of your question.

DR. HIGGIN: Today, the regime is that you look at your DAs as separate from the rates, and you then dispose of the balances.

I was just asking, under the Amalco, you will continue to do that and you will dispose of the balances in those capital accounts. And what happens when they reach a zero balance would be my second question.

MR. KITCHEN: Well, the answer to your first question is we will be continuing with annual deferral account disposition proceedings to address the balances in the accounts that are dealt with in those proceedings.

As you know, some are dealt in DSM proceedings, some are dealt with in cap-and-trade proceedings. But in terms of the capital pass-through accounts, they will be dealt with annually.

DR. HIGGIN: So for the six that we've just talked About, the six or seven, Mr. Tetreault...

MR. TETREAULT: I think there's six, Dr. Higgin.

DR. HIGGIN: The six that are mentioned here, how are they going to be treated?

MR. TETREAULT: In the manner that Mr. Kitchen Describes.

So as part of our annual deferral account disposition proceeding that we would typically file in the spring, this time of year, we would bring forward any balances in those accounts for disposition, and that's consistent with past practice with those deferrals.

DR. HIGGIN: So assuming that the account is -- the balance is zero, the only thing that's going to flow through that are tax related, such as the capital cost allowance, et cetera. Is that what I'm hearing, if you have a zero balance at the end of construction?

MR. TETREAULT: I have trouble visualizing that the deferral account balance will be zero, because it's all going to be relative to the costs that are in rates.

But in terms of the ongoing update required to the revenue requirement, to your point, once capital spending is done for those projects and the assets are fully in service, the variances should largely be, I would expect, limited to tax timing issues.

DR. HIGGIN: My last question relates to the good old constant dollar salvage account...

MR. CULBERT: Constant dollar net salvage account.

DR. HIGGIN: Net salvage, very good. So would you like to first give us 101 on what it is, and then we can then talk about how do we deal with this going forward.

MR. CULBERT: Seriously?

DR. HIGGIN: Please.

MR. CULBERT: Can I not -- I can point everybody to our evidence that speaks about it; that would probably be a lot clearer.

Yes, back in our custom IR application, the company hired a depreciation consultant that proposed a change to methodology from traditional to constant dollar.

I'm looking at the panel. Are you looking at me to stop giving you a summary of all this?

DR. HIGGIN: So the question is then -- that's here before us today is that what you have a settlement proposal discussed last DA account hearing, and that is supposed to have a negotiation as to the disposition of that between the various ratepayer classes.

How are you going to proceed with that in order to close the account?

MR. CULBERT: There was an interrogatory; it escapes me now. I would look to Mr. Kacicnik if he recalls it. But we're proposing to clear it on the basis of how those amounts were included in rates.

I believe for that account, it was mostly an income tax-related clearance or allocator. So if that's your question, how was is going to be allocated, the final clearance -- is that your question?

DR. HIGGIN: No, that was how are you going to deal with the dispute between the ratepayers as to who gets what in terms of the disposition.

MR. CULBERT: Oh, the disposition. Well, in that proceeding, we've agreed to a process with intervenors. We would meet with the intervenors, convene with the intervenors and look at the proposal and reach a conclusion amongst parties where we can, and make a proposal to the Board going forward.

That's what we've agreed to, and that's what the Board approved in that proceeding.

DR. HIGGIN: And if you fail to reach that agreement, what will you do with the disposition of the account going forward and closure of the account? That's the question.

MR. CULBERT: You said if you fail to -- if we fail to reach a conclusion, the parties to that proceeding, we would have to go before the Board and the Board would have to conclude -- reach a decision as to how it should be allocated.

I'll say -- it doesn't sound correct. We are somewhat indifferent as to how it gets cleared. I mean, every party as a different perspective as to how it ought to be cleared.

We've put forward a proposal that we believe is fair and reasonable. It is how things are structured currently, so it will be up to the Board Panel that -- where we had to go to a Board Panel it would be up to them to reach that conclusion, certainly not ourselves.

DR. HIGGIN: Okay. So -- thank you. Those are my questions. I have one issue that came up from Mr. Cass, and that was the question, Madam Chair, regarding the corporate charges and the service agreements required under the ARC.

And basically the question I have is -- I'd like an opportunity, which is -- to ask a question regarding how we're going to sort of deal with that going forwards under the requirements of the Affiliate Relationships Code. That would be a question, perhaps, that I can do it either by asking for an undertaking, which I could put forward, to provide those, and also to the amounts that are involved currently; that is 2018, for Union and Enbridge.

That's one way that we could dispose of that, because we think it is a very critical issue as to how much the companies will pay as Amalco to Enbridge Inc. post-amalgamation for those corporate services.

So can I suggest that I have an undertaking, but Mr. Cass may want to...

MR. CASS: Madam Chair, I'm not sure that I know what the undertaking is, because I don't know what the question is.

DR. HIGGIN: Right. So Mr. Cass told us that the service agreements were not available. Okay? So therefore we have to leave that matter of whether they should be because the ARC requires it, so what I'm just asking for, how much -- we would like to know the amounts that Enbridge and Union will be paying through -- as part of Amalco to Enbridge Inc. for corporate services. That's the only -- the amount. So we would structure the undertaking for the applicants to provide those amounts for two-17 because Union became a customer of Enbridge Inc. in February two-17 and two-18. That's what we would like to have.

MR. KITCHEN: Mr. Higgin, I think those are questions that we were expecting on this panel. So I'm --

MR. CASS: Again, Madam Chair, I don't know what the undertaking is, because the questions would need to go to the witnesses. We would find out whether they can answer them or not --

DR. HIGGIN: So I'll put it as a question, Mr. Cass. Simple put --

MS. ANDERSON: Can I clarify a second? So what you are saying is at the technical conference you asked a question. Is that --

DR. HIGGIN: Yes, we -- and we've asked interrogatories about those amounts, and rather than going through all of that background, I'm trying to just keep things tight and ask for the undertaking.

MS. ANDERSON: And are you -- well, you haven't asked the question of the panel yet. I think that's the point.

DR. HIGGIN: That's why I asked for Mr. Cass, please, first.

MS. ANDERSON: Okay. So do you have a question for the panel?

DR. HIGGIN: Yes, will you please provide the amounts that Enbridge Gas Distribution and Union Gas Limited pay in corporate charges, services, to Enbridge Inc. in two-17, 2017, and 2018?

MR. TETREAULT: Dr. Higgin, I expect we can avoid the undertaking. Could we take you to -- it's Exhibit C.CCC.15.

DR. HIGGIN: Yes, I'm very well aware of that, but there is no data for two-18 in that. There is only two-17 for Union.

MR. TETREAULT: I believe for Union there is information from 2013 Board-approved through to 2018, a 2018 budget, but I'll just -- I'll wait for it to be pulled up. The Union tables are on page 4 of this particular exhibit.

So if we could scroll down a little more we will be able to see both affiliate revenues and expenses, so as I expect you know, Dr. Higgin, Enbridge has an RCAM, EGD has an RCAM to deal with affiliate-related costs from corporate.

Union has operated traditionally through affiliate charges, affiliate revenues, and affiliate expenses, and that is a -- and that's what you see on the tables here, on page 4 of this particular exhibit, so I should note as well that this really reflects legacy Spectra corporate costs, as well as, I'll say, Union's revenues and expenses associated with its Ontario affiliates, those being market hub partners, St. Clair pipelines, et cetera, so to your question around the quantum, if we talk about 2017, that would be column F of this particular table, and you can see that we have affiliate revenues of 15.8 million. And then if we move down to line 20, so kind of the second half of this table, we had affiliate expenses of roughly 22.6 million.

So if you net those off, that is approximately a net affiliate expense of $6.7 million, and as it relates to 2018, if we do the same math, we'll see the net affiliate revenues and expenses are roughly the same amount, $6.7 million.

It is important to note as well, with the corporate cost allocation process, a few things, I guess. One is that the act of incorporating Spectra, including Union, into EI's corporate process is complicated, and two, I would add that it continues to be ongoing, so that the corporate cost allocation process is not finalized as of yet.

You can see we've got 2018 budget or forecast numbers included in this exhibit. We do expect there to be true-ups relative to the numbers that are here, but you do see a forecast for Union that is, I'll say, consistent with the historical levels of affiliate revenues and expenses that we have experienced over this IRM.

DR. HIGGIN: What is 19, line 19, 26.3 million?

MR. TETREAULT: I believe -- so now you're asking about what was incorporated into that --

DR. HIGGIN: What is in the 26.3?

MR. TETREAULT: I'm sorry, sir?

DR. HIGGIN: What is in the 26.3 million on line 19?

MR. TETREAULT: The 26.3 is an adjustment that was made to take our level -- our net affiliate revenues and expenses back to historical levels.

So that was largely done for two reasons. One, there was a recognition by both EI and Union management that the corporate cost allocation continued to be in flux, for lack of a better term, so we wanted to maintain the cost at a level consistent with the past, given the level of service was comparable with the past at this stage.

The other reason you see the 26.3 million adjustment is, I'll say, an IT issue. When we were striking the 2018 budget, I think it's fair to say that the corporate systems and Union's financial systems perhaps did not talk as well as we would have liked them to.

As you can imagine, system integration work is complicated and ongoing, so as opposed to doing individual line item adjustments for all the different departments, we did a bottom-line adjustment to reflect what management at the company agreed to.

DR. HIGGIN: Okay, we have your answer, and thank you, Madam Chair, for your tolerance.

MS. ANDERSON: Thank you.

Ms. Chatterjee, you had a few questions. Oh, not you? Someone new?

CROSS-EXAMINATION BY MR. KING:

MR. KING: Thank you, Madam Chair. Good afternoon, panel, my name is Richard King. I am the counsel for Kitchener Utilities, and I have a handful of questions that are all aimed at understanding your proposal, specifically your annual rate adjustment process and the ability of that process to deal with cost allocation issues.

And just to be transparent, my client's intervention in this proceeding is really around a very discrete issue, and it is based on concerns about cost allocation to the T3 rate class, Kitchener being the only customer in that rate class, and even more specifically, about the allocation of certain capital projects that the ones that have most recently come into service during the current IR term.

And some of those concerns were brought forward in the original leave-to-construct proceeding that dealt with some of those larger capital additions in 2013, and the decision out of that proceeding came out in January of 2014 and Kitchener was told at that time that the issues it was raising, the cost allocation issues, would require a broader examination of the cost allocation principles and that there are issues that could be brought forward at Union's next cost of service proceeding, which would have been 2019.

And so from my client's perspective, some of those concerns have -- were certainly not unfounded. They have seen their large -- sorry, their monthly transportation demand charge roughly double, and we think that's driven largely by the capital pass-throughs in the years 2015 through 2017, and that doubling has occurred since 2013.

So my client can't support a rate proposal in the context of this amalgamation proceeding that would deny them the opportunity to bring forward their cost allocation issues, again that they thought they were going to bring forward in 2019.

And I understand your evidence to say that you're not proposing to bring -- to do a full cost allocation study until 2029; is that correct?

MS. MIKHAILA: Yes, that's correct.

MR. KING: But it sounds like your annual rate adjustment process would allow Amalco to bring forward potential changes to cost allocation and rate design at these rate applications. Am I correct?

MS. MIKHAILA: I'd say Amalco at this point doesn't have any cost allocation proposals that its going to bring forward. Other than the commitment we made to review the cost allocation of the Panhandle project, we don't have a significant list of items that is we need to address through cost allocation. It is really limited to the Panhandle project for existing costs.

MR. KING: So let me just let you know where I got that from. In your initial evidence on page 29 of Exhibit B, tab 1 -- and I'll just read it in. It says:

"Amalco may propose changes to..."

And I'm skipping a few words:

"...cost allocation and rate design during the deferred rebasing period to address identified issues, make improvements, and respond to changing business needs. Any changes to approved methodologies will be proposed by Amalco for Board approval as part of the annual rate-setting process, or as part of a separate application."

And then at that point, I think you picked up on when you answered your response to Consumers Council No. 31, that you would avail yourselves of the opportunity at these annual rate applications to proposed changes to cost allocation, if you felt it warranted. Correct?

MS. MIKHAILA: We did recognize that there could be items during the deferred rebasing period that may need to be addressed, and largely related to customer's needs or requests.

Looking back at the last IRM we have had, there were different items that were proposed, new services. The PDO that we discussed extensively this morning was something that wasn't part of the 2013 cost study, but it was considered subsequently and it was really to address those things in response to customer's needs or new services.

MR. KING: Okay, I don't think we need to bring it up, but it sounded to me in your response to Consumers Council 31 that what you had in mind was that you may want to propose unique cost allocation methodologies with respect to further projects brought forward in a leave to construct or as part of an ICM application.

Does that make sense?

MS. MIKHAILA: Yes, there will be items that need to be -- there will be incremental items during the deferred rebasing period that we will need to allocate to rate classes, including the ICM projects, any changes in DSM, items of that nature that are incremental to existing costs.

MR. KING: And your proposal, to the extent that it's incorporated sort of this one paragraph in your evidence and the response to the interrogatory to Consumers Council frames it as the ability of Amalco to bring forward these cost allocation proposals.

Would Amalco prohibit consumers or customers from bringing forward cost allocation issues in its annual rate applications?

MS. MIKHAILA: No, I don't think we would prohibit others from bringing forward concerns.

MR. KING: And again based on my reading of your response to Consumers Council 31, it sounded like these cost allocation proposals during the ten-year period would largely relate to future projects.

Would Amalco object to consumers bringing forward cost allocation proposals in these annual rate applications for any past projects back to your last rebasing?

MR. KITCHEN: Mr. King, if I understand your question, you are asking if a customer wanted to bring forward a proposal to change a cost allocation method, would we oppose that if it was related to a prior project.

I would say we would only oppose it if it was related to a prior project and it was retrospective in nature. If it was proposed on a prospective basis, then I don't think I can object to a customer bringing forward a concern about cost allocation.

MR. KING: And by retrospective, you mean there should be an interim rate in place with respect to...

MR. KITCHEN: All I'm suggesting is that I would not support it if it was retroactive.

MR. KING: Let me be very pointed. Would it -- would you object to Kitchener bringing forward a cost allocation evidence and a proposal with respect to the major Parkway capital additions?

MR. KITCHEN: I'm not sure that I can say that I would stop Kitchener, or oppose Kitchener doing so.

I don't think that we see anything unfair or wrong

with the cost allocation methodologies that were used.
That's what we brought forward; they're existing Board-approved methodologies. But as I say, if the City of Kitchener wishes to bring forward a proposal, then I think it's up to them to do that.
MR. KING: And I understand we have a different view as to whether the cost allocation, using the existing methodology or something else, is appropriate. And it's the view of Union Gas that the current methodology is appropriate.
But I'm talking more about process. You would not prohibit Kitchener or another customer from raising cost allocation issues, albeit without your support, at an annual rate application?
MR. KITCHEN: I'm not sure that Union or Amalco can prohibit someone bringing forward a concern.
MR. KING: Well, my point really is trying to flesh out your proposal. I don't want to be met with an argument saying, well, that's not part of the rate-making proposal that was approved by the Board at this proceeding.
MR. KITCHEN: I think there was actually an interrogatory that I answered, and it's escaping me now. I think it was an SEC interrogatory where I was asked is Amalco the only party that can bring forward changes to cost allocation, and I think in that response we said no, it's not.
MR. KING: Okay. And is it restricted to projects, or could a customer bring forward a cost allocation case based

on whatever -- significant change in the usage of the system, for example? Are we talking about cost allocation proposals being restricted to large projects?

MR. KITCHEN: I'm kind of in your hands, Mr. King, I'm not sure what you are referring to.

Again, I'm not sure that the company can prohibit a customer from bringing forward a complaint about a rate or a cost allocation on any basis.

It would be done in the context of a rate proceeding. The Board would then determine whether or not a change needed to be made, recognizing that any change in cost allocation has impacts on other customers as well. So I'm sure that it would be at least an interesting ride, if not a very contested one.

But again, I don't think there is anything prohibiting you from bringing forward a concern on any matter.

MR. KING: I think my final question is: I was reading the transcript in the decisions from your 2018 rate case, and Panel Member Frank asked either the panel or your counsel at the time, what is the barrier to just doing a full cost allocation study now or in the near future? And your counsel answered that that was an issue for this proceeding, so I'm going to give you the opportunity to answer that question here.

What is the barrier to doing a full cost allocation study now?

[Witness panel confers]

MS. MIKHAILA: The full cost allocation study, without a rebasing of rates, really, I don't think, provides much value. The cost study is used to form a basis for the rate design, and the rate design, under this deferred rebasing period, will be a price cap and not based on costs, so I don't see the benefit that a cost study will provide. In addition, there is significant effort involved in preparing this cost allocation study that would take probably greater than a year to complete for little or no value.

MR. KING: Okay, but the last time you did one was 2011?

MS. MIKHAILA: Yes, that's the last time we completed the one for the forecast of 2013.

MR. KING: So the next one would be 18 years later?

MS. MIKHAILA: Yes, that's in compliance with MAADs policy.

MR. KING: I have no further questions.

MS. LONG: Mr. King, if I can ask a question, and you may want to follow up, because I would like to better understand, when you talked, Ms. Mikhaila, about, there may be some cost allocation for incremental ICM projects that you might bring forward on a yearly basis, what would you plan to file with respect -- if you are not going to do a cost allocation study until 2029, I'm not sure, what would the Board see?

MS. MIKHAILA: I expect that be -- every year, as you are aware, with the ICM policy will have incremental costs to be recovered from ratepayers, and that will involve us proposing an allocation methodology for those costs. I think --

MR. KACICNIK: If I may add to her responses, if you look at the MAADs policy by the Board, so we have to use price cap, but we are in a deferred rebasing period.

In that period we will have some costs that will need to be allocated to customer classes. For example, revenue requirement associated with incremental capital module requests.

So if you look at the policy, the policy instructs you to make a proposal on how that revenue requirement will be allocated to customer classes. So as part of annual rate adjustment application, we will have to propose how ICM revenue requirement will be allocated. For example, if it's associated with mains it would be allocated to customer classes based on peak day demand contribution of which class to the total peak; if it's storage it would be done on space and their ability and so forth, the same with elements that are updated annually, such as DSM. We will need to make a proposal to allocate that annually to customer rate classes, and if we have a Z factor, again we will need to make a sensible proposal on how to allocate that to customer classes.

MS. LONG: Okay. I'm familiar with the policy, but I just wanted to make sure that there would be nothing -- I guess I'm having difficulty understanding how a customer such as the City of Kitchener would be able to bring forward information with respect to cost allocation if it wasn't pertaining to an ICM project and what information the Board would have to do an assessment if there was no full cost allocation study, but I understand what your evidence is; you're not going to be filing anything other than cost allocation related to those ICM projects until 2029. That's -- that's the correct understanding?

MR. KACICNIK: Your understanding is absolutely correct.

MS. LONG: Okay.

MR. KACICNIK: Union Gas's rate zone also has this commitment to look at Panhandle cost allocation, but aside from that your understanding is correct.

MS. LONG: Okay. Thank you. Mr. King, I didn't want to jump in there. You're fine? Okay.

MS. ANDERSON: Thank you. Ms. Girvan, we have a hard stop at 4:45, and we would prefer to stop earlier. Can you fit in in that time? I don't want to cut you off.

MS. GIRVAN: Probably.

MS. ANDERSON: Let's see.

MS. GIRVAN: 4:45, okay.

MS. ANDERSON: Hard stop.

CROSS-EXAMINATION BY MS. GIRVAN:

MS. GIRVAN: Just an initial question first of all.

So back to the point that Mr. King was speaking to you about. So you're talking about cost allocation for project coming forward, so an ICM project. You will propose a cost allocation study -- or cost allocation of those projects; is that correct?

MR. KACICNIK: Yes, that's correct.

MS. GIRVAN: Okay, so if there's a -- let's just say for an example there's a historical project that is today sort of out of whack, in the sense that the costs related to that project really aren't necessarily allocated correctly to the rate classes, based on the cost of service. There's no way of bringing that forward under your plan.

MS. MIKHAILA: I'm not sure specifically what you are referring to. I think in each annual rates application we will propose an allocation of the ICM project cost in that year that is consistent with the use of the asset.

MS. GIRVAN: Okay. So -- but if, for example, an historical project, the way it's allocated isn't really consistent with the use of the asset, there won't be an opportunity to change that going forward.

MS. MIKHAILA: I think, as we've mentioned, we do intend to address the allocation of the Panhandle project, which is a past project, but I'm not --

MS. GIRVAN: So what makes the Panhandle project unique?

MS. MIKHAILA: I would say the allocation at the 2013 Board-approved methodology, although maybe appropriate at that time due to the magnitude of the cost, did not really reflect the allocation of the use of those assets, and once we added in the Panhandle cost -- Panhandle reinforcement project costs, in reviewing that we realized that didn't allow for incremental costs added to it.

MS. GIRVAN: But there might be other projects similar to that?

MS. MIKHAILA: I think going forward, because we'll be under the ICM, we will propose an allocation that does reflect the use of the asset.

MS. GIRVAN: Only for projects going forward.

MR. KITCHEN: Ms. Girvan, I don't think there are projects that are like Panhandle.

MS. GIRVAN: Okay, are there some assets or projects in your underlying cost of service that have been fully depreciated?

MR. CULBERT: We wouldn't be able to say, Ms. Girvan. It's a pool concept that we are both under, so there might be assets that are fully appreciated on a pool concept and some that are under-appreciated, so it's kind of hard for us to answer that question.

MR. KITCHEN: And to the extent we reinvest depreciation as maintenance capital, those items are continually -- things are written off, are often replaced with new capital.

MS. GIRVAN: Thank you.

So Mr. Kitchen, earlier today, or I think -- it's all a blur, maybe it was another day -- you had said that customers are going to continue to pay rates consistent with the rates they pay today. However, as time goes on -- this is -- that customers may not be paying rates that reflect the cost to serve them, because you are moving away from cost of service to IRM.

MR. KITCHEN: Under a price cap costs are escalated annually and there are opportunities to pass through capital, et cetera, but there's no cost allocation study supporting the rates.

MS. GIRVAN: Okay, so that's your position going forward.

Okay, we talked the other day just briefly -- I want to go over this again -- we talked the other day about the fact that Enbridge's work force has been reduced by about 266 people since 2014, and the impact of that, we found out through the interrogatory response, is about $25 million a year; is that correct, Mr. Culbert?

MR. CULBERT: Is about what, I'm sorry, Ms. Girvan?

MS. GIRVAN: 25 million per year? I think your estimate was 100 employees, 9- to 10 million, so I'm doing the ballpark.

MR. CULBERT: Yeah, that answer was with respect to, had the, I'll call it the restructuring, not occurred relative to a baseline, so an interrogatory we provided resulted in approximately ongoing $35 million. I don't recall what the interrogatory was, but it's in our response to the undertaking.

MS. GIRVAN: Okay, and this is a cost that -- that specific cost Enbridge isn't -- is no longer -- it's no longer a cost for Enbridge.

MR. CULBERT: It is a cost that no longer resides in the entity and was part of the analysis for the standalone entities --

MS. GIRVAN: Okay. But it's still in rates, that cost?

MR. CULBERT: Rates are exactly what the Board approved for 2017 and 2018 and as I mentioned to Mr. Ladanyi in this conversation, we also have capital costs which have not been included in rates going forward.

MS. GIRVAN: But I'm just saying that specific cost is still in your rates, but we will continue to pay -- customers will continue to pay for it throughout the term of your plan?

MR. CULBERT: Customers will continue to pay the ongoing rates that the Board has approved through the price cap formula that we're proposing.

MS. GIRVAN: Including that $25 million?

MR. CULBERT: And excluding the capital overage that we don't have in rates.

MS. GIRVAN: I hear you. This is for Mr. Kacicnik. I just wanted to ask you, from your perspective, at what point is it no longer appropriate that we're moving off of cost of service? So at what point are we just too far off the original cost base that the rates are no longer reasonable?

MR. KACICNIK: In my view...

MS. GIRVAN: I can't hear, sorry.

[Witness panel confers]

MR. KACICNIK: The mic is on. Can people hear me?

MS. GIRVAN: No.

MR. KACICNIK: It's only the Board that can make rates just and reasonable. All we can do as utilities, we can bring forward proposals that are sensible in our view, and will support the Board making the finding that the rates are just and reasonable.

As we all know, under the MAADs policy, price cap is the only rate-setting methodology that is available to the utilities, and the Board has some levers to possibly pull and until price cap is in effect, that will yield in appropriate and just are reasonable rates that customers will pay.

And the longest timeframe that's available is ten years and under the policy, that would make rates viable and fair for the ten-year period.

MS. GIRVAN: Okay, but in -- would you agree with me that in Union's case, it is really 18 years?

MR. KITCHEN: Yes, our last cost of service was for 2013.

MS. GIRVAN: Okay, thank you. And just briefly, Mr. Culbert, we had a discussion --

MR. KITCHEN: Sorry, Ms. Girvan.

MS. GIRVAN: Yes?

MR. KITCHEN: Ms. Mikhaila just corrected me. That wouldn't be 18 years; it would be 15 years.

MS. GIRVAN: It's 18 since you did the study, that's 2011.

MR. KITCHEN: It was a study done for 2013.

MS. GIRVAN: Yes, thank you. And, Mr. Culbert, the other day we had talked about the $47 million in over earnings for Enbridge in 2017.

MR. CULBERT: Yes, 47.1 million, yes.

MS. GIRVAN: And you had said that you were going to file your ESM proceedings soon where you will identify those drivers. Have you identified those drivers yet?

MR. CULBERT: No, I don't have purview to all of the drivers at this point in time. But that number -- in the undertaking, I committed to determining whether that was still the number and in the undertaking, it is still the number.

MS. GIRVAN: So to the extent that that number is related to efficiencies sustained savings, would you agree that they will be sustained throughout the plan, that these are related to a permanent savings?

MR. CULBERT: I agree that at the outset, they would be at a level which hopefully we would be able to sustain. That's one of the key elements of incentive regulation.

Of course, we will be an amalgamated entity going forward, so determining, you know, our best practices, total cost savings is one of the keys of these this application, is to drive out further energy cost reductions.

MS. GIRVAN: For example, back to the 266 employees, I think your expectation over the term of the plan is to further reduce your work force, so...

MR. CULBERT: Well, we will be forming a consolidated entity and restructuring to the degree necessary in the consolidated entity. So we haven't reached that goal.

MS. GIRVAN: So it's possible you will have sustained savings of $47 million going forward?

MR. CULBERT: Well, we keep going around in circles on this, yes.

We are not doing a cost of service rebasing and we are not including costs that were spent on things that aren't in rates, and we're not excluding costs from rates because we're not doing a cost of service rebasing. That's the principles of MAADs application.

MR. KITCHEN: I don't think you can say that the $47 million is sustainable without knowing the drivers.

MS. GIRVAN: Exactly, but it's impossible.

MR. KITCHEN: And also the fact that there will be changes as a result of the amalgamation, that's part of the synergy savings that we're attempting to bring to ratepayers.

MS. GIRVAN: Okay. But it's possible those could be sustained savings?

MR. CULBERT: Until I know what the drivers of that $47 million are, I can't say what can and cannot be sustained going forward.

MS. GIRVAN: Thank you. And I just -- I wanted to go back to what Mr. King was talking about, and I guess it's just unclear to me exactly what that comment in CCC 31 says about standalone distinct -- standalone charges for distinct cost elements.

And I just wanted to be clear that you are -- that's largely related to ICM? Or is it -- is there -- this could be sort of a quite a broad-based proposal in your rate plan?

MS. MIKHAILA: No, I agree we have a pretty broad statement in our response to that interrogatory, but we don't have any intention of bringing forward cost allocation changes, other than the one I mentioned -- sorry, cost allocation changes to existing costs other than the one I mentioned, the Panhandle reinforcement project cost. Otherwise, it will be incremental costs.

MS. GIRVAN: I shouldn't read into "to respond to changing business needs"?

MS. MIKHAILA: No, there is no intentions there.

MS. GIRVAN: Okay. If you could briefly turn up -- it's Exhibit B, tab 1, attachment 4 -- attachment 3, sorry.

This sets out the list of existing deferral accounts and then if you scroll down, you will see on page -- oh, attachment 4, excuse me, attachment 4.

If you scroll down, it says "List of deferral accounts to be continued during deferred rebasing," and there is a huge list here. Am I correct that if I went to Energy Probe 25, each of these would be identified?

I'm just confused about which utility these refer to, because this list is just so...

MR. KITCHEN: The answer is yes, they're all covered in those ten pages. They are grouped by different categories of deferral accounts, so they're not in this order, but...

MS. GIRVAN: Because I think it's just -- it's difficult to identify from this -- this is your proposal for the Board, and it's difficult to really identify which specific accounts relate to which...

MR. KITCHEN: If you go to Energy Probe 10, you will see table that compare Union to EGD, and it goes through by deferral account category.

MS. GIRVAN: So every one of the deferral accounts that you are requesting is in there?

MR. KITCHEN: Yes, Energy Probe 25. Sorry, I may have misspoke.

MS. GIRVAN: One other question, Mr. Tetreault, I had this question for you.

You were talking about deferral and variance accounts that you will credit customers during the plan. Those were related to some of the projects that you were doing that you've said you've come in under budget or under what's embedded in rates.

MR. TETREAULT: That's correct. We were having a discussion with the Chair, among others, around the capital pass-through projects.

MS. GIRVAN: Okay. So this are those credits included in the $411 million analysis that you provided?

MR. TETREAULT: No, they wouldn't be -- they wouldn't be, Ms. Girvan. That would be over and above the 410 identified in our -- in the MAADs application.

MS. GIRVAN: Okay. But is there some other place that those credits are forecast going forward in terms of your analysis?

[Witness panel confers]

So they are not in standalone either?

MR. TETREAULT: I think I need to go back and correct the record, Ms. Girvan. I had answered no to your question, or I had suggested that those credits were over and above what's in the 410. Just in conferring with my colleagues here, I expect that they would be included in that as well, because the MAADs financial model built off of 2018 costs.

MS. GIRVAN: So they're in the standalone as well?

MR. TETREAULT: Yes, that's correct.

MS. GIRVAN: Okay. Those are my questions, thank you.

MS. ANDERSON: Thank you. So we have two more parties plus the panel who may have questions, but we're also mindful that tomorrow we have the expert panels, and we want to make sure that we get through those. We understand that they are only available tomorrow. So our plan is to start with them first thing in the morning, 9:30, to make sure we get them done, and then return to this panel after that.

And with that, unless there is any other matters, we will close for the day.

--- Whereupon the hearing adjourned at 4:42 p.m.